

Explaining the Growth in Federal Program Spending since 2015

Updated Version

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2020

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and Jason Clemens

Further research after the publication of this study in June 2020 has led to refinement of the analysis and changes in some of the results. More specifically, the publication has been revised to correct for the reclassification of First Nations and Inuit health spending from Health Canada to Indigenous Services Canada.

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Executive Summary

In 2019, federal program spending reached \$322.9 billion, an increase of \$69.1 billion or 27.2% (nominal) since 2015. After adjusting for inflation, the increase in program spending is still sizeable at \$50.2 billion or 18.4%. The government finances current spending through taxes, imposed either today—or tomorrow through borrowing. It is important that Canadians understand where these increased expenditures are being made. This analysis clarifies what areas of federal spending explain the overall increase observed between 2015 and 2019 (pre-recession).

In total, 34 categories of federal spending were analyzed across three main areas: (1) major transfers to persons (4 categories), major transfers to other levels of government (5 categories), and direct program expense (25 categories). Five spending categories explain nearly two-thirds (60.1%) of the growth in overall program spending from 2015 to 2019: Children's Benefits, Elderly Benefits, National Defence, Indigenous and Northern Affairs, and the Canada Health Transfer.

1. Children's Benefits represented the largest share of the increase in federal program spending (\$9.6 billion), accounting for 13.9% of the total increase in program spending.
2. Elderly Benefits (\$9.3 billion) ranked second in the share of the change in federal program spending at 13.4%.
3. National Defence (\$8.1 billion) ranked third and represented 11.8% of the total increase in program spending.
4. This was followed closely by Indigenous and Northern Affairs (\$8.1 billion), which represented 11.7% of the total increase in program spending.
5. Finally, the Canada Health Transfer (CHT) (\$6.5 billion) represented 9.3% of the total increase in spending since 2015.

It is worth noting the disproportionate contributions of some of these spending areas to the overall growth in program spending. For instance, despite accounting for just 5.6% of total spending in 2015, Children's Benefits represented 13.9% of total program spending growth from 2015 to 2019. Similarly, Indigenous and Northern Affairs accounted for 4.5% of total spending in 2015 yet represented 11.7% of total growth in program spending.

The three other spending areas had roughly proportional growth. Elderly benefits contributed slightly more to total spending in 2015 (17.4%) than it did to total growth (13.4%)

as did the Canada Health Transfer, which contributed 12.7% to total spending in 2015 but accounted for 9.3% of the overall growth in program spending. National Defence represented 9.4% of program spending in 2015 and accounted for 11.8% of total program spending growth.

It is also worthwhile to understand the nature of the increases in the five categories of spending. The increases observed in Children's Benefits as well as Indigenous and Northern Affairs were largely, if not exclusively, discretionary policy decisions made by the government, while the increases in Elderly Benefits are largely automatic, driven by a growing population of seniors. Similarly, the increases in the Canada Health Transfer are determined by the existing formula rather than any particular discretionary decision. And finally, the increase in spending on National Defence may derive from Canada's attempt to uphold its NATO commitments for spending as a share of the economy.

There is no doubt that Canada experienced a pronounced increase in federal program spending between 2015 and 2019, well before the recession. Equally clear but not well known is that five areas out of a total of 34 federal areas of spending, represent almost two-thirds of the total increase in spending observed over the period from 2015 to 2019.

Introduction

Federal program spending has increased markedly since 2015. The increase began immediately following the fall election in 2015, when the newly elected Trudeau government increased program spending by \$10.4 billion more than the Harper Conservatives had originally planned for 2015; program spending has increased in each subsequent year. By 2019, federal spending (excluding interest costs) reached \$322.9 billion. For perspective, that is an increase of \$69.1 billion since 2015, or 27.2%. Per-person spending reached its highest level in Canadian history in each of the last three years starting in 2018 (Hill, Fuss, and Palacios, 2020).¹

Several studies have measured the extent of the federal government's increased spending,² but there still remains the important question of what programs and services account for the additional spending. The government spends public money for a variety of reasons and on a variety of programs and services, including transfers to persons (such as Old Age Security), transfers to other governments (such as the Canada Health and Social Transfers), and within departments (such as Infrastructure and Communities, or National Defence). The government finances current spending through taxes, imposed either today or tomorrow through borrowing, and for this reason it is important that Canadians understand where their money is being spent.

