

April 22, 2022



BUDGET 2022: ISSUES FOR PARLIAMENTARIANS



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.

To assist parliamentarians in their budgetary deliberations, this report highlights key issues arising from Budget 2022.

Contributors:

Govinda Bernier, Acting/Director

Kristina Grinsphoon, Acting/Director

Jason Jacques, Director General

Nora Nahornick, Senior Analyst

Caroline Nicol, Senior Analyst

Louis Perrault, Acting/Director

Jason Stanton, Senior Analyst

This report was prepared under the direction of:

Chris Matier, Director General

Nancy Beauchamp, Marie-Eve Hamel Laberge, Martine Perreault 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

Table of Contents

Summary	3
1. Economic outlook	6
2. Fiscal outlook	9
3. Measures since the start of the pandemic	10
4. Tax Fairness and Effective Government	12
5. Fiscal transparency	16
Notes	18

Summary

To assist parliamentarians in their budgetary deliberations, this report highlights key issues arising from Budget 2022.

Economic outlook

Relative to the December 2021 Economic and Fiscal Update, the private sector forecast of nominal GDP—the broadest measure of the Government’s tax base—has been revised up by \$41 billion per year, on average, over 2021 to 2026, due almost entirely to higher GDP inflation in the near term.

That said, the outlook for nominal GDP in Budget 2022 is lower than PBO’s March projection. Nominal GDP in Budget 2022 is \$26 billion (0.9 per cent) lower per year, on average, compared to PBO’s projection. This difference primarily reflects PBO’s outlook for GDP inflation.

PBO’s March projection of nominal GDP is well within the range of the alternative “Heightened Impact” and “Moderate Impact” scenarios presented in Budget 2022.

Fiscal outlook

On a net basis, Budget 2022 included \$34.9 billion in additional measures over 2021-22 to 2026-27. This represents a cumulative increase in budgetary deficits of \$32.4 billion over 2021-22 to 2026-27 relative to PBO’s March projection.

When put on a comparable basis, PBO’s projected budgetary deficits (that is, our March projection adjusted for Budget 2022 measures) would be \$10.5 billion higher annually, on average, compared to the outlook presented in Budget 2022. This difference largely reflects stronger-than-expected financial results to date in 2021-22, incorporated in Budget 2022, that carry forward over the medium term.

Measures since the start of the pandemic

Since the beginning of the COVID-19 pandemic, the Government has spent, or has planned to spend, \$576 billion (on a net basis) from 2019-20 to 2026-27. Of this spending, \$371.5 billion (64.5 per cent), relates to the Government’s COVID-19 Response Plan and \$204.5 billion (35.5 per cent) is for non-COVID-19 measures.

The \$34.9 billion in new measures announced since the Government’s 2021 Economic and Fiscal Update includes a number of measures presented in the Liberal Party of Canada’s 2021 election platform. There are also several measures that are not included in Budget 2022, such as the Canada Mental Health Transfer (\$4.5 billion over five years) and the increase in the

Guaranteed Income Supplement by \$500 for singles and \$750 for couples (\$4.2 billion over four years).

The implementation of any remaining platform measures, as well as additional commitments not included in Budget 2022, such as Pharmacare, will impact the budgetary balance going forward.

Tax Fairness and Effective Government

Increased spending on tax compliance

Expanding the audits of CRA will likely trigger an increase in the number of objections and appeals from taxpayers. However, there does not appear to be any funding announced in Budget 2022 with respect to objections and appeals. In addition, as PBO noted in a recent report, CRA's performance on the collection of arrears is below the average of comparable countries.

This gives rise to a downside risk where the revenue recovered through increased spending on tax compliance might not reach the expected level or will take a longer time to materialize.

Spending reductions

While Budget 2022 includes many new spending initiatives, it also introduces specific measures with a goal of reducing planned spending over the medium term. In total, the Government expects to reduce spending by \$9 billion, on a cumulative basis, over four years beginning in 2023-24.

While the Government intends to review and identify areas to reduce spending, specific details regarding the scope of the review have not yet been announced. It is unclear whether this will primarily target operating spending, direct program expenses, or total program expenses. Parliamentarians may wish to continue to request updates on these reviews once more details are developed.

Fiscal transparency

Long-term economic and fiscal projections

The inclusion of long-term economic and fiscal projections in Budget 2022 improves fiscal transparency and contributes to sustainability analysis. That said, additional detail would enhance the analysis provided in Budget 2022. For example, including long-term projections of Old Age Security, Employment Insurance and children's benefits.

