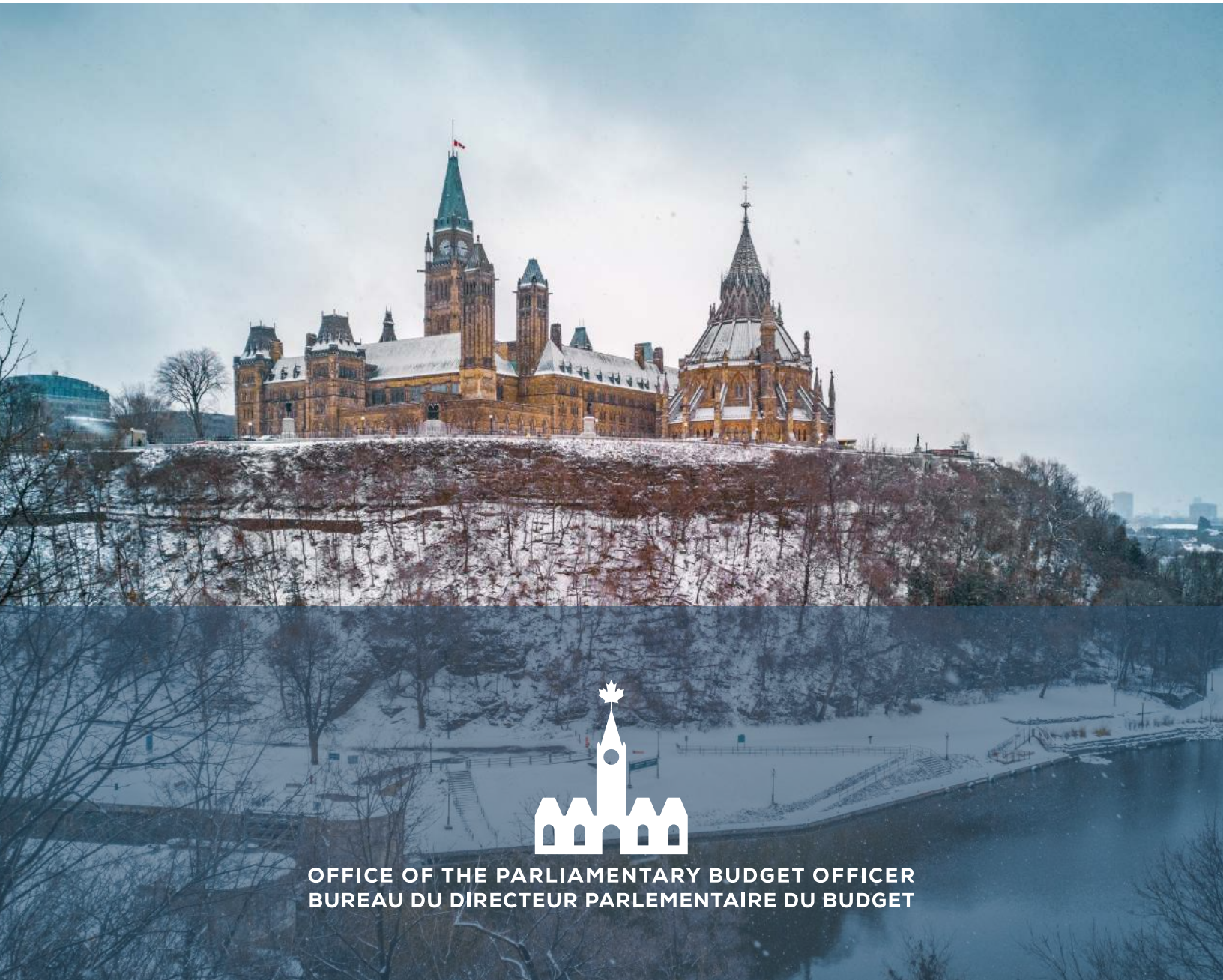


December 07, 2021



SUPPLEMENTARY ESTIMATES (B) 2021-22



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 note presents a detailed analysis of the Government's second Supplementary Estimates for the 2021-22 fiscal year, which seeks Parliament's approval of \$8.7 billion.

