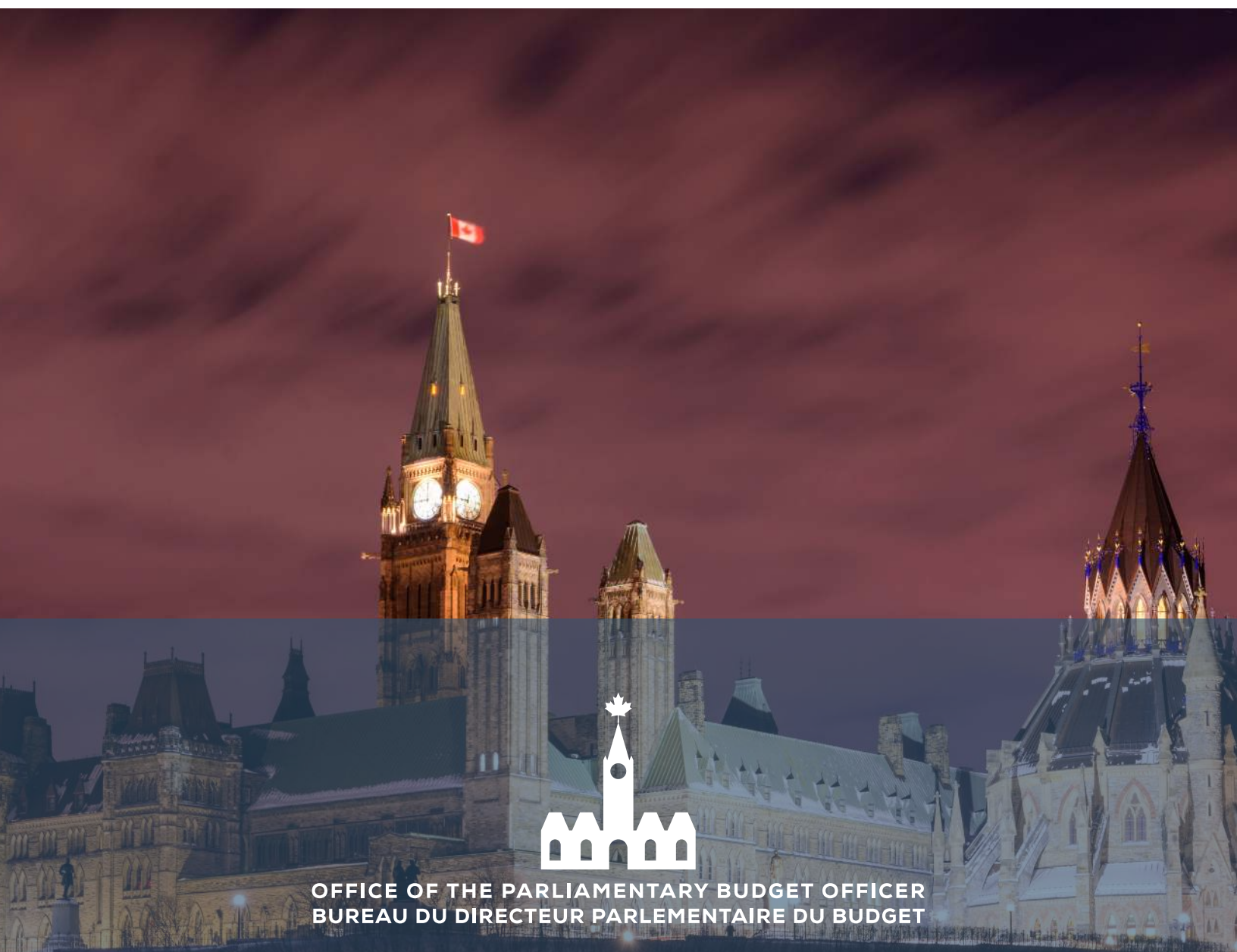


March 10, 2022



THE GOVERNMENT'S EXPENDITURE PLAN AND MAIN ESTIMATES FOR 2022-23



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

The Parliamentary Budget Officer (PBO) supports Parliament by providing economic and financial analysis for the purposes of raising the quality of parliamentary debate and promoting greater budget transparency and accountability.