This essay analyzes spending growth across federal programs, departments, and agencies to determine the drivers of the growth in spending since 2015.³

1. For reference, per-person federal program spending, adjusted for inflation, increased by 14.8% between 2015 (using the Harper budget as a base) and 2019.

2. For example, Hill, Palacios, and Clemens, 2019, 2020.

3. This essay focuses specifically and narrowly on measuring the growth in federal program spending since 2015 by examining specific categories of federal program spending. It is not intended to be a commentary on, or an analysis of, whether such spending changes are positive or negative. For those generally interested in this normative issue, please see Tanzi (2011) and Di Matteo (2013).

Methodology

This essay uses data from the Public Accounts to compare federal program spending (total spending minus interest costs) in 2014/15 and 2018/19.⁴ These years were selected to provide an assessment of the increases implemented by the current federal government. Specifically, 2014/15 (hereafter referred to as 2015) represents the last full year of the previous government and 2018/19 (referred to as 2019) represents the last year of data available from the Public Accounts (Canada, Dep't of Finance, various years).

Using the available data, we present the change in spending by category. As presented in the Public Accounts, spending is divided into three main categories: major transfers to persons, major transfers to other levels of government, and direct program expenses. Each of these categories is then divided into sub-categories to give a more detailed account of the increase in spending. Direct program expenses are presented by ministry and include both transfer payments administered by departments and agencies, and other direct departmental spending, namely, operating expenses.

Since 2015, there have been several accounting and departmental changes. First, spending under Crown Corporations was consolidated with the expenses of other government departments and ministries in 2017. As a result, some spending items may show artificially high growth. According to the Government of Canada (Treasury Board of Canada Secretariat, 2019) spending on Crown Corporations is concentrated in a few ministries, mainly, Canada Heritage and Multiculturalism, Transport, Finance, and Public Works and Government Services. Spending growth in these ministries may therefore be somewhat overstated.

The lack of a spending category for Crown Corporations in 2019 was deemed to be a minor issue since it only accounted for 3.0% of total program spending in 2015. It is important, however, to recognize that some portion of the increase in certain departments is a result of the change in how Crown Corporation spending was accounted for within the Public Accounts. However, Crown Corporation spending was not reclassified within the five largest growth sub-categories—Children's Benefits, Elderly Benefits, National Defence, Indigenous and Northern Affairs, and the Canada Health Transfer—and therefore does not account for the substantial growth in these areas.

4. Total program spending excludes interest costs, which are influenced by the level of accumulated debt in prior years and the level of interest rates, and therefore are not within the government's direct, immediate control.

Within major transfers to other levels of government, the Quebec abatement is included as an adjustment for the federal tax reduced by Quebec under the Alternative Payments for Standing Programs and the Youth Allowance Program. In effect, part of the transfer to Quebec is made through lower federal taxes, so it is necessary to net this amount out of the transfer program spending. As a result, this adjustment will appear negative but does not reflect savings by the government.

In 2016, regional development programs—Atlantic Canada Opportunities Agency, Canadian Northern Economic Development Agency, Economic Development Agency of Canada for the Regions of Quebec, and Western Economic Diversification—were combined with Innovation, Science, and Economic Development.⁵ For comparison reasons, we include these programs under Innovation, Science, and Economic Development in 2015. In 2019, Science was separated from Innovation, Science, and Economic Development. For comparison purposes, we continue to include Science in Innovation, Science, and Economic Development in 2019.

In 2017, the federal government replaced Indigenous and Northern Affairs Canada with two new departments, Crown-Indigenous Relations and Northern Affairs Canada, and Indigenous Services Canada. For comparative purposes, we consolidate the two categories of spending as one in 2019, using the former name. Following this replacement, the responsibility for First Nations and Inuit health was moved from Health Canada to the new department of Indigenous Services Canada. For comparative purposes, we allocate the Health Canada expense for Supplementary Health Benefits for First Nations and Inuit, First Nations and Inuit Primary Health Care, and Health Infrastructure Support for First Nations and Inuit (totaling \$2.6 billion) to the ministry of Indigenous and Northern Affairs in 2015.

Democratic Institutions was separated from the Privy Council Office in 2019. For comparison reasons, we consolidate the two categories in 2019.

