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The Government's Expenditure Plan and Main Estimates for 2023-24



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 2023-24, which supports the first two appropriation bills that outline \$432.9 billion in planned spending. Parliament's approval is required for \$198.2 billion.

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What Parliamentarians Need to Know

The Government's Main Estimates for 2023-24 outline \$432.9 billion in budgetary spending authorities. Voted authorities, which require approval by Parliament, total \$198.2 billion. Statutory authorities, for which the Government already has Parliament's permission to spend, total \$234.8 billion.

Consistent with previous Estimates, money transferred to other levels of government, individuals and other organizations account for most of the planned spending (\$261.4 billion, 60 per cent). This is followed by government operating and capital costs (\$133.7 billion, 31 per cent) and interest payments on the public debt (\$37.8 billion, 9 per cent).

Notable areas of spending in these Main Estimates include:

- Elderly benefits (\$76.6 billion, or one in every six dollars);
- The Canada Health Transfer (\$49.4 billion, or one in every nine dollars); and,
- Professional and Special Services spending (which includes contracts with external consultants) will be close to \$20 billion.

As Budget 2023 has yet to be tabled, the 2023-24 Main Estimates do not reflect new budget measures. As such, the 2023-24 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. Why the Government Wants \$432.9 billion

The Government can only spend public money with Parliament's permission. Members of Parliament and Senators provide this approval in two ways.

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 the Old Age Security benefits paid under authority of the *Old Age Security Act*.¹

The 2023-24 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 a given year.

1.1. Overview of Planned Spending

The Government's Expenditure Plan and Main Estimates for 2023-24 outline \$432.9 billion in budgetary spending authorities, as well as an overall increase of \$0.3 billion in the value of non-budgetary loans, investments and advances (Table 1-1). Of the budgetary total, \$198.2 billion relates to authorities to be voted on by Parliament.

Table 1-1 The Government's expenditure plan: Total authorities

	Budgetary (\$ billions)	Non-budgetary (\$ billions)
Voted	198.2	0.2
Statutory	234.8	0.0
Total	432.9	0.3

Source: Treasury Board of Canada Secretariat, *2023-24 Main Estimates*.

Note: Totals may not add due to rounding.

In comparison to the 2022-23 Estimates to date, total budgetary authorities have decreased by \$10.4 billion in the 2023-24 Main Estimates. Since the Main Estimates are tabled before the Budget, new spending is not included in these figures. Hence, this apparent decrease in spending will likely be more than offset by the up to three Supplementary Estimates tabled over the course of the year.

The Government chose not to table the corresponding Departmental Plans at the same time as the Main Estimates. These plans provide important details regarding what the Government expects to achieve with the money

requested from Parliament (Box 1-2). As noted by PBO in the past, parliamentarians' ability to meaningfully scrutinize this spending request is undermined by the absence of the Government's plans.

