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Supplementary Estimates (B) 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 presents a detailed analysis of the Government's second Supplementary Estimates for the 2022-23 fiscal year, which outlines \$25.8 billion in new spending. Parliament's approval is required for \$20.8 billion.

Lead Analyst:

Kaitlyn Vanderwees, Analyst

This report was prepared under the direction of:

Jason Jacques, Director General

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

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What Parliamentarians Need to Know

Supplementary Estimates (B), 2022-23 provides information to support the Government's fourth appropriation bill for this year. It outlines an additional \$25.8 billion in budgetary authorities. Voted authorities, which require approval by Parliament, total \$20.8 billion. Statutory authorities, for which the Government already has Parliament's permission to spend, total \$5.0 billion.

Including these Supplementary Estimates, the total proposed year-to-date budgetary authorities are \$433.0 billion, which represents a \$19.2 billion (4.6 per cent) increase over the preceding year. This contrasts with the financial figures presented in the Government's Fall Economic Statement (FES), which reflected a slight decline in federal spending this year.¹ As noted in previous PBO analysis, the Government's Estimates encompass a narrower scope of overall federal spending compared to the Budget. Hence, growth trends can occasionally diverge over the short-term.

About one-third of the money relates to Budget 2022 measures. A similar amount supports Indigenous reconciliation. The balance is linked to new measures approved by the Government outside of its standard financial approval process (that is the Budget or FES).

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

1. Why the Government Wants Another \$21 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*.²

As explained by Minister Fortier, the Supplementary Estimates reflect "additional spending requirements which were either not sufficiently developed in time for the inclusion in the Main Estimates, or have subsequently been refined to account for developments in particular programs and services."³ This effectively means the Government requires more time to figure out how their spending announcements can actually be implemented.

The *Supplementary Estimates (B), 2022-23* is the second planned Supplementary Estimates in 2022-23 and supports the fourth appropriation bill for the current fiscal year.

1.1. Overview – Total Authorities

Supplementary Estimates (B), 2022-23 outlines an additional \$25.8 billion in budgetary authorities (Table 1-1). Voted authorities total \$20.8 billion and statutory authorities are forecast to increase by a total of \$5.0 billion. The increase in statutory authorities is primarily due to a one-time top-up to the Canada Health Transfer, funding for COVID tests, and payments to provinces and territories for transit and housing.

Table 1-1 Supplementary Estimates (B), 2022-23: Total authorities

	Budgetary (\$ billions)	Non-budgetary (\$ billions)
Voted	20.8	0.0
Statutory	5.0	2.0
Total	25.8	2.0

Source: Treasury Board of Canada Secretariat, *Supplementary Estimates (B), 2022-23*

Non-budgetary authorities, which include loans, investments and advances, are set to increase by \$2.0 billion. This primarily relates to concessionary loans for the Ukraine war effort (see Box 1-1).

Supplementary Estimates (B) typically follow the tabling of the Public Accounts. The latter confirm how much money Parliament approved last year, but government departments and agencies were unable to spend. As such, part of the money requested in these estimates reflects this “lapsed” spending.

Box 1-1 Support for Ukraine

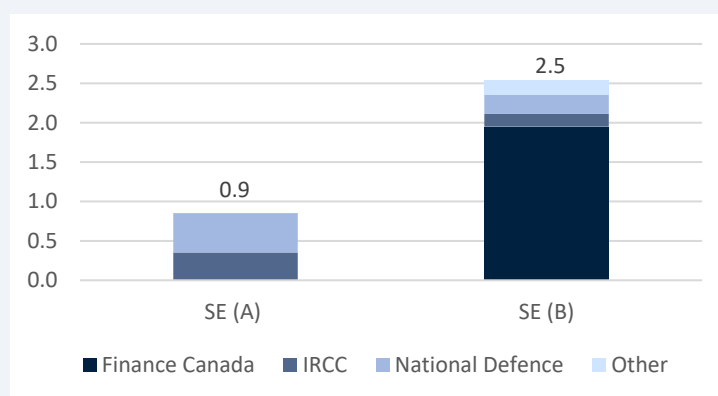
As the war in Ukraine continues, *Supplementary Estimates (B), 2022-23* sees an increase of \$2.5 billion for Ukraine related measures, bringing total funding to \$3.4 billion. This includes \$2.0 billion in funding to Finance Canada for concessionary loans.