This report examines the federal government's Expenditure Plan and Main Estimates for 2022-23, which supports the first two appropriation bills that seek Parliament's approval of \$190.3 billion in budgetary authorities.

Lead Analysts:

Jill Giswold, Analyst

Kaitlyn Vanderwees, Analyst

This report was prepared under the direction of:

Jason Jacques, Director General

Nancy Beauchamp, Marie-Eve Hamel Laberge and Rémy Vanherweghem assisted with the preparation of the report for publication.

For further information, please contact pbo-dpb@parl.gc.ca

Yves Giroux

Parliamentary Budget Officer

RP-2122-034-S_e

© Office of the Parliamentary Budget Officer, Ottawa, Canada, 2022

Table of Contents

Executive Summary	3
1. Introduction	4
1.1. Expenditure Plan and Main Estimates – Overview	4
2. Alignment with the Government’s Results Agenda and Fiscal Plan	5
3. Major Expenditures	7
3.1. Federal Spending on Elderly Benefits	7
3.2. Federal Spending on Health	8
3.3. Indigenous Spending	8
Notes	11

Executive Summary

The Government's Main Estimates for 2022-23 outline \$397.6 billion in budgetary spending authorities. Voted authorities, which require approval by Parliament, total \$190.3 billion. Statutory authorities, for which the Government already has Parliament's permission to spend, total \$207.3 billion.

Consistent with previous Estimates, money transferred to other levels of government, individuals and other organizations account for most of the planned spending in these Main Estimates (\$243.1 billion, 61.1 per cent).

Notable areas of spending in these Main Estimates include:

- Elderly benefits (\$68.3 billion);
- The Canada Health Transfer (\$45.2 billion); and,
- Compensation to First Nations Children (roughly \$20 billion).

As Budget 2022 has yet to be tabled, the 2022-23 Main Estimates do not reflect the new budget measures. As such, the 2022-23 budgetary authorities will rise with these anticipated funding requests in the Supplementary Estimates.

PBO is available to offer briefings or answer questions on any items included in these Main Estimates.

1. Introduction

The Government cannot spend public money without Parliament's permission.

Parliament can provide its permission through approval of appropriation bills, which generally provide permission to spend certain amounts of money within a given year. Alternatively, Parliament can also provide ongoing permission to spend through continuing legislation (such as Old Age Security benefits paid under the authority of the *Old Age Security Act*).¹

The 2022-23 Main Estimates support Parliament's consideration of the interim supply bill, which generally authorizes funding for the first three months of the fiscal year, and the full supply bill, which is the amount laid out in the Main Estimates, less interim supply. These first two appropriation bills seek authority for most of the total spending in the given year.

1.1. Expenditure Plan and Main Estimates – Overview

The Government's Expenditure Plan and Main Estimates for 2022-23 outline \$397.6 billion in budgetary spending authorities, as well as an overall increase of \$0.4 billion in the value of non-budgetary loans, investments and advances (Table 1-1). Of the budgetary total, \$190.3 billion relates to authorities to be voted on by Parliament.

Table 1-1 The Government's expenditure plan

(\$ billions)	Budgetary	Non-Budgetary	Total
Voted	190.3	0.2	190.5
Statutory	207.3	0.1	207.4
Total	397.6	0.4	398.0

Source: Treasury Board of Canada Secretariat, *2022-23 Main Estimates*.