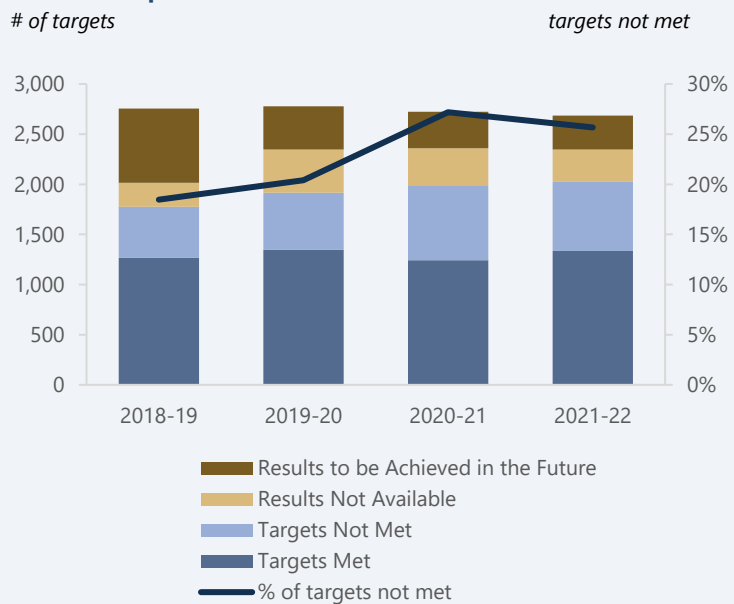
Box 1-2: Performance Targets

Part III of the Estimates include the Departmental Plans (DP) and Departmental Results Reports (DRR). DPs are considered an organization's expenditure plan, highlighting its required resources and planned results, while DRRs outline the actual performance of each organization.

Analysis of DRR data from the past four years shows that, on average, nearly a quarter of targets are not met annually. Moreover, a tenth of targets do not have available results and a further third have results to be achieved in the future. Consequently, less than 50% of targets are consistently met within the same year.

Unfortunately, parliamentarians are often required to approve new spending without having viewed the departmental results. Currently, there is no legislative fixed tabling date for either the DPs or the DRRs. For instance, the most recent DRRs (for the 2021-22 fiscal year) were published in December 2022, over 8 months after the fiscal year ended (March 31st). Additionally, the 2023-24 DPs have not yet been tabled. The lack of timely and comprehensive departmental plans and results data makes parliamentarians' key role of scrutinizing proposed spending more difficult.

Status of Departmental Results

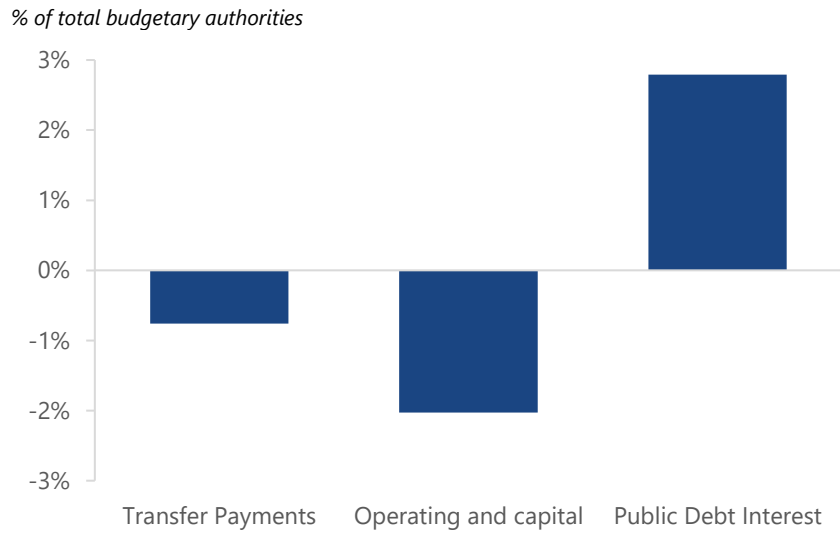


Source: Treasury Board Secretariat, GC InfoBase.

Transfer payments account for the largest part of budgetary authorities in the 2023-24 Main Estimates, at 60 per cent (\$261.4 billion). These include payments made to other levels of government, individuals, and other organizations. Budgetary authorities for operating and capital represent 31 per cent (\$133.7 billion), while public debt charges amount to 9 per cent (\$37.8 billion).

The respective shares of spending among these three components have shifted slightly over the past years, with decreases in transfer payments and federal operating costs being offset by increases in higher public debt interest payments (Figure 1-3). This is due in part to greater public debt and a higher interest rate environment.

Figure 1-3 Year-over-year change in the composition of budgetary authorities



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

Note: Compares *Main Estimates 2022-23* to *Main Estimates 2023-24*.