Moreover, Finance Canada could expand its analysis to include, as previously recommended by the Auditor General, "analysis for all governments combined, including the federal, provincial, and territorial governments, to give a total Canada perspective".

Alignment of financial reporting

Budget 2022 was tabled a month after the Government's Main Estimates. These timing differences decouple the Government's fiscal planning from the medium-term operational plans tabled in Parliament.

This misalignment is apparent with National Defence. The department's 2022 Departmental Plan indicated that it planned to spend \$77 billion between 2022-23 and 2024-25. The corresponding numbers in Budget 2022 are roughly \$23 billion higher. While part of this spending (approximately \$8 billion) pertains to new policy measures presented in the budget, there is no explanation for the balance (close to \$15 billion).

As previously observed by PBO, parliamentarians could be well served by adopting a new legislative or administrative framework to enforce better alignment among the Government's various financial reports.

1. Economic outlook

The economic outlook presented in Budget 2022 was based on Finance Canada's February 2022 survey of private sector economists. Table 1-1 provides a high-level comparison of the average private sector forecast in Budget 2022 and PBO's Economic and Fiscal Outlook (EFO) published on March 1, which incorporated data up to and including February 18.¹

Table 1-1 Economic outlook comparison

	2021	2022	2023	2024	2025	2026	2022-2026
Real GDP growth (%)							
Budget 2022	4.6	3.9	3.1	2.0	1.9	1.8	2.5
PBO March 2022*	4.6	3.9	2.9	1.8	1.8	1.8	2.5
	0.0	0.0	0.2	0.2	0.1	0.0	0.1
Nominal GDP level (\$ billions)							
Budget 2022	2,496	2,689	2,819	2,929	3,040	3,152	
PBO March 2022*	2,496	2,715	2,841	2,951	3,067	3,187	
	0	-26	-22	-22	-27	-35	-26
GDP inflation (%)							
Budget 2022	8.2	3.7	1.7	1.8	1.9	1.9	2.2
PBO March 2022*	8.2	4.6	1.7	2.0	2.1	2.1	2.5
	0.0	-0.9	0.0	-0.2	-0.2	-0.2	-0.3
Unemployment rate (%)							
Budget 2022	7.4	5.8	5.5	5.5	5.5	5.5	5.6
PBO March 2022	7.4	5.9	5.4	5.4	5.4	5.4	5.5
	0.0	-0.1	0.1	0.1	0.1	0.1	0.1

Sources: Finance Canada and Office of the Parliamentary Budget Officer.

Note: * Adjusted to reflect historical revisions and the actual results of the National Accounts for the fourth quarter of 2021. Numbers may not add due to rounding.

The outlook for real GDP growth over 2022 to 2026 presented in Budget 2022 is in line with PBO's March EFO, with growth averaging 2.5 per cent annually in both projections.

Relative to the 2021 Economic and Fiscal Update, the private sector forecast of nominal GDP—the broadest measure of the Government's tax base—has been revised up by \$41 billion per year, on average, over 2021 to 2026, due almost entirely to higher GDP inflation in the near term.

That said, the outlook for nominal GDP in Budget 2022 is lower than PBO's March EFO projection. Nominal GDP in Budget 2022 is \$26 billion (0.9 per cent) lower per year, on average, compared to PBO's projection. This

difference primarily reflects PBO’s outlook for GDP inflation, which is 0.3 percentage points higher, on average, over 2022 to 2026.

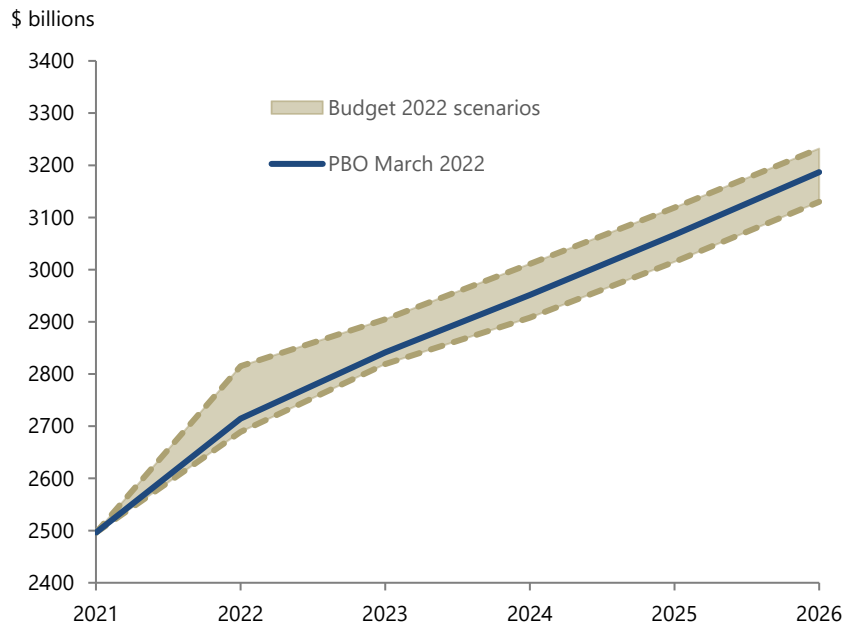
The Budget 2022 outlook for the unemployment rate is in line with PBO’s March EFO, with projections averaging 5.6 per cent and 5.5 per cent, respectively, over 2022 to 2026.