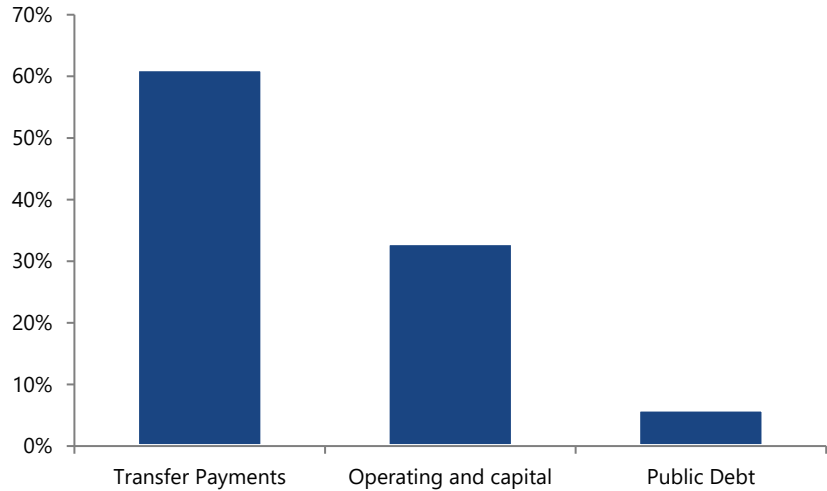
Note: Numbers might not add due to rounding.

These Main Estimates do not reflect the new spending items to be announced in Budget 2022. As such, the 2022-23 budgetary authorities will rise with these anticipated funding requests in the Supplementary Estimates.

As shown in Figure 1-1, transfer payments account for the largest portion of budgetary authorities in the 2022-23 Main Estimates, at 61.1 per cent (\$243.1 billion). These include payments made to other levels of government, individuals, and other organizations. Budgetary authorities for operating and capital represent 32.9 per cent (\$130.9 billion), while public debt charges amount to 5.9 per cent (\$23.6 billion).

Figure 1-1 Composition of budgetary authorities

% of total budgetary authorities



Source: Treasury Board of Canada Secretariat, *2022-23 Main Estimates*.

In comparison to the 2021-22 Estimates to date, total budgetary authorities have decreased by \$16.3 billion in the 2022-23 Main Estimates.

2. Alignment with the Government's Results Agenda and Fiscal Plan

As noted earlier, the Main Estimates provide supporting information regarding the two largest appropriation bills for the fiscal year.

Parliamentarians will be asked to vote on the first of these appropriation bills before the end of March 31st, thus ensuring that the Government has money to operate for the first few months of the fiscal year (which runs from April to March). By convention, parliamentarians are asked to vote on the second appropriation bill approving the balance of Main Estimates funding before the end of June.²

To support their deliberations, the Government typically presents Parliament with Departmental Plans for each department and agency that is requesting money in the Main Estimates. These plans enumerate in much greater detail how the requested money would be spent and (importantly) what results are expected to be achieved. As noted by the PBO during previous testimonies to the House of Commons and Senate, these documents are essential in understanding what the requested money is expected to accomplish.

As noted by the PBO in previous reports, while there is a fixed tabling date for the Main Estimates (no later than March 1st), no such guarantee exists for the other supporting information (notably the Departmental Plans and the Departmental Results Reports).³ While this discretion provides greater flexibility to the Government, it does create the risk of misalignment between the money parliamentarians are asked to approve and when details of the planned (and actual) spending are available. This undermines the ability of parliamentarians to meaningfully scrutinize proposed spending.

While the Government refers to the Main Estimates as the "Government's Expenditure Plan", they generally fail to include any measures in the corresponding Budget, nor do the Departmental Plans, and therefore present an incomplete picture of government spending.⁴ Tabling the Main Estimates prior to the release of the budget has allowed for more detailed Treasury Board scrutiny of budget measures prior to their consideration by Parliament in the Supplementary Estimates. However, this results in asking parliamentarians to approve funding through the Main Estimates that were incomplete as they do not represent an accurate picture of the Government's planned spending.

As previously admitted by the Government, this lack of cohesion between two of the Government's primary fiscal documents engenders confusion. As such, it hinders the ability of parliamentarians and Canadians to understand the overall federal spending strategy, track new policy measures announced in the Budget, or identify the expected results of new Budget measures.⁵

The PBO has previously echoed the all-party recommendations from the House of Commons Government Operations Committee to remedy these shortcomings.⁶

Specifically:

- Parliament should establish a fixed tabling date for the Budget;
- This tabling date should be early enough to ensure that Budget measures can be incorporated in the Main Estimates; and
- The Departmental Plans should be tabled at the same time as the Main Estimates.

These changes would be consistent with the recommendations made by the PBO earlier this year, which would:

- Move the publication date of the Public Accounts to no later than September 30th; and
- Require the Departmental Results Reports to be published at the same time.