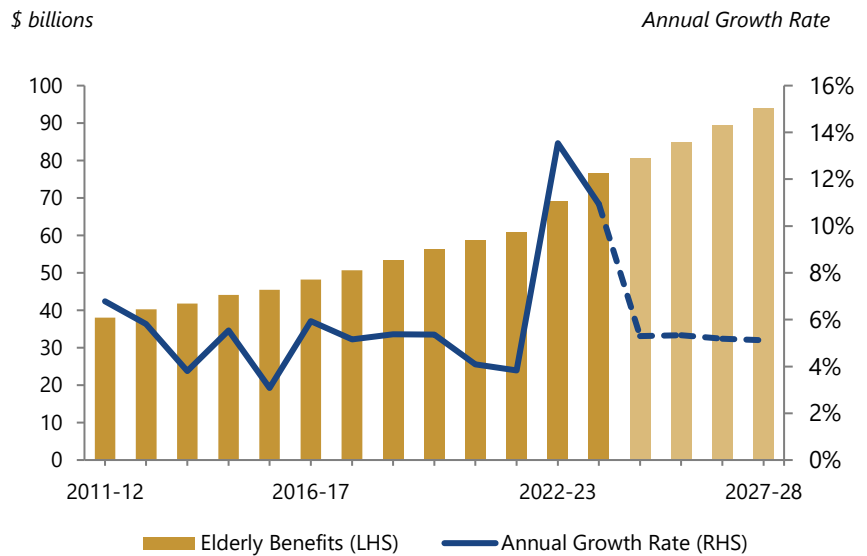
2. Where Will the Money go?

2.1. Federal Spending on Elderly Benefits

Money for elderly benefits is the single largest area of federal spending. They are comprised of three complementary programs - Old Age Security (OAS), the Guaranteed Income Supplement (GIS) and Allowance Payments. OAS is the largest federal program – responsible for about one in every six dollars of federal spending. OAS provides a monthly pension payment to most seniors who are over 65 and meet the eligibility requirements.²

Federal spending on Elderly Benefits is set to increase by \$7.5 billion (11 per cent) to a total of \$76.6 billion in 2023-24 (Figure 2-1). PBO projects that by 2027-28, federal spending on Elderly Benefits will reach \$93.8 billion. This is driven by a combination of a larger number of seniors and inflation (to which the benefits are indexed), as well as recent policy decisions to enrich elderly benefits (such as a 10 per cent top-up for those 75 and older, estimated to cost about \$2.6 billion in 2023-24).³

Figure 2-1 Elderly Benefits



Sources: Receiver General of Canada, Public Accounts of Canada; Treasury Board of Canada Secretariat, 2023-24 Main Estimates; Parliamentary Budget Officer.

Notes: Figures prior to 2022-23 are actuals. Figures for 2022-23 and 2023-24 are estimates. Figures for 2024-25 and later are PBO projections.