Uncertainty surrounding the economic outlook

We believe that the broadly similar economic projections presented in Budget 2022 and PBO’s March EFO, continue to provide a reasonable basis for fiscal planning. However, recent global events, including the Russian invasion of Ukraine, have greatly increased the uncertainty surrounding the economic outlook. To illustrate the effects of this heightened uncertainty, Budget 2022 included two alternative economic scenarios.²

Under the “Heightened Impact” scenario in Budget 2022, the projection of nominal GDP over 2022 to 2026 is, on average, \$11 billion lower per year compared to PBO’s March EFO. Under the “Moderate Impact” scenario, nominal GDP is \$50 billion higher per year on average than PBO’s projection. That said, PBO’s nominal GDP projection is well within the range of the alternative scenarios presented in Budget 2022 (Figure 1-1).

Figure 1-1 Nominal GDP outlook



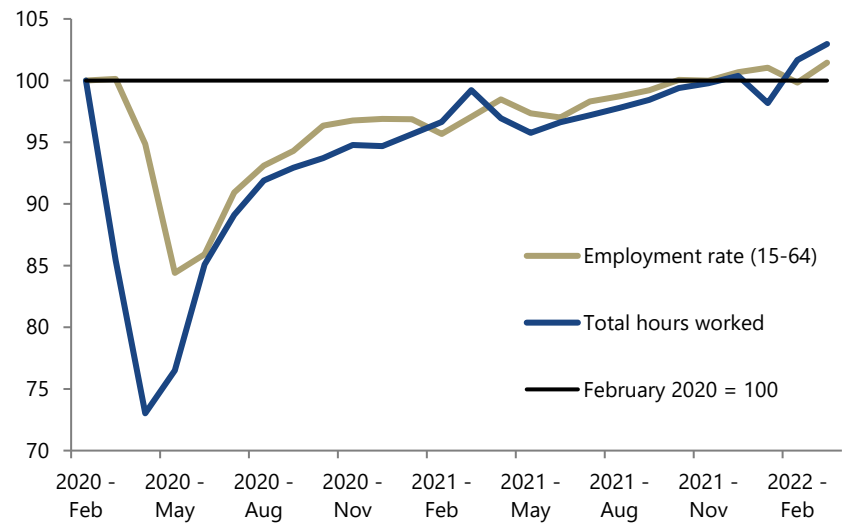
Sources: Finance Canada and Office of the Parliamentary Budget Officer.

Fiscal guardrails

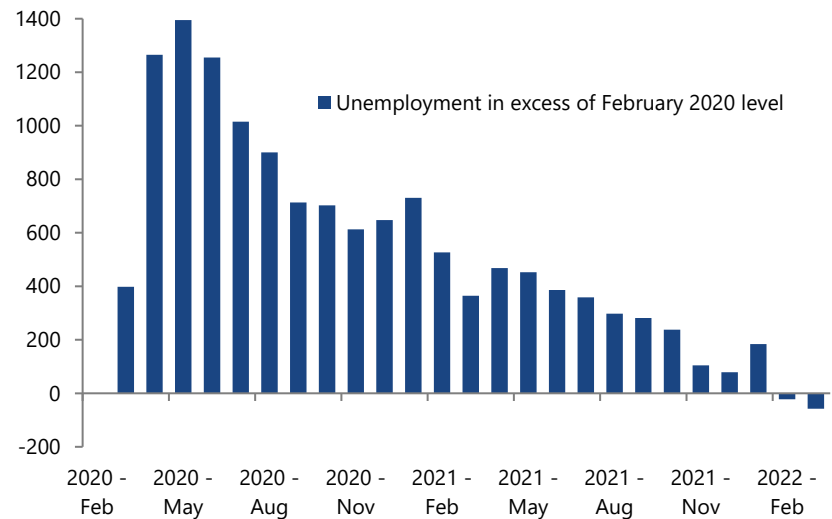
As acknowledged in Budget 2022, and further confirmed by Statistics Canada’s March Labour Force Survey, all indicators have surpassed their pre-pandemic levels. Figure 1-2 updates fiscal guardrail tracking to include the March data.³

Figure 1-2 Tracking fiscal guardrails

Index, February 2020 = 100



Thousands



Sources: Statistics Canada and Office of the Parliamentary Budget Officer.