Overall, PBO is of the view that these administrative changes would create a cohesive, intuitive and (critically) transparent financial decision-making process for legislators.

3. Major Expenditures

3.1. Federal Spending on Elderly Benefits

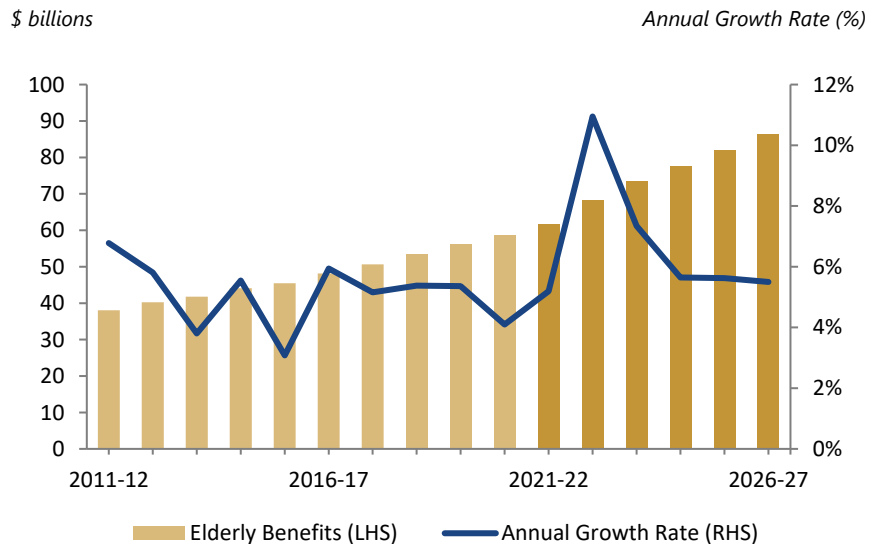
As the Canadian population ages, there will also be an increase in the eligibility for Elderly Benefits. Old Age Security (OAS) is currently the largest federal program – responsible for one in every seven dollars of federal spending. OAS provides a monthly pension payment to most seniors who are over 65 and meet the eligibility requirements.⁷

In addition, the program can provide other benefits for low-income pensioners, such as the Guaranteed Income Supplement (GIS) and Allowance Payments.

These Main Estimates include an increase of \$740 million to the forecasted statutory spending on GIS relating to the one-time payment for GIS recipients who received pandemic benefits.

Federal spending on Elderly Benefits is set to increase by \$6.7 billion (10.9 per cent) to a total of \$68.3 billion in 2022-23 (Figure 3-1). This is driven by a combination of a larger number of seniors and inflation (to which the benefits are indexed). PBO projects that by 2026-27, federal spending on Elderly Benefits will reach \$86.3 billion.

Figure 3-1 Elderly Benefits



Sources: Receiver General of Canada, Public Accounts of Canada; Treasury Board of Canada Secretariat, 2022-23 Main Estimates; Parliamentary Budget Officer.

Notes: Figures prior to 2021-22 are actuals. Figures for 2021-22 and 2022-23 are estimates. Figures for 2023-24 and later are PBO projections.