Finance Canada notes that the additional money reflected in these Supplementary Estimates has already been disbursed: \$500 million as part of a bilateral loan to Ukraine; and, \$1.45 billion via the International Monetary Fund's Administered Account for Ukraine.

These loans were provided pursuant to the *Bretton Woods and Related Agreements Act*.

Funding for Ukraine-related measures

\$ billions



Sources: *Supplementary Estimates 2022-23*. Department of Finance Canada

As noted in Box 1-2, unspent money rose materially prior to the pandemic, before cresting above \$38 billion last year. This encompasses about 1 in every 10 dollars approved by Parliament.

Box 1-2 Lapsing Funds

“Lapsing” means that Parliament approved money that the Government could not spend. Money lapses because Members of Parliament and Senators only provide permission for the Government to spend for a given fiscal year, which ends on March 31st.

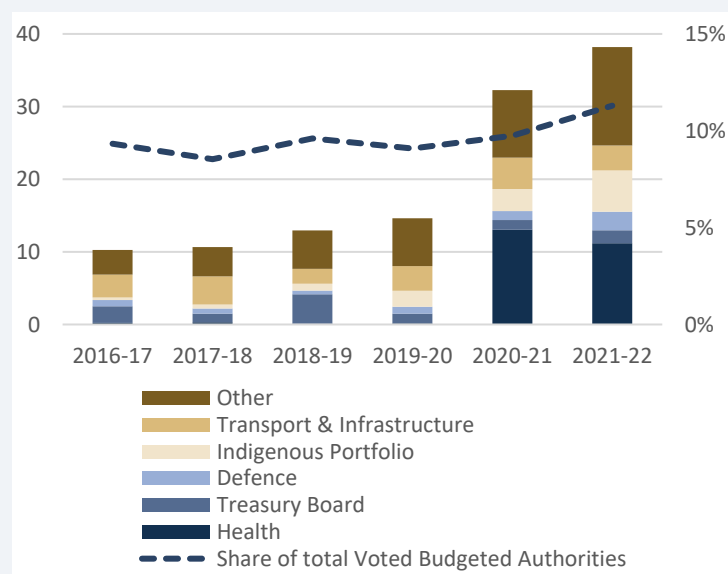
Since departmental spending authorities are legal spending ceilings rather than estimates of the actual level of expenditure, departments are “legally prohibited from exceeding these expenditure ceilings”. As a result, when there is greater uncertainty about future program expenses, departments may try to eliminate risk of running out of funds by requesting more authorities from Parliament.

In 2020-21 and 2021-22, lapses in voted budgetary spending authorities more than doubled compared to previous years. In particular, the Health and Indigenous portfolios saw large jumps in lapsed funds. The increase in lapsed funds for the Department of Health is the result of increased uncertainty and spending during the pandemic.

In contrast, there is no clear explanation regarding the non-pandemic lapses among other federal organizations. While some detail is usually provided in the Departmental Results Reports (DRRs), the Government failed to release these transparency documents with the Public Accounts and has not committed to a release date.

Lapses in Voted Budgetary Spending Authorities

\$ billions



Source: Public Accounts 2022, Volume II

1.2. Budget 2022 Measures

The *Supplementary Estimates (B), 2022-23* represent the second opportunity for the Government to seek parliamentary approval for Budget 2022 items through the Estimates process.

To track the implementation of Budget 2022 measures, PBO identified initiatives that have forecast spending in 2022-23 and matched them with items included in *Supplementary Estimates (B), 2022-23*.

