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SUPPLEMENTARY ESTIMATES (A) 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 assessment of the Government's first Supplementary Estimates for the 2022-23 fiscal year, which seeks Parliament's approval of \$8.8 billion.

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Executive Summary

The *Supplementary Estimates (A) 2022-23* is the first planned Supplementary Estimates in 2022-23 and supports the third appropriation bill for the current fiscal year.

These Supplementary Estimates outline an additional \$9.7 billion in spending. Parliament's approval is required for \$8.8 billion, which pertains to initiatives identified in previous budgets (\$2.0 billion), pandemic response (\$1.7 billion) and other money required for ongoing government operations (\$5.1 billion). The last category contains \$330 million sought to provide adequate funding for airport passenger security screening.

The Government is also adjusting its forecasts for statutory spending (for which legal authority already exists to spend money) by \$0.9 billion. Most of the increase relates to higher debt servicing costs and was previously highlighted in Budget 2022.

Including these Supplementary Estimates, the total proposed year-to-date budgetary authorities are \$407.2 billion, which represents a \$6.6 billion (1.6 per cent) decrease compared with the estimates-to-date for the preceding year.

To support parliamentarians in their scrutiny of Budget 2022 implementation, the PBO has prepared tracking tables that list all budget initiatives, the planned spending amounts and the corresponding legislative funding authority (<https://www.pbo-dpb.ca/en/publications/RP-2223-009-S--supplementary-estimates-2022-23--budget-supplementaire-depenses-2022-2023>). These tables will be updated over the course of the year as the Government brings forward its legislative agenda.

PBO is available to offer briefings or answer questions on any items included in the Government's Estimates.

1. Why the Supplementary Estimates Matter

The Government can only spend public money with Parliament's permission. This happens 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 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."²

The *Supplementary Estimates (A) 2022-23* is the first planned Supplementary Estimates in 2022-23 and supports the third appropriation bill for the current fiscal year. Importantly, this spending request contains some measures that were announced in Budget 2022, as well as Budget 2021. As such, it provides an opportunity for parliamentarians to provide more thorough scrutiny of the Government's Economic and Fiscal Strategy.

1.1. Overview of Proposed Spending

Supplementary Estimates (A) 2022-23 outlines an additional \$9.7 billion in budgetary authorities (Table 1-1). Voted authorities total \$8.8 billion and statutory authorities are forecasted to increase by a total of \$0.9 billion.

Table 1-1

Supplementary Estimates (A), 2022–23: Total authorities

	Budgetary (\$ billions)	Non-budgetary (\$ billions)
Voted	8.8	0.0
Statutory	0.9	0.0
Total	9.7	0.0

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

Note: Totals may not add due to rounding.

Including these Supplementary Estimates, the total proposed year-to-date budgetary authorities are \$407.2 billion, which represent a \$6.6 billion (1.6 per cent) decrease over the 2021-22 Estimates to date.

The increase in forecasted statutory spending is primarily due to updated forecasts presented in Budget 2022, most notably higher public debt interest costs.

2. Major Expenditures

2.1. Budget Measures

The budget outlines the Government's fiscal plan, including additional spending for ongoing programs and new spending initiatives. Most budget spending measures require Parliament's approval through the estimates process and inclusion in an appropriation bill.

As the Main Estimates are prepared prior to the Budget, spending announcements made in the Budget are usually included in Supplementary Estimates, or subsequent years' Estimates. As such, the Supplementary Estimates (A) 2022-23 represent the first opportunity for the Government to seek parliamentary approval for Budget 2022 items through the Estimates process.

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

As presented in our [online tracking tables](#), there are seven Budget 2022 measures for which \$1.0 billion is sought in these Supplementary Estimates. This represents about a tenth of the projected total for Budget 2022 expenditures in 2022-23. In comparison, *Supplementary Estimates (A) 2021-22* contained roughly half of the total Budget 2021 expenditures of that same year.

Inclusive of other legal mechanisms, such as Bill C-19 and Bill C-12, proposed legislation to date exists for approximately 22 out of 211 budget measures in part or in full.

Some of the larger Budget 2022 measures included in these Supplementary Estimates are:

- \$500 million in funding for the Department of Defence for military aid to Ukraine; and,
- \$323 million in funding for the Department of Transportation to extend and expand the Incentive for Zero-Emission Vehicle Program.

These Supplementary Estimates also include about \$1.0 billion for six Budget 2021 initiatives. One of the single largest proposed items pertains to \$824 million in new money to support provincial and territorial disaster response and recovery, which was announced in Budget 2021. This funding would be used to augment resources for the federal Disaster Financial Assistance Arrangements (DFAA) program, bringing total proposed spending in 2022-23 to \$924 million (an 824% increase).