2. Fiscal outlook

On a net basis, Budget 2022 included \$34.9 billion in additional measures (relative to the 2021 Economic and Fiscal Update) over 2021-22 to 2026-27. This represents a cumulative increase in budgetary deficits of \$32.4 billion over 2021-22 to 2026-27 compared to PBO's March projection.

When put on a comparable basis, PBO's projected deficits (that is, our March projection adjusted for new Budget 2022 measures) would be \$10.5 billion higher, on average, compared to Budget 2022 (Table 2-1). This difference largely reflects stronger-than-expected financial results to date in 2021-22, incorporated in Budget 2022, that carry forward over the medium term.

Table 2-1 Fiscal outlook comparison

\$ billions	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027
PBO budgetary balance in the March EFO	-139.8	-47.9	-38.3	-25.7	-22.5	-17.5
Measures since the 2021 EFU*	-2.8	-8.7	-7.7	-6.1	-4.4	-2.7
(A) Adjusted PBO budgetary balance	-142.6	-56.6	-46.0	-31.8	-26.9	-20.2
(B) Budgetary balance in Budget 2022	-113.8	-52.8	-39.9	-27.8	-18.6	-8.4
Difference in the budgetary balances (A-B)	-28.8	-3.8	-6.1	-4.0	-8.3	-11.8
<i>Of which: revenues</i>	-21.2	-10.1	-4.8	-2.9	-5.5	-5.2
<i>Of which: direct program expenses</i>	-6.8	1.7	-1.0	1.1	0.7	-3.2
<i>Of which: other expenses**</i>	-0.8	4.8	-0.3	-2.2	-3.6	-3.4

Sources: Finance Canada and Office of the Parliamentary Budget Officer.

Note: * 2021-22 is adjusted for Bill C-10, which provided \$2.5 billion in COVID-19 rapid tests and was included in PBO's March projection.

** Other expenses consist of major transfers to persons, major transfers to other levels of government, net actuarial losses and public debt charges.

Totals may not add due to rounding.

The higher deficit in PBO's adjusted outlook for 2021-22 is primarily due to lower projected revenues, specifically corporate income taxes, which reflect stronger-than-anticipated monthly data following the completion of PBO's March projection. Budget 2022 notes that the sharp increase (of 34.6 per cent) in corporate income tax revenues in 2021-22 represented broad-based gains across industry sectors.

The higher deficit in PBO's adjusted outlook also reflects higher direct program expenses. Due to "re-estimation of pandemic-related public health supports and slower departmental spending", these downward revisions in the Government's forecast could account for a significant portion of the difference between PBO and Budget 2022 expense projections.

3. Measures since the start of the pandemic

Since the beginning of the COVID-19 pandemic, the Government has spent, or has planned to spend, \$576 billion (on a net basis) from 2019-20 to 2026-27.⁴ Of this spending, \$371.5 billion (64.5 per cent), relates to the Government's COVID-19 Response Plan and \$204.5 billion (35.5 per cent) is for non-COVID-19 measures (Table 3-1).

Table 3-1 Measures since the start of the pandemic (net basis)

\$ billions	2019-2020	2020-2021	2021-2022	2022-2023 to 2026-2027	Total
COVID-19 Response Plan	7.2	261.8	90.7	11.8	371.5
<i>Of which: announced in Budget 2022*</i>	0.0	0.0	5.5	0.4	5.9
Other measures:					
Fall Economic Statement 2020	0.0	5.2	10.9	1.0	17.1
Budget 2021	0.0	2.5	20.2	82.4	105.0
Economic and Fiscal Update 2021	0.0	9.6	12.8	31.0	53.4
Budget 2022*	0.0	0.0	-0.2	29.2	29.0
Total other measures	0.0	17.3	43.7	143.6	204.5
Total measures since March 2020	7.2	279.0	134.3	155.4	576.0

Sources: Finance Canada and Office of the Parliamentary Budget Officer.

Note: Measures for 2026-27 only include measures from the 2021 Economic and Fiscal Update and Budget 2022.

* Measures since the 2021 Economic and Fiscal Update have been included in as Budget 2022 measures.