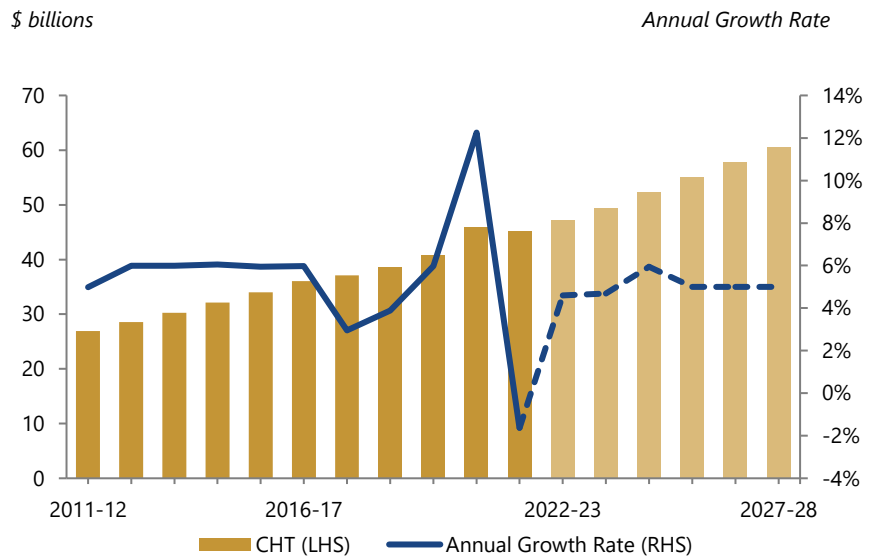
2.2. Federal Spending on Health

The Canada Health Transfer (CHT) is the largest federal transfer to provinces and territories and provides financial assistance to help pay for health care. It represents about one in every nine dollars of federal spending.

In February 2023, the Government announced a new agreement with provinces and territories to provide additional resources for the health system. This includes an immediate one-time \$2 billion top-up to the CHT to address acute pressures, such as service levels in pediatric hospitals and emergency rooms.⁴ The Government also committed to growing the CHT by a minimum of 5 per cent per year over the next five years (previously, the minimum growth rate was 3 per cent).

As presented in Figure 2-2, PBO projects that the CHT will grow by \$4.2 billion to \$49.4 billion in 2023-24, before rising to above \$60 billion in 2027-28. These figures do not include a separate \$25 billion over 10 years that has been earmarked for bilateral agreements, which the Government deems to be distinct from the CHT.

Figure 2-2 Canada Health Transfer



Sources: Receiver General of Canada, Public Accounts of Canada; Parliamentary Budget Officer.

Notes: Figures prior to 2022-23 are actuals. Figures for 2022-23 and later are PBO projections.

The Government of Canada provided a one-time top-up to the CHT in 2020-21, which was not included in the calculation of the automatic annual escalator. This is why spending on CHT declined in 2021-22 compared to the previous fiscal year.

The average annual growth rate in the CHT will exceed overall economic growth over the next five years. That said, provincial fiscal pressures will remain. Most notably, in January 2023, the Government published Long-Term Care Service standards that prescribe increases to the quality of care.⁵ The Government has earmarked \$3 billion over 5-years to implement the new framework. However, it is unclear that this will be sufficient, given PBO cost estimates of similar proposals in 2021.⁶

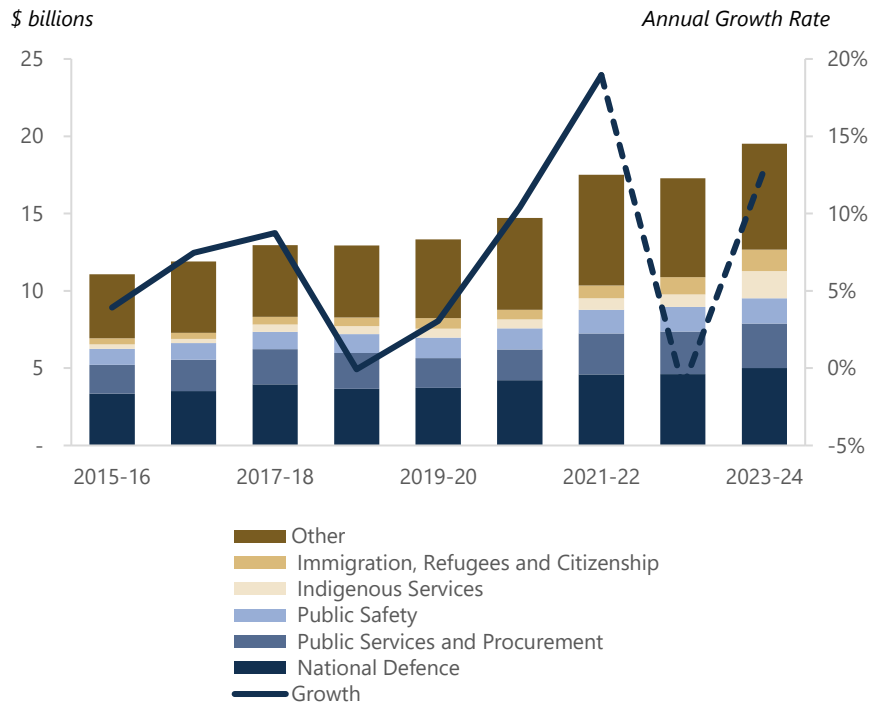
In addition, the CHT continues to be allocated to all provinces and territories on an equal per capita basis.⁷ This means that jurisdictions with older, less healthy, and more rural populations may not receive a funding increase commensurate with these pressures.