The Office of the Coordinator, Status of Women was transferred from the Ministry of Families, Children, and Social Development to the Ministry of Canadian Heritage and Multiculturalism in 2016, then to the new Ministry of Women and Gender Equality Canada in 2019. For comparison reasons, we consolidate the expenses of the Ministry of Women and Gender Equality and the Ministry of Families, Children, and Social Development into Families, Children, and Social Development.

5. The Federal Economic Development Agency for Southern Ontario, and the Northern Ontario Development Program were included under Innovation, Science, and Economic Development in 2015 and 2019.

This essay reviews federal program spending in nominal terms for each spending item in 2015 and 2019, and assesses the contribution of each to the total growth in spending.⁶ Government accounts, including both the Public Accounts and Budgets, are presented in nominal terms. Maintaining the data in nominal terms allows for ease of access and interpretation. Where appropriate, this essay references the data in real terms (inflation-adjusted) to provide additional context for the extent of spending growth.⁷

6. For real (inflation-adjusted) spending by category and sub-category, see **table A1** (p. 16). For real per-person spending by category and subcategory, see **table A2** (p. 17).

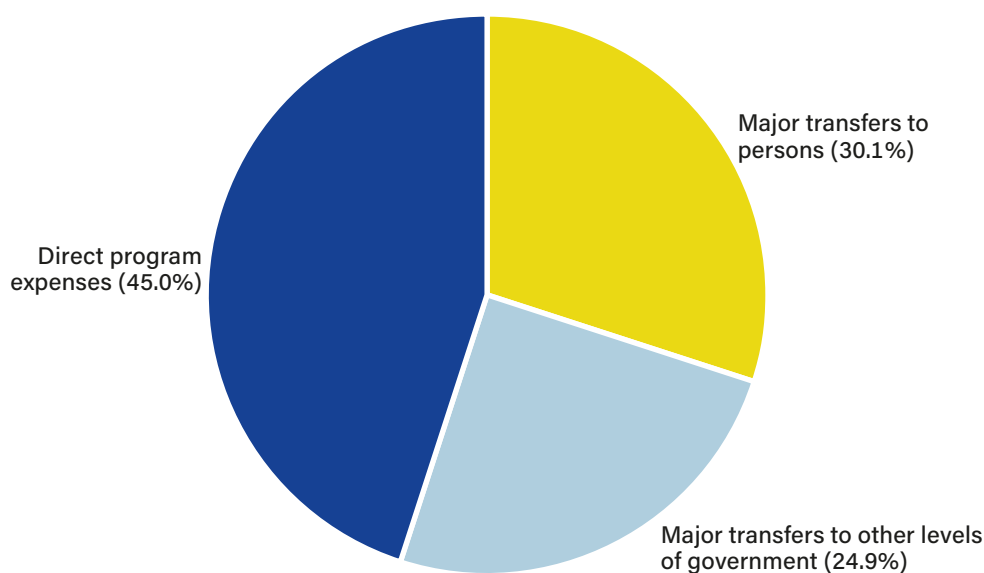
7. Inflation is the increase in the general price level over time that affects the real or effective value of money. Put simply, the government could well be spending more in nominal dollars over time but, if these increases are less than inflation, the real or effective level of spending could be decreasing.

Comparing Nominal Spending in 2015 and 2019

Table 1 (p. 6) includes information on federal (nominal) program spending in 2015 and 2019 across all three major areas of spending (major transfers to persons, major transfers to other levels of government, and direct program expenses) as well as the sub-categories of spending within each. In all, 34 subcategories of spending are examined: major transfers to persons (4), major transfers to other levels of government (5), and direct program expenses (25).

For context, in 2015, major transfers to persons accounted for 30.1% of total spending, major transfers to other levels of government represented 24.9% of total spending, and direct program expenses represented 45.0% of total spending (figure 1). Each of the three major spending categories experienced a marked increase from 2015 to 2019. Major transfers to persons grew by \$20.3 billion (26.6%), major transfers to other levels of government grew by \$12.8 billion (20.3%), and direct program expenses increased by \$35.9 billion (31.4%). Overall, program spending has increased by \$69.1 billion or 27.2% since 2015. Total program spending increased by \$50.2 billion (18.4%) after adjustment for inflation.⁸

Figure 1: Share (%) of total federal program spending (nominal) for major categories, 2015



Sources: Canada, Department of Finance (various years, 2015–2019); calculations by authors.