As presented in our online [tracking tables](#), there are approximately 67 Budget 2022 measures for which \$7.8 billion is sought in these Supplementary Estimates. This brings the projected total for Budget 2022 expenditures in 2022-23 to around \$11.7 billion, which includes Budget measures introduced through *Supplementary Estimates (A), 2022-23* and other legal mechanisms. This represents over 90 per cent of the projected total for Budget 2022 expenditures in 2022-23.

The five largest Budget 2022 measures included in these Supplementary Estimates are listed in Table 2-1, excluding measures related to COVID-19.

Table 2-1 Major Budget 2022 measures

Departments	Amount (\$ millions)	Budget Measures
Finance	2,000	Reducing the Backlogs of Surgeries and Procedures
CBSA, IRCC, IRB, CSIS, RCMP, ESDC, PHAC	801	Canada's Ambitious Immigration Plan
Finance	750	Leveraging Transit Funding to Build More Homes
ISC, CIRNAC, CMHC	648	Investing in Housing for Indigenous Communities
ISC	457	Improving Health Outcomes in Indigenous Communities
Total	4,656	

Source: *Supplementary Estimates (B), 2022-23*

2. Where the Public Money will be Spent

2.1. Indigenous Reconciliation

The single largest component of proposed spending in these Supplementary Estimates relates to the resolution of Indigenous legal claims. Totalling roughly \$5.4 billion, this includes:

- \$3.0 billion in funding for out of court settlements;
- \$0.7 billion to replenish the Specific Claims Settlement Fund;
- \$0.7 billion for the settlements of the Blueberry River, Dog River, Halfway River and West Moberly's First Nations Treaty 8 land entitlement specific claims;
- \$0.7 billion for childhood claims, abuse compensation and administration costs for the Federal Indian Day Schools and Sixties Scoop Settlement Agreements.

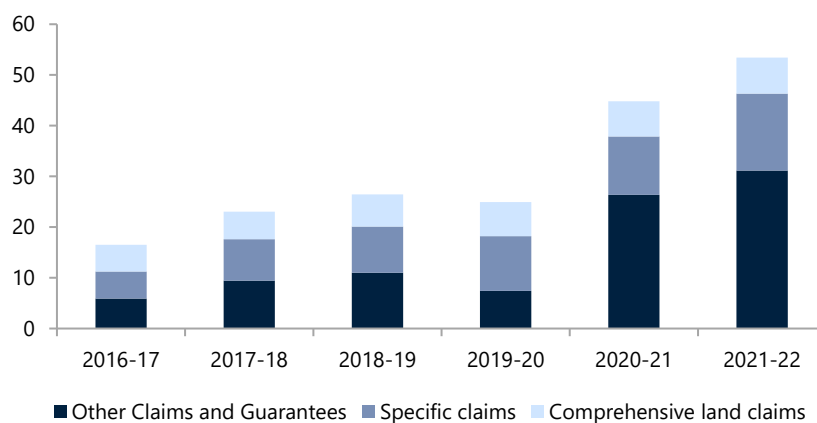
Public Sector Accounting Standards (PSAS) prescribe that a contingent liability is recognized when there is a probability of 70 per cent or greater of a liability being incurred and it can be reasonably quantified.⁴ Therefore, most of these costs have already been reflected in Government's financial statements. Since 2016-17, overall contingent liabilities rose roughly 224 per cent (\$36.9 billion), reaching \$53.4 billion in 2021-22 (Figure 2-1).

Given the focus on identifying and resolving claims, it is likely that a greater number and amount of contingent liabilities will be recognized on the Government's balance sheet going forward. As such, ongoing parliamentary spending requests can be anticipated.