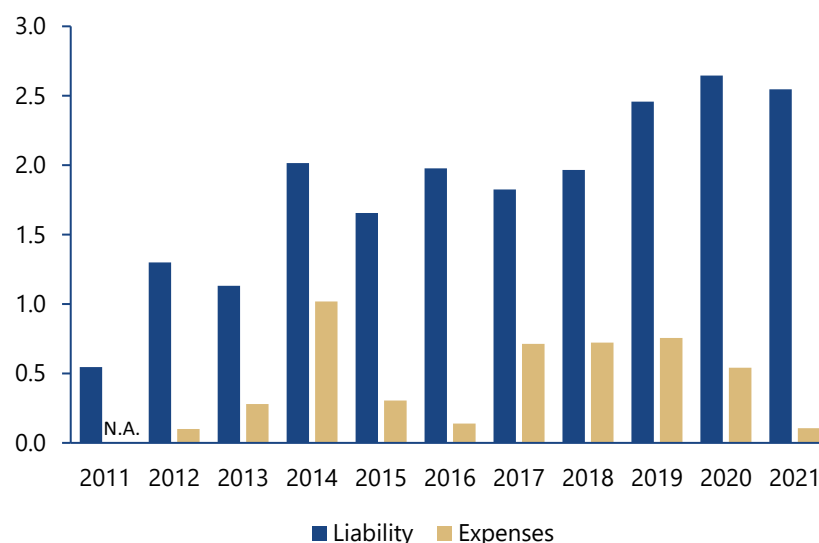
The DFAA program is administered by Public Safety Canada and provides money to provinces and territories to offset the cost of responding to and recovering from natural disasters (see Box 2-1 below).

Public Safety Canada notes that since the program was created in 1970, it has disbursed more than \$6 billion. As presented in Figure 2-1, most of these expenditures have occurred over the past ten years. The estimated federal liability for DFAA payments has also grown commensurately, as the forecast amount of money that the Government believes it needs to set aside for future payouts has grown. This coincides with an increase in the reported frequency and severity of extreme weather events in Canada.³

Figure 2-1

Federal Provisions for disaster assistance quintupled over the past decade

\$ billions



Source: Public Safety Canada

Note: The measurement of the liability is as of March 31st of the identified year and the expense pertains to the preceding 12 months.

The *2021 Economic and Fiscal Update* provisioned a further \$5 billion in 2021-22 for the federal share of recovery costs arising from recent natural disasters in British Columbia.⁴ Potentially due to the increasing fiscal demands on the federal program, the Minister of Emergency Preparedness recently established a review panel to recommend options to modernize the DFAA. It is expected to submit its recommendations to the Minister in autumn 2022.

Box 2-1 – How do Disaster Financial Assistance Arrangements Work?¹

The federal DFAA program was created in 1970 and is currently administered by Public Safety Canada. It is the responsibility of each province to administer disaster financial assistance for its jurisdiction. The federal program only deals with its provincial counterparts and does not handle individual claimants within each province.

Each province is responsible for submitting claims to the federal program. It is reimbursed if the cost exceeds a specific provincial threshold, and the claim meets specific rules.

For each province, natural disaster relief payments are based on two sets of rules: federal rules (that is, DFAA) and those set out by the province. The DFAA will only pay out according to the federal rules. Provincial rules can follow the federal rules, add further restrictions or be more generous.

The federal DFAA program covers costs associated with:

- the immediate disaster period such as rescue, transportation, shelter, health, food, and security;
- the post disaster period for individuals such as damage to primary residences (not cottages), replacement of essential furnishing and clothing and assistance to small owner operated businesses, and;
- the cost of repairing public infrastructure such as roads, bridges, buildings, and sewer and water utilities.

A province or territory may request Government of Canada disaster financial assistance when eligible expenditures exceed an established initial threshold based on provincial or territorial population (see Table 2-1 below). The DFAA program reimburses provinces on a cost-share basis that changes as the cost increases.

Table 2-1: DFAA Cost Sharing Formula

<i>Expenditure per capita of provincial population</i>	<i>Federal share</i>
First \$3.38	0%
Next \$6.78	50%
Next \$6.78	75%
Remainder	90%

1. The Disaster Financial Assistance Arrangements. Public Safety Canada. Accessed May 2022. <https://www.publicsafety.gc.ca/cnt/mrgnc-mngmnt/rcvr-dsstrs/dsstr-fnnc-ssstnc-rngmnts/index-en.aspx>