8. Adjusting for inflation, major transfers to persons grew by \$14.7 billion (17.9%), major transfers to other levels of government grew by \$8.1 billion (12.0%), and direct program expenses increased by \$27.4 billion (22.3%).

Table 1: Federal program spending, by expense (nominal), 2014/15 and 2018/19

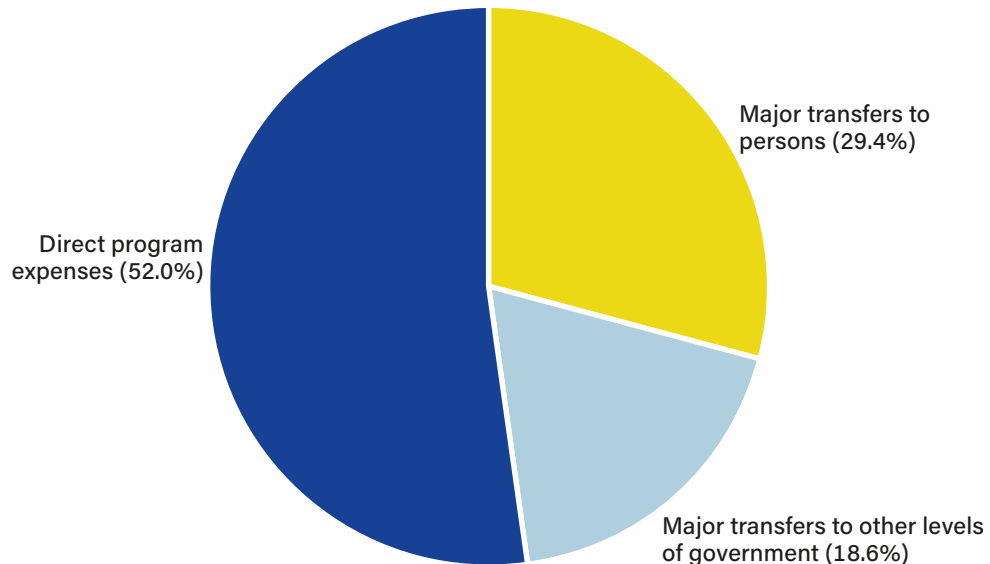
	2014/15		2018/19		Net change		
	Spending (\$ thousands)	Share of total (%)	Spending (\$ thousands)	Share of total (%)	(\$ thousands)	(%)	Share of change (%)
Major transfers to persons							
<i>Elderly benefits</i>	44,102,941	17.4	53,366,469	16.5	9,263,528	21.0	13.4
<i>Employment Insurance</i>	18,052,183	7.1	18,887,965	5.8	835,782	4.6	1.2
<i>Children's benefits</i>	14,302,618	5.6	23,881,910	7.4	9,579,292	67.0	13.9
<i>Fuel charge proceeds returned</i> [1]	0	0.0	663,759	0.2	663,759	N/A	1.0
Total Major transfers to persons	76,457,742	30.1	96,800,103	30.0	20,342,361	26.6	29.4
Major transfers to other levels of government							
<i>Canada health transfer</i>	32,114,006	12.7	38,567,524	11.9	6,453,518	20.1	9.3
<i>Canada social transfer</i>	12,581,729	5.0	14,160,847	4.4	1,579,118	12.6	2.3
<i>Fiscal arrangements</i>	20,505,247	8.1	22,975,265	7.1	2,470,018	12.0	3.6
<i>Quebec abatement</i>	-4,233,806	-1.7	-5,046,284	-1.6	-812,478	19.2	-1.2
<i>Other major transfers</i>	2,142,269	0.8	5,267,412	1.6	3,125,143	145.9	4.5
Total Major transfers to other levels of government	63,109,445	24.9	75,924,764	23.5	12,815,319	20.3	18.6
Direct program expenses							
<i>Agriculture and Agri-Food</i>	2,080,830	0.8	2,572,333	0.8	491,503	23.6	0.7
<i>Canadian Heritage and Multiculturalism</i>	1,794,308	0.7	4,271,834	1.3	2,477,526	138.1	3.6
<i>Immigration, Refugees and Citizenship</i>	2,045,221	0.8	2,888,536	0.9	843,315	41.2	1.2
<i>Environment and Climate Change</i>	1,657,274	0.7	2,375,305	0.7	718,031	43.3	1.0
<i>Families, Children and Social Development</i>	8,956,873	3.5	12,105,652	3.7	3,148,779	35.2	4.6