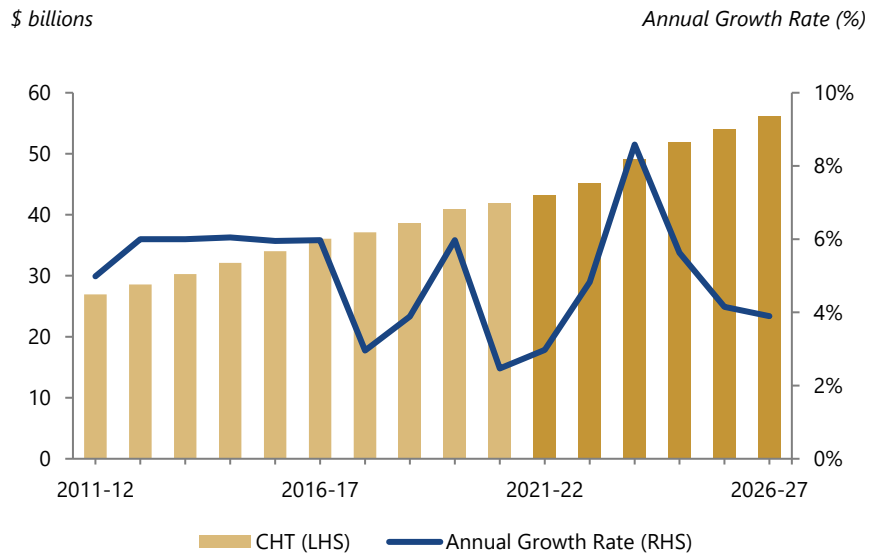
3.2. Federal Spending on Health

The Canada Health Transfer (CHT) is the largest federal transfer to provinces and territories and provides financial assistance to provinces and territories to help pay for health care.

The CHT is calculated to automatically grow in line with the three-year moving average of nominal GDP growth, with a minimum annual growth rate set at 3 per cent. The CHT is also allocated to all provinces and territories on an equal per capita basis.⁸

The CHT is set to increase by \$2.1 billion (4.8 per cent) to \$45.2 billion in 2022-23. PBO projects that by 2026-27, the CHT will reach \$56.1 billion.

Figure 3-2 Canada Health Transfer



Sources: Receiver General of Canada, Public Accounts of Canada; Treasury Board of Canada Secretariat, *2022-23 Main Estimates*; Parliamentary Budget Officer.

Notes: Figures prior to 2021-22 are actuals. Figures for 2021-22 and 2022-23 are estimates. Figures for 2023-24 and later are PBO projections.

CHT expenses for 2020-21 do not include the additional, one-time increase of \$4 billion in response to the COVID-19 pandemic, as it does not form part of the CHT that is legislated to grow in line with a three-year moving average of nominal GDP, with a floor of 3 per cent per year.

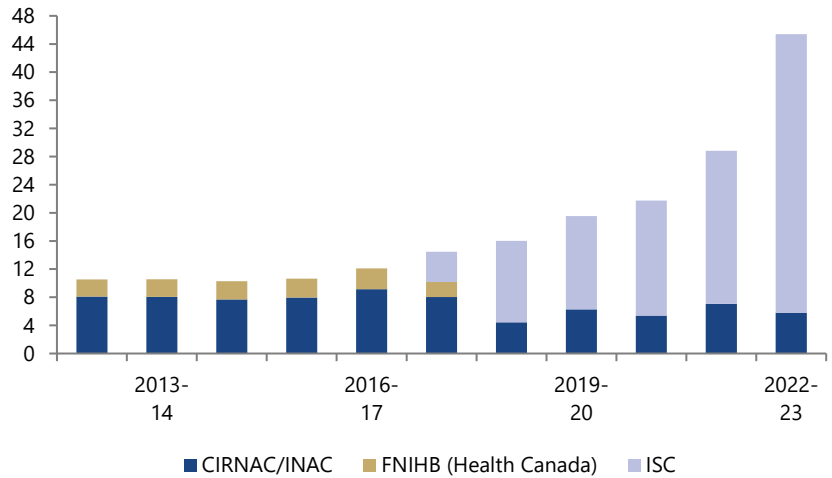
3.3. Indigenous Spending

Over the past six years, Indigenous-related budgetary spending has increased significantly (Figure 3-3).⁹ Proposed spending in these Main Estimates for Indigenous Services Canada (ISC) and Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC) are \$39.6 billion and \$5.8 billion respectively, for a combined total of \$45.4 billion. This represents a

214 per cent increase over Indigenous-related budgetary expenditures compared to 2017-18.

Figure 3-3 Indigenous Portfolio, 2012-13 to 2022-23

\$ billions



Sources: Receiver General of Canada, Public Accounts of Canada; Treasury Board of Canada Secretariat, Main Estimates 2022-23.

Note: Data up until and including 2020-21 are actuals. Values for 2021-22 and 2022-23 represent budgetary authorities and do not reflect actual expenditures. Values for 2021-22 are estimates to date, values for 2022-23 are proposed authorities as of *Main Estimates, 2022-23*.