Totals may not add due to rounding.

In Budget 2022, revisions to the private sector economic outlook and fiscal developments provide a total of \$85.5 billion in new "fiscal room" over 2021-22 to 2026-27.⁵ Otherwise stated, without any new measures, the budgetary deficit would have been \$14.3 billion lower each year, on average, over 2021-22 to 2026-27 than projected in Budget 2022.

Over 2021-22 to 2026-27, this new fiscal room finances \$34.9 billion in new measures announced since the 2021 Economic and Fiscal Update (EFU). This includes \$3.8 billion in measures since the EFU and \$31.2 billion (on a net basis) in new measures announced in Budget 2022.

Of the Budget 2022 measures, \$56.6 billion can be classified as new spending, partially offset by \$25.4 billion in taxes and spending reduction plans (Table 3-2).

Table 3-2 Budget 2022 measures

\$ billions	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027
Budget 2022 measures:						
Spending	2.2	9.3	11.1	12.1	11.3	10.6
Taxes and Spending Reduction Plans	0.0	2.0	4.0	5.3	6.5	7.6
<i>Of which: "Tax Fairness"</i>	<i>0.0</i>	<i>2.0</i>	<i>3.3</i>	<i>3.6</i>	<i>3.7</i>	<i>3.9</i>
<i>Of which: "Effective Government"</i>	<i>0.0</i>	<i>0.0</i>	<i>0.7</i>	<i>1.7</i>	<i>2.7</i>	<i>3.7</i>
Total – Budget 2022 measures	2.2	7.4	7.1	6.7	4.8	3.0

Sources: Finance Canada and Office of the Parliamentary Budget Officer.

Note: PBO has categorized "spending" as measures included in Chapters 1-8, while savings from "Tax Fairness and Effective Government" are from Chapter 9.

Totals may not add due to rounding.

The \$34.9 billion in new measures announced since the Government's 2021 EFU includes a number of measures presented in the Liberal Party of Canada's 2021 election platform, such as the Housing Accelerator Fund and Tax-free First Home Savings Account. There are also several measures that are not included in Budget 2022, such as the Canada Mental Health Transfer (\$4.5 billion over five years) and the increase in the Guaranteed Income Supplement by \$500 for singles and \$750 for couples (\$4.2 billion over four years).

PBO previously estimated that after including measures announced in the 2021 EFU, remaining platform measures would amount to \$48.5 billion in (net) new spending.⁶ However, we are currently unable to calculate an exact cost of the remaining measures following Budget 2022 announcements given the difficulty in mapping certain platform commitments to new budget measures, notably due to differences in program descriptions, differences in cost estimates and differences in program parameters.

The implementation of any remaining platform measures, as well as additional commitments not included in Budget 2022, such as Pharmacare, will impact the budgetary balance going forward.

4. Tax Fairness and Effective Government

The Budget 2022 chapter “Tax Fairness and Effective Government” includes measures that will reduce the budgetary deficit by \$25.4 billion over 2021-22 to 2026-27. Almost half of this savings (\$11.2 billion) is generated by recovering revenues through the Canada Revenue Agency and by reducing government spending.

Increased spending on tax compliance

Budget 2022 introduced new spending of \$1.2 billion over five years to reinforce the Canada Revenue Agency (CRA).⁷ This new spending is projected to bring in \$3.4 billion in tax revenue over 2022-23 to 2026-27.

The expected tax revenue represents a return of \$2.74 for each dollar of new spending (Table 4-1). Budget 2022 indicates that the previous \$2.2 billion spent on tax compliance since Budget 2016 has yielded a return of five dollars for each dollar spent until 2020-21.

However, expected returns announced in previous budgets and the 2020 Fall Economic Statement (FES) were rarely five to one. Moreover, prior to Budget 2021, Finance Canada expected diminishing returns with each additional dollar spent, decreasing from \$5.85 in Budget 2016 to \$2.38 in the 2020 FES. The expected return for this new spending is somewhere between the recovery estimated in Budget 2018 and Budget 2019.

Table 4-1 Spending on tax compliance since Budget 2016 and expected revenue recovery

	Budget 2016	Budget 2017	Budget 2018	Budget 2019	FES 2020	Budget 2021	Budget 2022
Spending (\$ millions)	444	524	91	151	606	304	1,235
Revenue recovered (\$ millions)	2,600	2,457	354	369	1,445	810	3,390
Revenue recovered per \$ of spending	\$5.85	\$4.69	\$3.91	\$2.45	\$2.38	\$2.66	\$2.74

Sources: Finance Canada and Office of the Parliamentary Budget Officer.