Figure 2-1

Provisions for Contingent Liabilities

\$ billions



Source: Public Accounts of Canada. Volume 1, Section 2

Note: Contingent liabilities reported at the end of the fiscal year

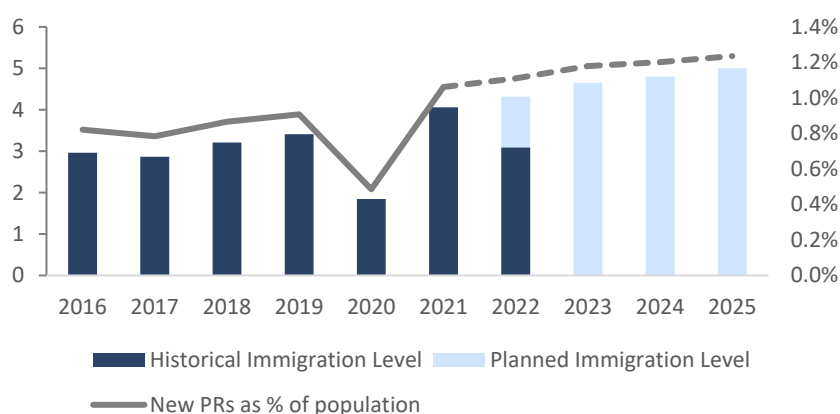
2.2. Immigration Strategy

Parliamentarians are also being asked to vote for more money to increase immigration. Specifically, \$1.2 billion in voted authorities for Immigration, Refugees and Citizenship Canada (IRCC), which would bring its budget to a record high of \$5.7 billion. Of this, \$112 million (9.3 per cent) of the new money relates to funding for the 2022-2024 Immigration Levels Plan.⁵

According to the 2021 Census, over 8 million people or 23% of Canada's population are immigrants or permanent residents, the largest proportion since 1921.⁶ Should IRCC planned immigration levels between 2022 and 2025 be achieved, those receiving permanent resident status during this four year period could comprise about 5 per cent of the Canadian population by the end of 2025 (Figure 2-2).⁷ Most of the population growth in Canada during this period will be attributable to increased numbers of permanent residents.

Figure 2-2 Immigration levels for permanent residents

New Permanent Residents (PR) (hundreds of thousands)



Source: IRRC, Immigration Level Plans & Permanent Residents – Monthly IRCC Updates. Actuals up to August 202

2.3. COVID-19 Funding

While funding for COVID-19 related measures has significantly decreased from previous years, it continues to be a major aspect of these Estimates. *Supplementary Estimates (B), 2022-23* contain around \$4.8 billion in funding for COVID-19 related measures, bringing the total estimates to date to \$16.1 billion (Table 2-2).

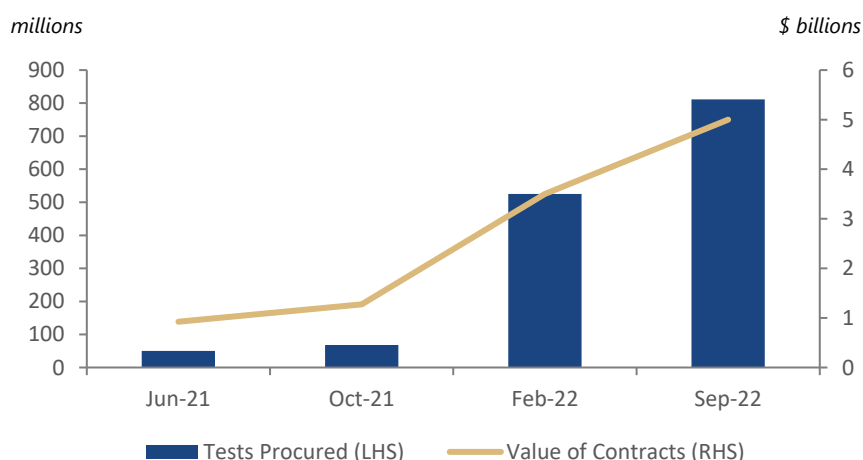
Table 2-2 COVID-19 funding by purpose

Departments	Amount (\$ billions)	Purposes
HC	1.8	Buying more COVID-19 tests
DFATD	0.7	To support public health measures in developing countries
PHAC	0.7	Funding for medical research and vaccine development
DIS	0.5	Indigenous Community Support Fund
PHAC	0.4	Supporting isolation sites and maintaining border and travel screening
Several	0.7	Other
Total	4.8	