2.2. COVID-19 Measures

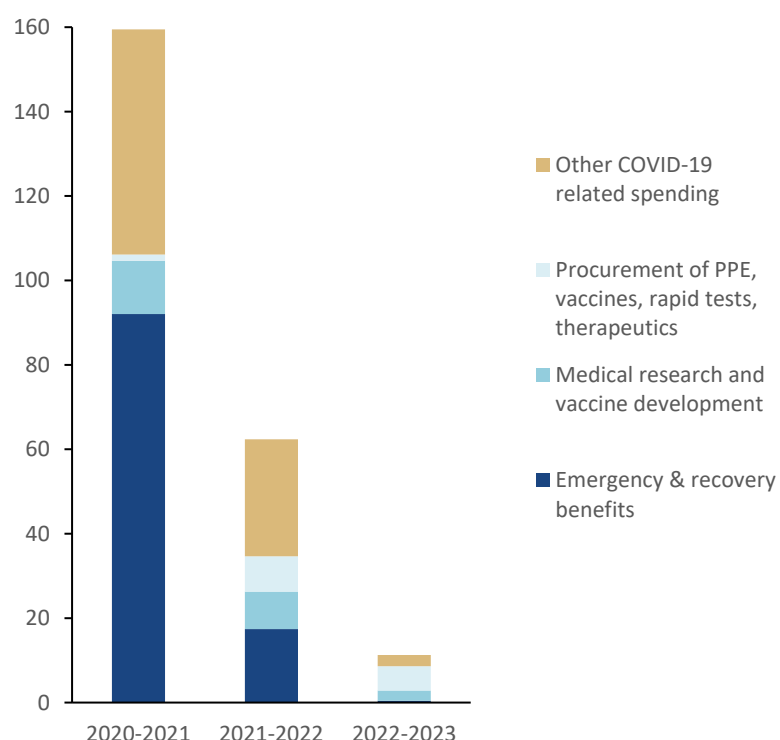
Supplementary Estimates (A) 2022-23 outlines an additional \$1.7 billion in spending related to COVID-19. This brings the total COVID-19 related spending to date in this year's estimates to \$11.3 billion.

Notable items include \$1.4 billion for Public Health Agency of Canada (PHAC) to procure additional COVID therapeutics and \$150 million for Telefilm Canada for a short-term compensation fund.

As COVID-19 spending winds down, the breakdown by spending portfolio has evolved as well (Figure 2-2). Authorities for medical research and vaccine development have decreased by 81.5 per cent compared to the 2020-21 fiscal year. In contrast, authorities for the procurement of vaccines, therapeutics, PPE and rapid tests have increased by 283.3 per cent over the same time frame, constituting more than half of this year's COVID-19 spending to date. This is representative of the changing needs over the pandemic stages.

Figure 2-2 Pandemic spending decreases and shifts toward procurement

\$ billions



Source: GC Infobase, Treasury Board Secretariat

2.3. Other New Spending

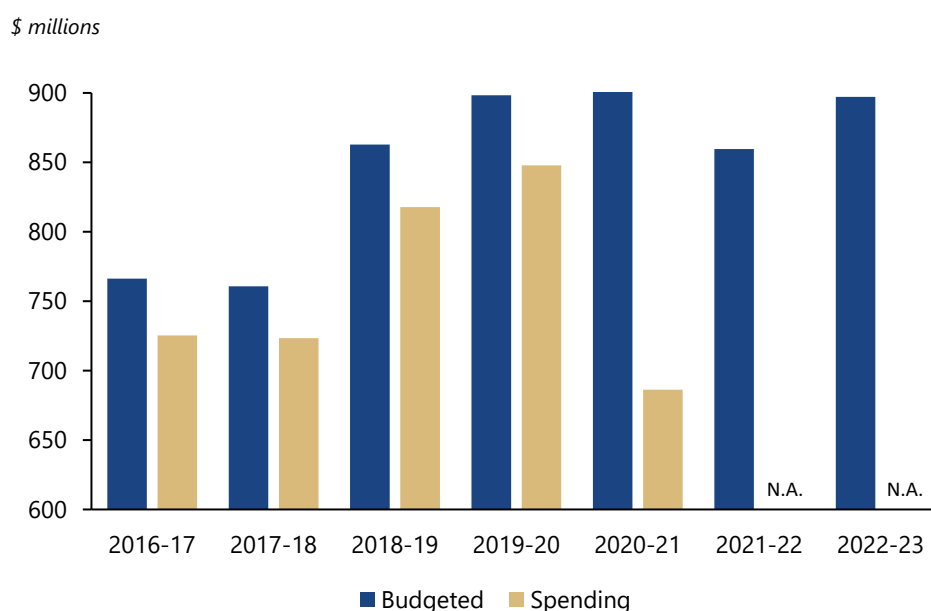
Most proposed new spending in these Supplementary Estimates relates to items not identified in previous budgets or related to the pandemic. One of the larger items pertains to an additional \$330 million proposed for the Canadian Air Transport Security Authority (CATSA).