<i>Finance</i>	1,430,845	0.6	1,550,558	0.5	119,713	8.4	0.2
<i>Fisheries, Oceans and the Canadian Coast Guard</i>	1,671,026	0.7	2,584,297	0.8	913,271	54.7	1.3
<i>Global Affairs</i>	6,125,461	2.4	7,084,764	2.2	959,303	15.7	1.4
<i>Health</i> [2]	3,658,009	1.4	4,199,423	1.3	541,414	14.8	0.8
<i>Indigenous and Northern Affairs</i> [2]	11,366,938	4.5	19,446,329	6.0	8,079,391	71.1	11.7
<i>Innovation, Science and Economic Development</i>	5,006,833	2.0	7,466,672	2.3	2,459,839	49.1	3.6
<i>Justice</i>	1,624,684	0.6	1,825,314	0.6	200,630	12.3	0.3
<i>National Defence</i>	23,804,973	9.4	31,922,525	9.9	8,117,552	34.1	11.8
<i>National Revenue</i>	11,458,182	4.5	12,266,346	3.8	808,164	7.1	1.2
<i>Natural Resources</i>	2,250,823	0.9	3,731,999	1.2	1,481,176	65.8	2.1
<i>Infrastructure and Communities</i>	1,047,008	0.4	3,869,062	1.2	2,822,054	269.5	4.1
<i>Office of the Governor General's Secretary</i>	20,234	0.0	22,022	0.0	1,788	8.8	0.0
<i>Parliament</i>	543,301	0.2	731,233	0.2	187,932	34.6	0.3
<i>Privy Council</i>	322,185	0.1	534,257	0.2	212,072	65.8	0.3
<i>Public Safety and Emergency Preparedness</i>	10,034,637	4.0	13,127,446	4.1	3,092,809	30.8	4.5
<i>Public Works and Government Services</i>	4,267,386	1.7	4,730,396	1.5	463,010	10.8	0.7
<i>Transport</i>	1,512,060	0.6	3,143,621	1.0	1,631,561	107.9	2.4
<i>Treasury Board</i>	3,277,101	1.3	6,720,865	2.1	3,443,764	105.1	5.0
<i>Veterans Affairs</i>	1,018,095	0.4	1,140,535	0.4	122,440	12.0	0.2
<i>Provision for valuation and other items</i>	-291,213	-0.1	-120,454	0.0	170,759	-58.6	0.2
<i>Crown Corporations</i> [3]	7,590,118*	3.0	0	0.0	N/A	N/A	N/A
Total direct program expenses	114,273,192	45.0	150,190,870	46.5	35,917,678	31.4	52.0
Total program expenses	253,840,379	100.0	322,915,737	100.0	69,075,358	27.2	100.0
Public debt charges	26,594,069		23,266,101		-3,327,968	-12.5	
Total expenses	280,434,448		346,181,838		65,747,390	23.4	