Source: *Supplementary Estimates (B), 2022-23*

More than a third (\$1.8 billion) of the COVID-19 related funding in these estimates is for the procurement of COVID-19 tests. As of September 2022, the government has put in place contracts for the procurement of over 800 million rapid tests with an approximate value of \$5 billion (Figure 2-3), of which the majority has already been distributed.⁸

Figure 2-3 COVID-19 Rapid Test Procurement



Source: Public Services and Procurement Canada

2.4. Cost of Public Servant Salaries

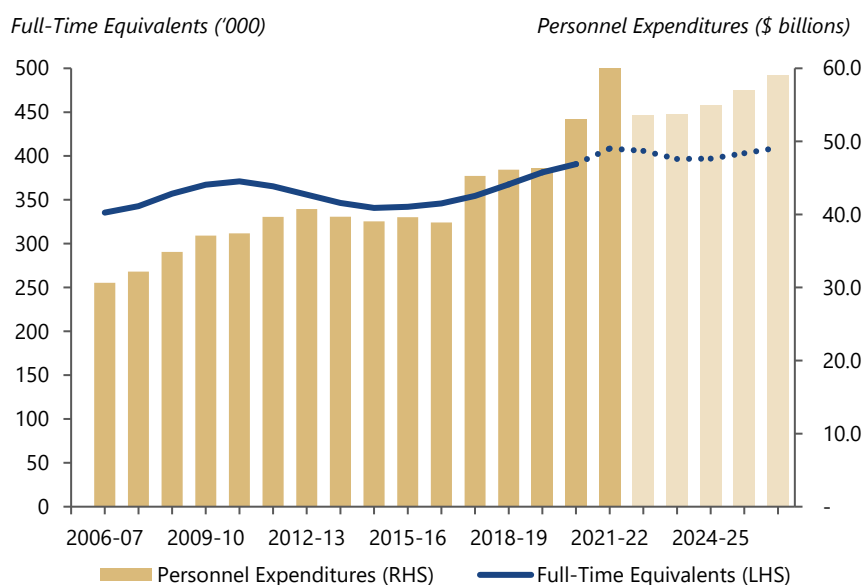
Personnel spending accounts for approximately \$2.3 billion in budgetary authorities (or 9.0 per cent) in these Supplementary Estimates. Government spending on public servant salaries and benefits is forecast to climb to almost \$55 billion this year – or about \$130,000 per full-time employee.

The cost drivers of personnel spending are the number of personnel (represented by full-time equivalents, or FTEs), and their level of compensation.

From 2015-16 to 2020-21, the number of FTEs grew by an average of 2.3 per cent annually, from roughly 342,000 to 391,000 (Figure 2-4). The hiring restraint of 2006 to 2015 was more than fully offset by growth over the past seven years.

Over the past 7 years, personnel spending grew by an average of 6.7 per cent annually, from \$39.6 billion to \$60.7 billion. Compensation per FTE increased at an average of 4.0 per cent each year. Based on the Government's spending plans, PBO projects that over the next five years, the number of FTEs will reach over 409,000 by 2026-27. By that time, PBO projects personnel expenditures to reach \$59.1 billion.

Figure 2-4 Personnel Spending



Sources: Departmental Results Plans, Public Accounts of Canada, PBO's Fall EFO, PBO's Personnel Expenditure Analysis Tool

Note: The increase in 2021 personnel expenditures is due to one-time credit of \$7.8 billion to offset the shortfall for public servant pensions.

Notes

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6. Statistics Canada. *Immigrants make up the largest share of the population in over 150 years and continue to shape who we are as Canadians*. <https://www150.statcan.gc.ca/n1/daily-quotidien/221026/dq221026a-eng.htm>. Accessed November 2022.
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8. Testing for COVID-19: Increasing testing supply. <https://www.canada.ca/en/public-health/services/diseases/2019-novel-coronavirus-infection/symptoms/testing/increased-supply.html#a3>. Accessed November 2022.