CATSA is a federal Crown Corporation responsible for screening individuals that access civil aircraft in Canada, the property in their possession, as well as goods provided to an air carrier for transportation.⁵ Prior to the pandemic,

CATSA reported that it had approximately 450 employees and over 7,300 screening officers across the country, working in 89 designated airports.⁶

As depicted in Figure 2-3 (below), the additional funding would increase planned spending by about 60 percent compared to the funding earmarked in the Main Estimates that were tabled in March 2022, to almost \$900 million. While prodigious, if approved, the overall budget for CATSA would remain close to historical levels. As noted in CATSA's Corporate Plan, the organization has "base" funding of \$568 million each year, which is only sufficient to support operations through to late autumn.⁷

Figure 2-3 Additional money would maintain air security screening budget



Sources: Public Accounts of Canada; Supplementary Estimates (C) 2021-22; Supplementary Estimates (A) 2022-23

The new funding would allow CATSA to better manage the continuing growth in demand for Canadian air travel. As presented in Figure 2-4 (below), daily screening passenger counts at Canada's eight largest airports have steadily risen over the past year.⁸

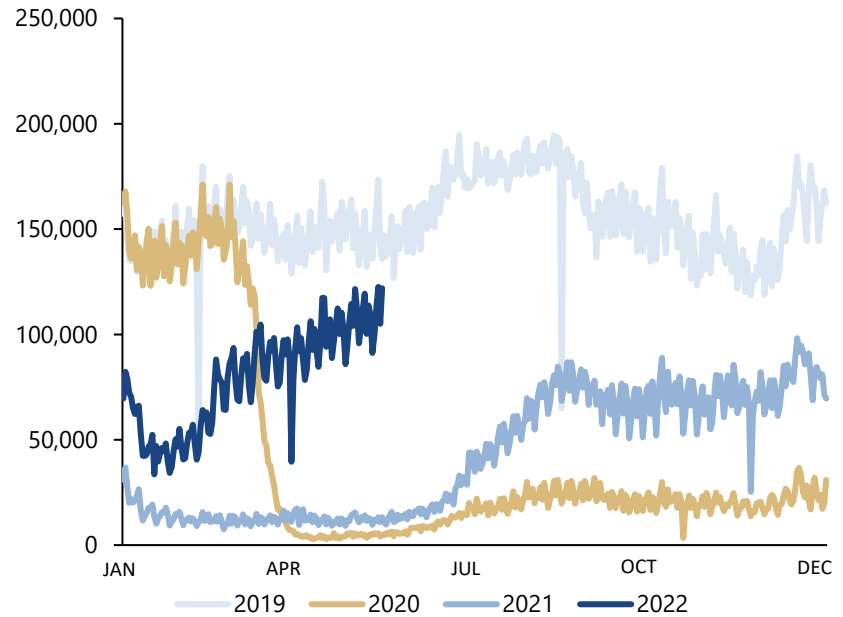
Daily passenger screenings recently exceeded 100,000 for the first time since March 2020 and are currently on track to converge with pre-pandemic

trends. The additional funding may allow CATSA to accommodate the usual seasonal increase in summer air travel.

Figure 2-4

Daily passenger screenings on track to converge with pre-pandemic levels

Daily Screened Passengers



Source: Canadian Air Transportation Security Authority.

Note: Figures are for Canada's eight largest airports (by passenger traffic volume).

Notes

1. *Old Age Security Act*. <https://laws-lois.justice.gc.ca/eng/acts/O-9/>
2. Treasury Board of Canada Secretariat. *Supplementary Estimates (A) 2022-23*. <https://www.canada.ca/en/treasury-board-secretariat/services/planned-government-spending/supplementary-estimates/supplementary-estimates-a-2021-22.html>
3. Insurance Bureau of Canada. Dataset of Insured Catastrophic Losses in Canada. <http://www.ibc.ca/ns/resources/media-centre/media-releases/severe-weather-in-2021-caused-2-1-billion-in-insured-damage>
4. Government of Canada. 2021 Economic and Fiscal Update. <https://budget.gc.ca/efu-meb/2021/report-rapport/EFU-MEB-2021-EN.pdf>
5. Canadian Air Transport Security Authority. Corporate Plan Summary 2021-22. https://www.catsa-acsta.gc.ca/sites/default/files/catsa_-_corporate_plan_summary_2021-22_en.pdf.
6. Canadian Air Transport Security Authority. Annual Report 2020. https://www.catsa-acsta.gc.ca/sites/default/files/annual_report_2020_-_en_-_final_0.pdf.
7. Canadian Air Transport Security Authority. Corporate Plan Summary 2021-22. https://www.catsa-acsta.gc.ca/sites/default/files/catsa_-_corporate_plan_summary_2021-22_en.pdf
8. According to CATSA, on average for 2022 to date, about 87 thousand passengers are screened daily across the fifteen largest airports that CATSA operates, which represents a: 86.1 percent increase over 2021 average; 90.4 percent increase over 2020 average; but remains a decline of 49.3 percent over 2019 average.