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Executive Summary

The *Supplementary Estimates (B) 2021-22* is the second planned Supplementary Estimates in 2021-22 and supports the fourth appropriation bill for the current fiscal year. It outlines an additional \$13.4 billion in spending. Voted authorities, which require approval by Parliament, total \$8.7 billion. Statutory authorities, for which the Government already has Parliament's permission to spend, total \$4.7 billion.

Including these Supplementary Estimates, the total proposed year-to-date budgetary authorities are \$397.9 billion, which represent a \$80.8 billion (16.9 per cent) decrease over the 2020-21 Estimates to date. This is generally consistent with the spending plan outlined in Budget 2021.

The money in these Supplementary Estimates pertains to three thematic categories: the Government's continued pandemic response; other Budget 2021 measures; and new spending. Some notable measures highlighted in the report include:

Pandemic Response

- \$375 million to Global Affairs Canada to support access by developing countries to vaccines, therapeutics and diagnostics; and
- \$3.8 billion in forecasted statutory authorities to the Department of Employment and Social Development Canada (ESDC) for the three Canada Recovery Benefits.

Budget 2021

- \$725 million to Indigenous Services Canada (ISC) and Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC) for the Budget 2021 measure to support infrastructure in Indigenous communities.

Other Spending

- \$1.5 billion in voted authorities to the Treasury Board of Canada Secretariat for compensation adjustments; and
- Close to \$900 million arising from the resolution of contingent liabilities previously identified by the Government.

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

1. Introduction

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 Old Age Security benefits paid under the authority of the *Old Age Security Act* (Box 1 provides additional details).¹

The Supplementary Estimates reflect "additional spending requirements which were either not sufficiently developed in time for inclusion in the Main Estimates, or have subsequently been refined to account for developments in particular programs and services."²

The *Supplementary Estimates (B) 2021-22* is the second planned Supplementary Estimates in 2021-22 and supports the fourth appropriation bill for the current fiscal year.

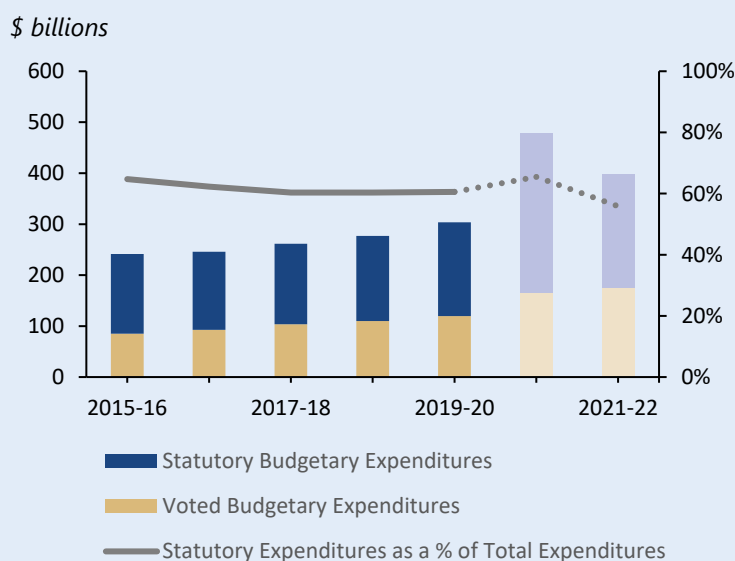
The parliamentary process of evaluating these Supplementary Estimates is slightly different from the usual process. Normally, standing committees of the House of Commons will gather to discuss specific portions of the Estimates. However, as committees have not yet been established for 44th parliamentary session, these Estimates will be considered by a Committee of the Whole.³

Box 1 – Statutory Expenditures

The Estimates include statutory and non-statutory authorities, however only non-statutory authorities are voted on. The statutory authorities represented in the Estimates are a forecast of planned expenditures, which have been authorized by Parliament through legislation other than Appropriation Acts. Statutory authorities are included in the Estimates for information purposes only.

Statutory budgetary expenditures typically account for approximately three fifths of total budgetary expenditures (Figure B-1). There is currently no standing parliamentary review mechanism in place for statutory expenditures.