Note: Numbers may not add due to rounding.

Budget 2022 spending on reinforcing CRA is twice as high as previous announcements. In the first three years, the additional spending would represent an increase of 7 to 21 per cent of planned spending on reporting compliance based on the projections by program from CRA’s latest Departmental Plan. This would represent an increase of 3 to 8 per cent of

planned spending on the tax core responsibility, of which reporting compliance is a subcomponent.

Expanding the audits of CRA will likely trigger an increase in the number of objections and appeals from taxpayers. In a 2016 report, the Auditor General flagged the average delay to process objections originating from audited returns was 1,424 days.⁸ While the situation might have improved since, there does not appear to be any funding announced in Budget 2022 with respect to objections and appeals. In addition, as PBO noted in a recent report, CRA's performance on the collection of arrears is below the average of comparable countries.⁹

The combination of these two elements gives rise to a downside risk where the revenue recovered through increased spending on tax compliance might not reach the expected level or will take a longer time to materialize.

Spending reductions

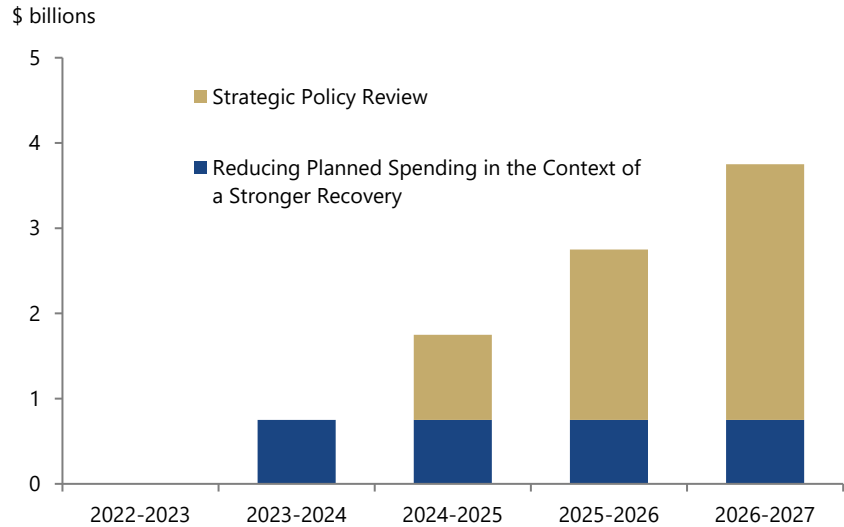
While Budget 2022 includes many new spending initiatives, it also introduces two specific measures with a goal of reducing planned spending over the medium term.

The first measure, "Reducing Planned Spending in the Context of a Stronger Recovery", intends to review and reduce the pace and size of spending for certain previously announced spending plans which have yet to occur. The Government estimates that this will generate savings of \$750 million annually, starting in 2023-24.

The second measure, "Strategic Policy Review", has two streams. The first will review whether programs are effective in meeting the Government's key priorities, while the second aims to identify areas to save or reallocate resources. The Government estimates that this will target savings of \$1.0 billion in 2024-25, increasing to \$3.0 billion in 2026-27.

In total, the Government expects to reduce spending by \$9 billion, on a cumulative basis, over four years beginning in 2023-24 (Figure 4-1).