More than half (roughly \$22 billion) of ISC's \$39.6 billion in budgetary authorities are for out-of-court settlements. Of this approximately \$22 billion, roughly \$20 billion relates to the December 2021 announcement by the Government for compensation for First Nations children (see Box 1).

Box 1 – Compensation for First Nations Children

In December 2021, the Government announced a \$20 billion compensation package for those harmed by the “discriminatory underfunding” of First Nations child and family services, as well as those who were denied (or delayed in receiving) services under Jordan’s Principle. At the same time, a separate (but related) \$20 billion over five years was announced to support the long-term reform of the Government’s First Nations Child and Family Services Program.

The \$20 billion compensation package provides financial compensation for three groups of affected stakeholders:

1. First Nations children on-reserve and in the Yukon who were removed from their homes between April 1991 and March 2022, and for their parents and caregivers;
2. Those impacted by the government's narrow definition of Jordan's Principle between December 2007 and November 2017; and
3. Children who did not receive, or were delayed in receiving, an essential public service or product between April 1991 and December 2007.

The Assembly of First Nations estimates that over 200,000 individuals could potentially be eligible for compensation. The precise amounts provided to individuals will depend on the severity of harm.

In February 2021 the PBO published a report indicating that approximately \$15 billion would be required to provide adequate compensation for children harmed by underfunding of First Nations child and family services.¹ The \$5 billion difference between the PBO estimate and actual compensation is primarily attributable to two factors. First, the PBO estimate did not include potential costs arising from class action claimants in the Trout lawsuit. Second, the PBO assumed that the time period for compensation was between 2007 and 2017, significantly shorter than the eligible period of compensation agreed to by the Government.

1. Office of the Parliamentary Budget Officer. February 2021. Compensation for the delay and denial of services to First Nations Children. <https://www.pbo-dpb.gc.ca/en/blog/news/RP-2021-038-M--compensation-delay-denial-services-first-nations-children--indemnisation-retards-refus-services-enfants-premieres-nations>

Notes

1. *Old Age Security Act*. <http://laws-lois.justice.gc.ca/eng/acts/O-9/>.
2. Standing Orders of the House of Commons. <https://www.ourcommons.ca/about/standingorders/Chap10-e.htm#SO81>
3. Office of the Parliamentary Budget Officer. Supplementary Estimates (C) 2021-22. <https://www.pbo-dpb.gc.ca/en/blog/news/RP-2122-031-S--supplementary-estimates-c-2021-22--budget-supplementaire-dependences-c-2021-2022>
4. In 2018-2019 and 2019-2020, the Government temporarily changed Standing Order 81 to allow the tabling of the Main Estimates to be delayed for several weeks, with the goal to better align the Estimates with the Budget. See the PBO report, *The Government's Expenditure Plan and Main Estimates for 2019-20* for more information on the impact of these changes. https://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/2019/Main_estimates_2019_20/The%20Government%E2%80%99s%20Expenditure%20Plan%20and%20Main%20Estimates%20for%202019-20_EN.pdf
5. Government of Canada. Empowering Parliamentarians Through Better Information: The Government's Vision for Estimates Reform. <https://www.canada.ca/en/treasury-board-secretariat/services/planned-government-spending/empowering-parliamentarians-better-information.html>
6. House of Commons Government Operations and Estimates Committee. Seventh Report in the 41st Parliament. <https://www.ourcommons.ca/DocumentViewer/en/41-1/OGGO/report-7>
7. Old Age Security – Overview. <https://www.canada.ca/en/services/benefits/publicpensions/cpp/old-agesecurity.html>
8. Department of Finance. Canada Health Transfer. <https://www.canada.ca/en/department-finance/programs/federal-transfers/canada-health-transfer.html>
9. Prior to 2017, Indigenous-related spending was under Indigenous and Northern Affairs Canada (INAC) and the First Nations Inuit Health Branch (FNIHB) under Health Canada. In 2017, the Government announced the dissolution of INAC, to be replaced by two new departments: Indigenous Services Canada (ISC) and Crown-Indigenous Relations and Northern Affairs (CIRNAC).