Figure B-1: Federal Budgetary Expenditure by Type



Sources: Public Accounts of Canada, Volume 2, Section 1 and Treasury Board of Canada Secretariat.

Notes: Data up until and including 2019-20 are actuals. Values for 2020-21 and 2021-22 represent budgetary authorities and do not reflect actual expenditures. Values for 2020-21 are total authorities, values for 2021-22 are proposed authorities as of *Supplementary Estimates (B) 2021-22*.

1.1. Overview – Total Authorities

Supplementary Estimates (B) 2021-22 outlines an additional \$13.4 billion in budgetary authorities (Table 1-1). Voted authorities total \$8.7 billion and statutory authorities are forecasted to increase by a total of \$4.7 billion.

Non-budgetary authorities, which include loans, investments and advances, are increasing by \$2.8 billion.

Table 1-1 *Supplementary Estimates (B), 2021-22: Total authorities*

	Budgetary (\$ billions)	Non-budgetary (\$ billions)
Voted	8.7	0
Statutory	4.7	2.8
Total	13.4	2.8

Source: Treasury Board of Canada Secretariat, *Supplementary Estimates (B), 2021-22*.

Including these Supplementary Estimates, the total proposed year-to-date budgetary authorities are \$397.9 billion, which represent a \$80.8 billion (16.9 per cent) decrease over the 2020-21 Estimates to date. This is generally consistent with the spending plan outlined in Budget 2021.

2. Major Expenditures

2.1. COVID-19 Measures

These Supplementary Estimates include \$5.0 billion in budgetary authorities which have been tagged to COVID-19 measures. This includes \$1.2 billion in voted authorities (14.1 per cent of total budgetary voted authorities) and \$3.8 billion in forecasted statutory authorities (81.6 per cent of total budgetary statutory authorities). As noted in previous PBO reports, not all COVID-19 measures are included in the Estimates documents, such as the Canada Emergency Wage Subsidy or the Canada Emergency Rent Subsidy. Additional details can be found on the Treasury Board of Canada Secretariat's website.⁴

The largest component of voted authorities which have been tagged to COVID-19 measures is funding to support access by developing countries to vaccines, therapeutics and diagnostics, which amounts to \$375 million to Global Affairs Canada.

Included in these Supplementary Estimates are updated statutory forecasts for the three Canada Recovery Benefits administered by Employment and Social Development Canada (ESDC). Overall, the Government's forecasts for these three benefits have increased by \$3.8 billion from the *Supplementary Estimates (A) 2021-22*, comprised of:

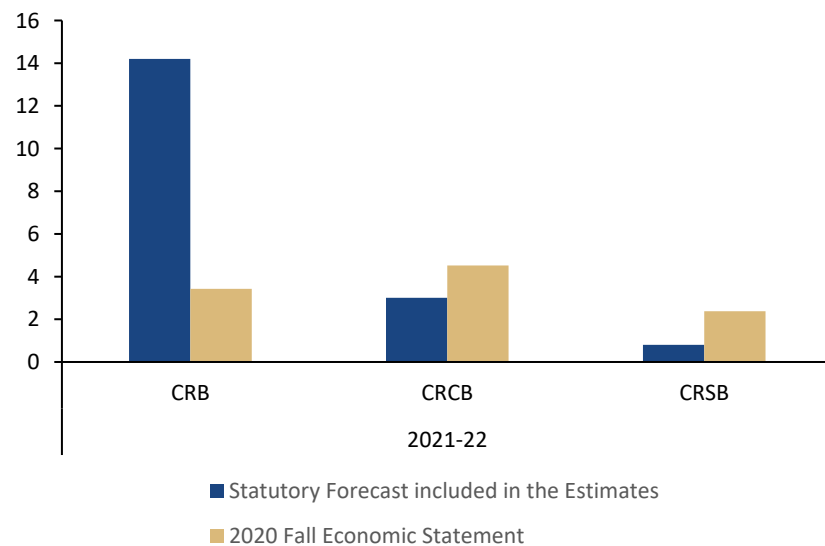
- An increase of \$1.9 billion for the Canada Recovery Benefit (CRB);
- An increase of \$1.4 billion for the Canada Recovery Caregiving Benefit (CRCB), including amounts to extend the benefit to May 2022 and enhance the duration of individual benefits from 42 weeks to 44 weeks; and,
- An increase of \$524 million for the Canada Recovery Sickness Benefit (CRSB), including amounts to extend the benefit to May 2022 and augment the maximum duration of benefits from 4 weeks to 6 weeks.⁵