2.3. Professional & Special Services

In these Main Estimates, the Government is proposing to raise planned spending on professional & special services to \$19.5 billion, an increase of \$2.2 billion (13 per cent) from last year's Main Estimates.

Professional & special services includes payments for various professional services and expert assistance along with care of veterans and welfare services, and provisions for other operational and maintenance services performed under contract. More than half of spending on professional & special services is consistently comprised of five departments alone: National Defence, Public Services and Procurement, Public Safety, Indigenous Services, and Immigration, Refugees and Citizenship (Figure 2-3).

Figure 2-3 Professional & special services actual and planned spending



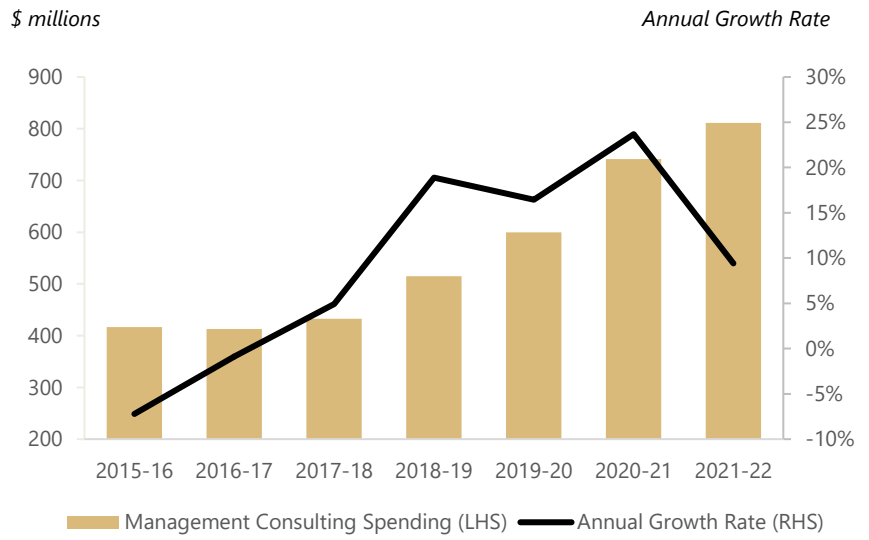
Sources: Public Services and Procurement Canada, *Detailed information on Professional and Special Services, as per the Public Accounts of Canada*; Treasury Board of Canada Secretariat, *2022-23 Main Estimates & 2023-24 Main Estimates*.

Notes: Figures prior to 2022-23 are actuals. Figures for 2022-23 and 2023-24 are planned spending estimates.

Included within professional and special services are fourteen distinct categories.⁸ Among these, the three largest areas of spending are engineering and architectural services, business services, and health and welfare services.⁹ Since 2015-16, there has been significant growth in spending on health and welfare services (115 per cent) and management consulting (95 per cent).

The spike in health and welfare services can be attributed to the pandemic, and its growth is expected to slow in the coming years. While management consulting only accounts for a small portion (5 per cent) of overall spending on professional and special services, it has shown consistent growth year after year (Figure 2-4). Management consulting services encompass a range of areas including consulting services for financial management, transportation, economic development, environmental planning, and public consultation.¹⁰

Figure 2-4 Federal Spending on Management Consulting Services



Source: Public Services and Procurement Canada, *Detailed information on Professional and Special Services, as per the Public Accounts of Canada.*

Notes

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