Figure 4-1 Planned annual spending reductions

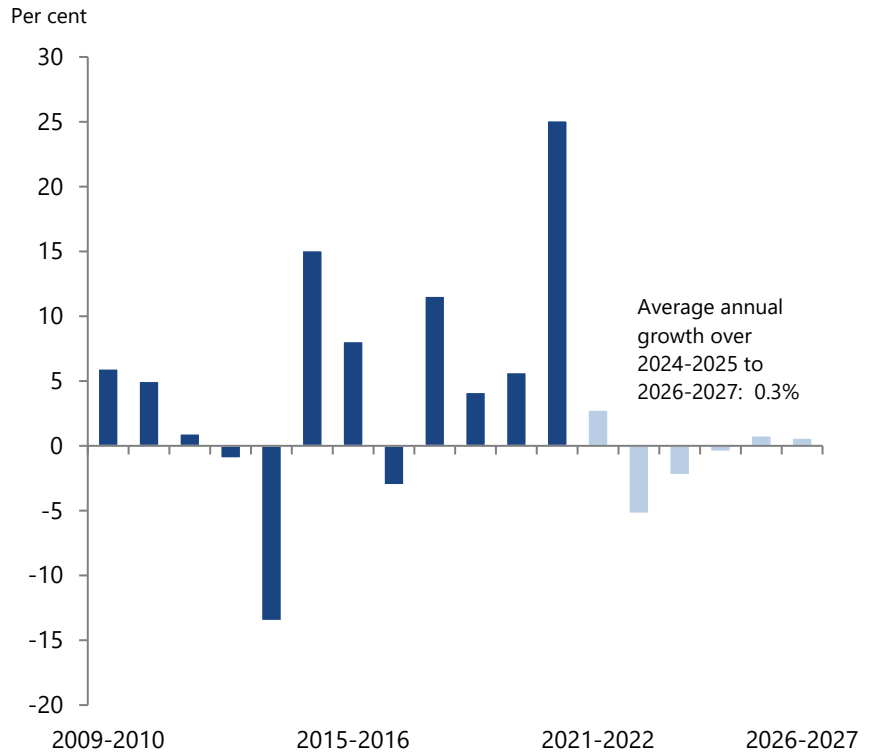


Sources: Finance Canada and Office of the Parliamentary Budget Officer.

This is not the first time the Government has undertaken spending reviews. There have been three distinct reviews over the past 30 years. These include Program Review (introduced in the 1995 and 1996 budgets), the Strategic Review Process (initiated in 2007) and the Strategic and Operating Review (announced in Budget 2011). Each review differed in scale and scope, however, they all identified annual savings on an ongoing basis.

Figure 4-2 highlights the year-over-year growth in operating and capital expenses, beginning in 2008-09. Between 2008-09 and 2019-20 (pre-pandemic), the average growth rate was 3.5 per cent. This is higher than the three-year average growth rate of 0.3 per cent the Government projects for operating and capital expenses during the spending review announced in Budget 2022.

Figure 4-2 Operating and capital expenses



Sources: Finance Canada and Office of the Parliamentary Budget Officer.

Note: Prior to 2019-20, actuarial gains and losses were included in direct program expenses. The historical period is limited by the data in the Fiscal Reference Tables, which only contain restated data back to 2008-09.

While the Government intends to review and identify areas to reduce spending, specific details regarding the scope of the review have not yet been announced. It is unclear whether this will primarily target operating spending, direct program expenses, or total program expenses. Parliamentarians may wish to continue to request updates on these reviews once more details are developed.

5. Fiscal transparency

Long-term economic and fiscal projections

Long-term projections are an essential element of fiscal transparency and sustainability analysis.

PBO publishes an annual Fiscal Sustainability Report that assesses whether changes to current fiscal policy are required to avoid excessive government debt accumulation and estimates the magnitude of these changes.¹⁰ In addition to the federal government, PBO's analysis includes provincial and territorial governments, as well as the Canada and Quebec public pension plans. PBO's report includes a sensitivity analysis based on alternative demographic, economic and fiscal assumptions.

Budget 2022 presents a long-term projection of GDP growth, the federal debt and budgetary balance. The long-term projection is supported by a brief discussion of the methodology and assumptions underlying the long-term projection. A sensitivity analysis, based on alternative demographic and economic assumptions, is also provided. The Government's previous long-term economic and fiscal projection was published in December 2018.¹¹

The inclusion of long-term economic and fiscal projections in Budget 2022 improves fiscal transparency and contributes to sustainability analysis. That said, additional detail would enhance the analysis provided in Budget 2022. For example, including long-term projections of Old Age Security, Employment Insurance and children's benefits.

Moreover, Finance Canada could expand its analysis to include, as previously recommended by the Auditor General, "analysis for all governments combined, including the federal, provincial, and territorial governments, to give a total Canada perspective".¹²

Alignment of financial reporting

Budget 2022 was tabled a month after the Government's Main Estimates. The latter are also referred to as the "Government's Expenditure Plan for 2022-23".¹³ Given the timing differences between the tabling of the two documents, this means that the Government's Expenditure Plan did not contain any of the \$9.2 billion in additional money that the Government wants to spend in 2022-23. Nor was the additional funding contained in the corresponding appropriation bill that received Royal Assent on March 31.¹⁴

More acutely, these timing differences also decouple the Government's fiscal planning from the medium-term operational plans tabled in Parliament. The 2022 Departmental Plans "describe departmental priorities, strategic outcomes, programs, expected results and associated resource requirements" for the next three years.¹⁵ These documents were tabled in

mid-March, three weeks prior to the tabling of the budget, and therefore contain no information regarding the \$32.5 billion in new spending between 2022-23 and 2024-25. Owing to the existing internal administrative cycle of the public service, Parliament will need to wait until March 2023 to see how the new spending is integrated with existing plans.