Proposed legislation relating to these extensions is currently before the House of Commons.⁶

When the Fall Economic Statement (FES) was released in 2020, the Government projected the three Canada Recovery Benefits would total \$10.3 billion in 2021-22. Statutory forecasts included in the 2021-22 Estimates for these benefits total \$18.0 billion (74.3 per cent higher than the initial FES projections). The increase is driven by the CRB, which ended on October 23, 2021. In contrast, take up rates for the CRCB and the CRSB have so far been lower than originally predicted in the Fall Economic Statement (Figure 2-1), notwithstanding the program extensions and enrichments.

Figure 2-1 Canada Recovery Benefits, 2021-22

\$ billions



Sources: Finance Canada, *Fall Economic Statement 2020*; Treasury Board of Canada Secretariat, *Supplementary Estimates (B) 2021-22*.

Notes: Values in blue represent proposed authorities as of *Supplementary Estimates (B) 2021-22*. Values in yellow represent initial cost estimates included in the 2020 Fall Economic Statement.

PBO has published updates its own cost estimates for these benefits, which can be found on its [website](#).

2.2. Budget 2021 Measures

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. The *Supplementary Estimates (B) 2021-22* represent the second opportunity for the Government to seek parliamentary approval of funding for Budget 2021 items.

The *Supplementary Estimates (B) 2021-22* include \$4.1 billion in budgetary authorities for Budget 2021 measures. Less than one-quarter of these budgetary authorities relate to the Government's continued response to the COVID-19 pandemic.

Included in the proposed spending tied to Budget 2021 is substantial additional support for Indigenous communities. For example:

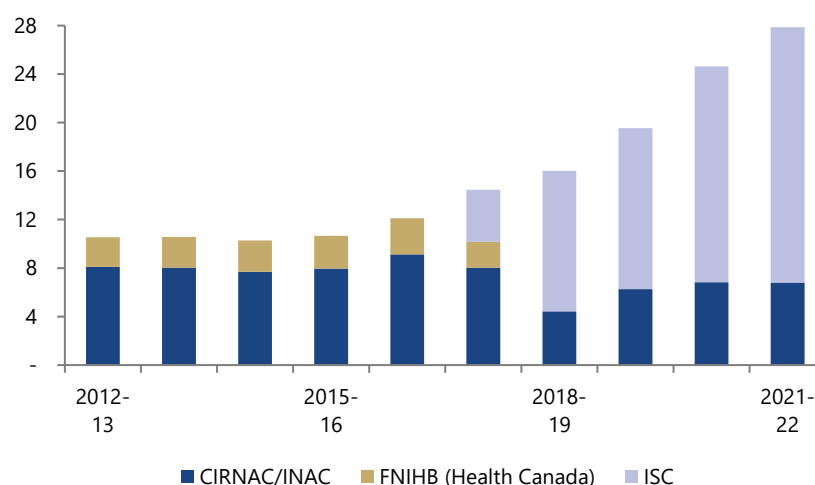
- \$725 million to Indigenous Services Canada (ISC) and Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC) to support infrastructure in Indigenous communities, notably the transfer of infrastructure to Indigenous-led organizations;
- \$332 million to ISC to cover non-insured health benefits for First Nations and Inuit people through the Non-Insured Health Benefits Program; and,
- \$309 million to ISC for income assistance, case management and pre-employment supports to individuals and families living on reserve.

Proposed spending to support infrastructure in Indigenous communities includes funding for housing, schools, health facilities and water and wastewater. PBO has recently published an [update](#) to its 2017 report, re-examining budget sufficiency for First Nations water and wastewater systems on reserve, which concluded that historical spending since 2016-2017 and planned spending until 2025-2026 is expected to be sufficient for capital requirements, but not for operation and maintenance costs.

Over the past five years, Indigenous-related budgetary spending has increased significantly (Figure 2-2).⁷ Taking into account these Supplementary Estimates, 2021-22 proposed authorities to date for ISC and CIRNAC are \$21.1 billion and \$6.8 billion respectively, for a combined total of \$27.9 billion. This represents a 92.7 per cent increase over Indigenous-related budgetary expenditures in 2017-18.

Figure 2-2 Indigenous Portfolio, 2012-13 to 2021-22

\$ billions



Sources: Receiver General of Canada, Public Accounts of Canada; Treasury Board of Canada Secretariat.

Note: Data up until and including 2019-20 are actuals. Values for 2020-21 and 2021-22 represent budgetary authorities and do not reflect actual expenditures. Values for 2020-21 are total authorities, values for 2021-22 are proposed authorities as of *Supplementary Estimates (B) 2021-22*.

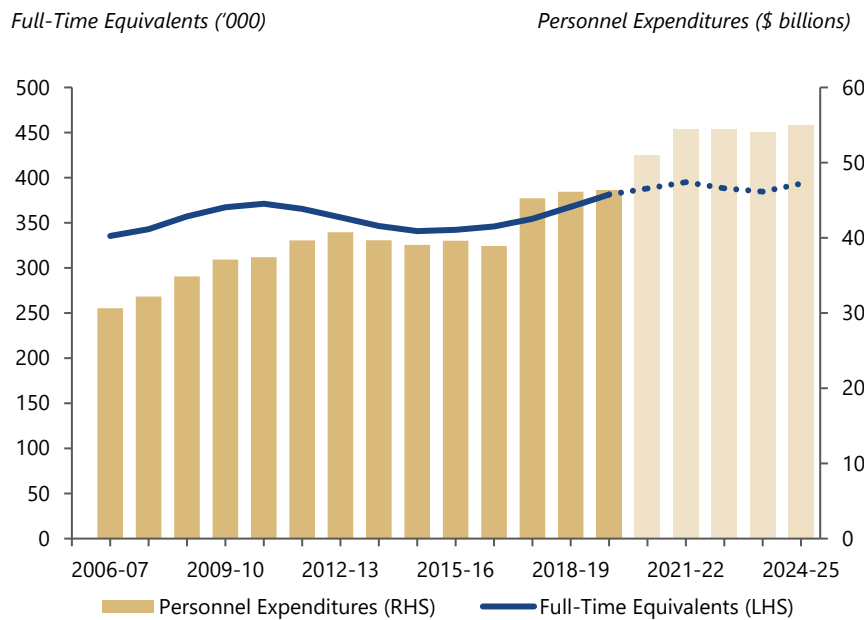
2.3. Personnel Spending

Personnel spending accounts for approximately \$2.5 billion in budgetary authorities (or 18.9 per cent) in these Supplementary Estimates. Over half is related to the \$1.5 billion proposed allocation to the Treasury Board Secretariat for compensation adjustments.

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

From 2006-07 to 2019-20, the number of FTEs grew by an average of 1.0 per cent annually, from roughly 335,000 to 381,000 (Figure 2-3) despite the small decline between 2011-12 and 2014-15. Over the same period, personnel spending, on average, grew by 3.4 per cent annually, from \$30.6 billion to \$46.3 billion. Compensation per FTE increased at an average of 2.3 per cent each year.

PBO projects that over the next five years, the number of FTEs will continue to increase, reaching over 393,000 by 2024-25. By that time, personnel expenditures are projected to reach nearly \$55.0 billion.

Figure 2-3 Personnel Expenditures and Full-Time Equivalents

Sources: Departmental Results Plans, Public Accounts of Canada, PBO's EPC Baseline 2021, PBO's Personnel Expenditure Analysis Tool.

Note: Data up until and including 2019-2020 are actuals. Data from 2020-2021 are projections.