This misalignment is apparent with National Defence. The department's 2022 Departmental Plan indicated that it planned to spend \$77 billion between 2022-23 and 2024-25.¹⁶ The corresponding numbers in Budget 2022 are roughly \$23 billion higher.¹⁷ While part of this spending (approximately \$8 billion) pertains to new policy measures presented in Budget 2022, there is no explanation for the balance (close to \$15 billion).

As previously observed by PBO, parliamentarians could be well served by adopting a new legislative or administrative framework to enforce better alignment among the Government's various financial reports. In this case, a fixed budget date earlier in the year would allow time for new measures to be incorporated into the Government's Expenditure Plan and integrated into departments and agencies' multi-year operating plans. This, in turn, could enhance the transparency of financial reporting and comprehensibility for parliamentarians and the public.

Notes

1. PBO's March 2022 Economic and Fiscal Outlook is available at: <https://www.pbo-dpb.ca/en/publications/RP-2122-030-S--economic-fiscal-outlook-march-2022--perspectives-economiques-financieres-mars-2022>.
2. As noted in Budget 2022, the Heightened Impact scenario reflects the economic repercussions of a drawn-out conflict in Ukraine. The Moderate Impact scenario reflects a de-escalation of tensions in Ukraine and a world in which supply disruptions from the conflict and pandemic are smaller than expected.
3. The Government's 2021 Economic and Fiscal Update replaced the 15-64 employment rate guardrail used in Budget 2021 with an age-adjusted total (15+) employment rate. To ensure comparability and consistency with Budget 2021 and our earlier analysis, we continue to use the 15-64 employment rate.
4. Our estimate of total measures includes the Government's current estimate of its spending under the COVID-19 Economic Response Plan, (which incorporates revised costs of previously announced programs), and the Government's cost estimates of other measures as presented in previous budgets and updates.
5. The "fiscal room" referenced here is in relation to the federal debt and budget deficits from the 2021 Economic and Fiscal Update.
6. See PBO's January 2022 report on the 2021 Economic and Fiscal Update. Available at: <https://www.pbo-dpb.ca/en/publications/RP-2122-027-S--economic-fiscal-update-2021-issues-parliamentarians--mise-jour-economique-budgetaire-2021-enjeux-parlementaires>.
7. Budget 2022 notes that the new spending is intended "to expand audits of larger entities and non-residents engaged in aggressive tax planning; increase both the investigation and prosecution of those engaged in criminal tax evasion; and to expand its educational outreach."
8. The Fall 2016 Report of the Auditor General, Report 2—Income Tax Objections—Canada Revenue Agency is available at: https://www.oag-bvg.gc.ca/internet/English/parl_oag_201611_02_e_41831.html.
9. PBO's March 2022 report, International Comparison of the Canada Revenue Agency's Performance is available at: <https://www.pbo-dpb.ca/en/publications/RP-2122-036-S--international-comparison-canada-revenue-agency-performance--comparaison-internationale-rendement-agence-revenu-canada>.
10. PBO's most recent Fiscal Sustainability Report (June 2021) is available at: <https://www.pbo-dpb.ca/en/publications/RP-2122-010-S--fiscal-sustainability-report-2021--rapport-viabilite-financiere-2021>.

11. See Finance Canada's, Update of Long-term Economic and Fiscal Projections 2018. Available at: <https://www.canada.ca/en/department-finance/services/publications/long-term-projections/2018.html>.
12. The Fall 2012 Report of the Auditor General, Chapter 7, Long-Term Fiscal Sustainability—Finance Canada is available at: https://publications.gc.ca/collections/collection_2012/bvg-oag/FA1-2012-2-7-eng.pdf.
13. See Government Expenditure Plan and Main Estimates (Parts I and II). Available at: <https://www.canada.ca/en/treasury-board-secretariat/services/planned-government-spending/government-expenditure-plan-main-estimates.html>.
14. See Bill C-16; Appropriation Bill #1 - Interim Supply. Available at: <https://www.parl.ca/legisinfo/en/bill/44-1/c-16>.
15. The Government's Departmental Plans are available at: <https://www.canada.ca/en/treasury-board-secretariat/services/planned-government-spending/reports-plans-priorities.html>.
16. The 2022 Departmental Plan for National Defence is available at: <https://www.canada.ca/en/department-national-defence/corporate/reports-publications/departmental-plans/departmental-plan-2022-23.html>.
17. See Chart 5.1 Funding for the Department of National Defence in Budget 2022: <https://budget.gc.ca/2022/report-rapport/chap5-en.html#2022-1>.