To assist parliamentarians, the PBO developed the Personnel Expenditure Analysis Tool (PEAT), available on the PBO website.⁸ This interactive online tool allows users to explore overall government spending on personnel or focus on single departments. Additional information on PEAT and key insights regarding personnel spending can also be found in the PBO's Personnel Expenditure Analysis Tool Report.⁹

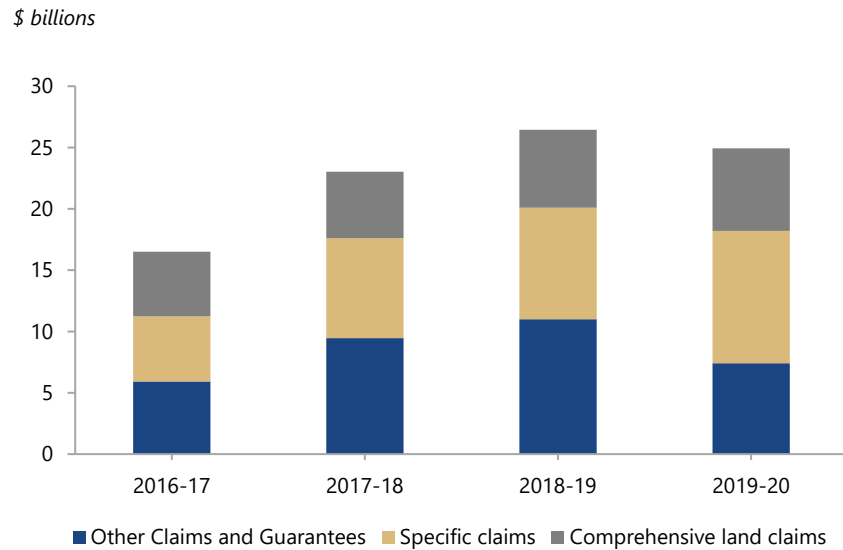
2.4. Resolution of Contingent Liabilities

Another area of considerable proposed spending in these Supplementary Estimates relates to the resolution of contingent liabilities previously identified by the Government. Totalling close to \$900 million, this includes:

- \$412 million to CIRNAC for the Specific Claims Settlement Fund;
- \$212 million to CIRNAC for the partial settlement of the Indian Residential Day Scholars litigation; and
- \$253 million to the Department of National Defence to fulfil obligations and payments under the sexual misconduct class action settlement.

Since 2016-17, overall contingent liabilities rose roughly 50 per cent (\$8.4 billion), reaching \$24.9 billion in 2019-20 (Figure 2-4).

Figure 2-4 Provisions for Contingent Liabilities



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

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

Public sector accounting standards prescribe that a liability only be recognized when there is a probability greater than 70 per cent that a liability may exist, and that it can be reasonably quantified. Given the focus on identifying and resolving claims, it is likely that a greater number of contingent liabilities will be recognized on the Government's balance sheet going forward: consequently, ongoing parliamentary spending requests can be anticipated.

Notes

1. *Old Age Security Act*. <http://laws-lois.justice.gc.ca/eng/acts/O-9/>.
2. Treasury Board of Canada Secretariat, *Supplementary Estimates (B) 2021-22*. <https://www.canada.ca/en/treasury-board-secretariat/services/planned-government-spending/supplementary-estimates/supplementary-estimates-b-2021-22.html>
3. House of Commons Procedure and Practice. (2000). Committees of the Whole House. <https://www.ourcommons.ca/marleaumontpetit/DocumentViewer.aspx?DocId=1001&Language=E&Sec=Ch19&Seq=0>
4. Treasury Board of Canada Secretariat. <https://www.canada.ca/en/treasury-board-secretariat/services/planned-government-spending/supplementary-estimates/supplementary-estimates-b-2021-22/covid-19-planned-expenditures.html>
5. Department of Finance, *Government announces targeted COVID-19 support measures to create jobs and growth*. <https://www.canada.ca/en/department-finance/news/2021/10/government-announces-targeted-covid-19-support-measures-to-create-jobs-and-growth.html>
6. Parliament of Canada, *Bill C-2 (44th Parliament, 1st Session) An Act to provide further support in response to COVID-19*. <https://www.parl.ca/LegisInfo/en/bill/44-1/C-2>
7. 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).
8. PBO's Personnel Expenditure Analysis Tool. <https://peat-oedp.pbo-dpb.ca/#/en>
9. PBO's Personnel Expenditure Analysis Tool – Key Insights Report. <https://www.pbo-dpb.gc.ca/en/blog/news/RP-2021-021-S--personnel-expenditure-analysis-tool--outil-examen-depenses-en-personnel>