Notes: Several departments have changed names since 2015, we use the most current name unless otherwise specified. [1] *Fuel charge proceeds returned* consist of payments under the new federal carbon-pollution pricing system. [2] For comparative purposes, \$2.6 billion of expenditure for First Nations and Inuit health under Health Canada was moved to Indigenous and Northern Affairs in 2015. [3] Spending by Crown Corporations, which totaled \$7.6 billion (nominal) in 2015, was consolidated with the expenses of other government units in 2017 and, therefore, cannot be presented as a separate line item in 2019. This reclassification does not affect the five largest categories: Children's Benefits, Elderly Benefits, National Defence, Indigenous and Northern Affairs, and the Canada Health Transfer, but may have a small impact on several smaller spending categories.

Sources: Canada, Department of Finance, various years, 2015–2019; calculations by authors.

Figure 2 shows the contribution of each main spending category to the total growth in program spending between 2015 and 2019. Major transfers to persons accounted for 29.4% of total growth in program spending, major transfers to other levels of government represented 18.6% of the change, and direct program expenses represented 52.0% of the overall growth.

Figure 2: Share (%) of change in federal program spending (nominal), 2015–2019

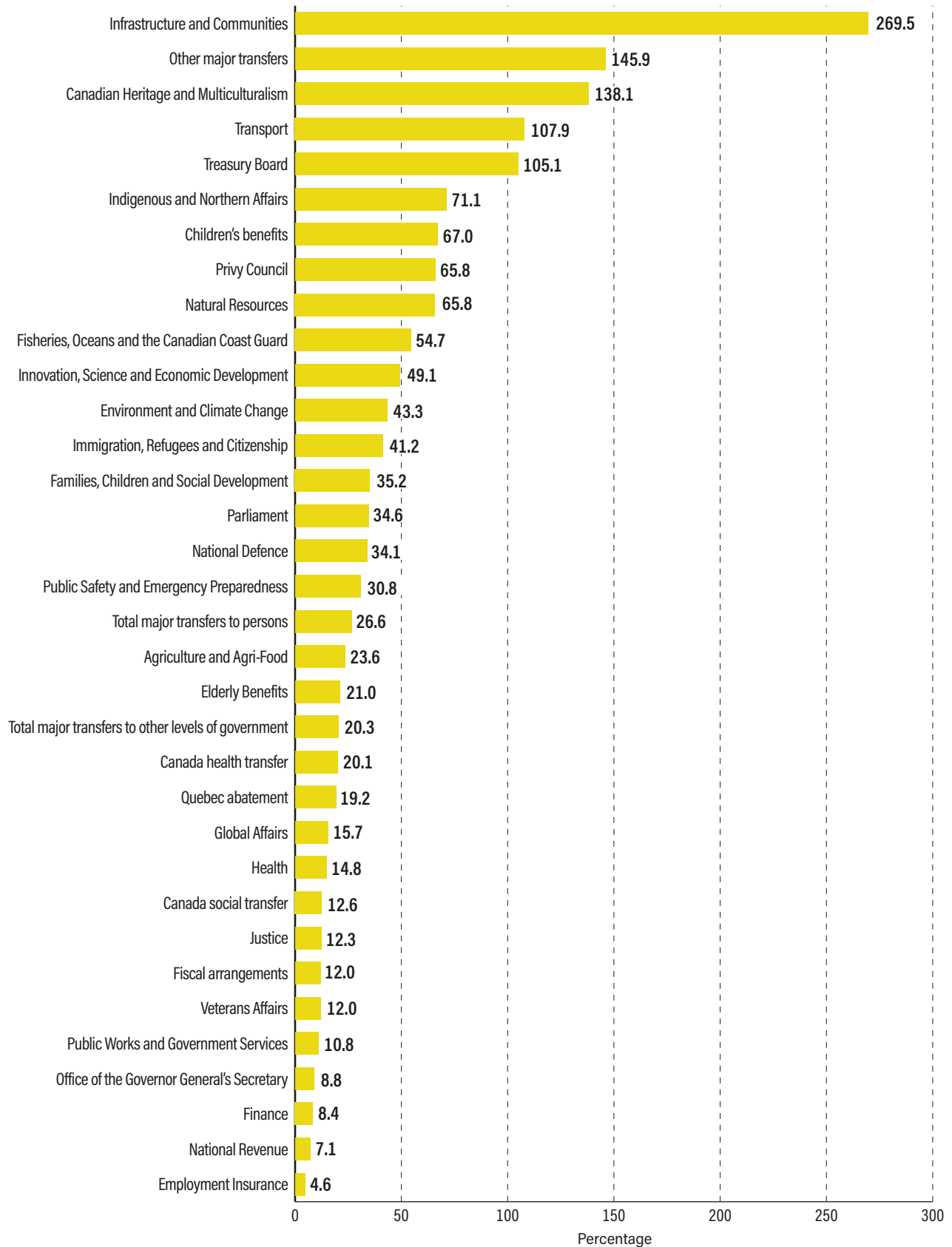


Sources: Canada, Department of Finance (various years, 2015–2019); calculations by authors.

Important insights into the nature of the spending increase between 2015 and 2019 can be gained by examining the sub-categories. Figure 3 ranks the various areas of spending by the percentage change in spending between 2015 and 2019 (data available in table 1). As illustrated, the increase in Infrastructure and Communities (269.5%) dwarfs the increase in any other category and is nearly double the increase in the second-ranked category, Other Major Transfers (145.9%).

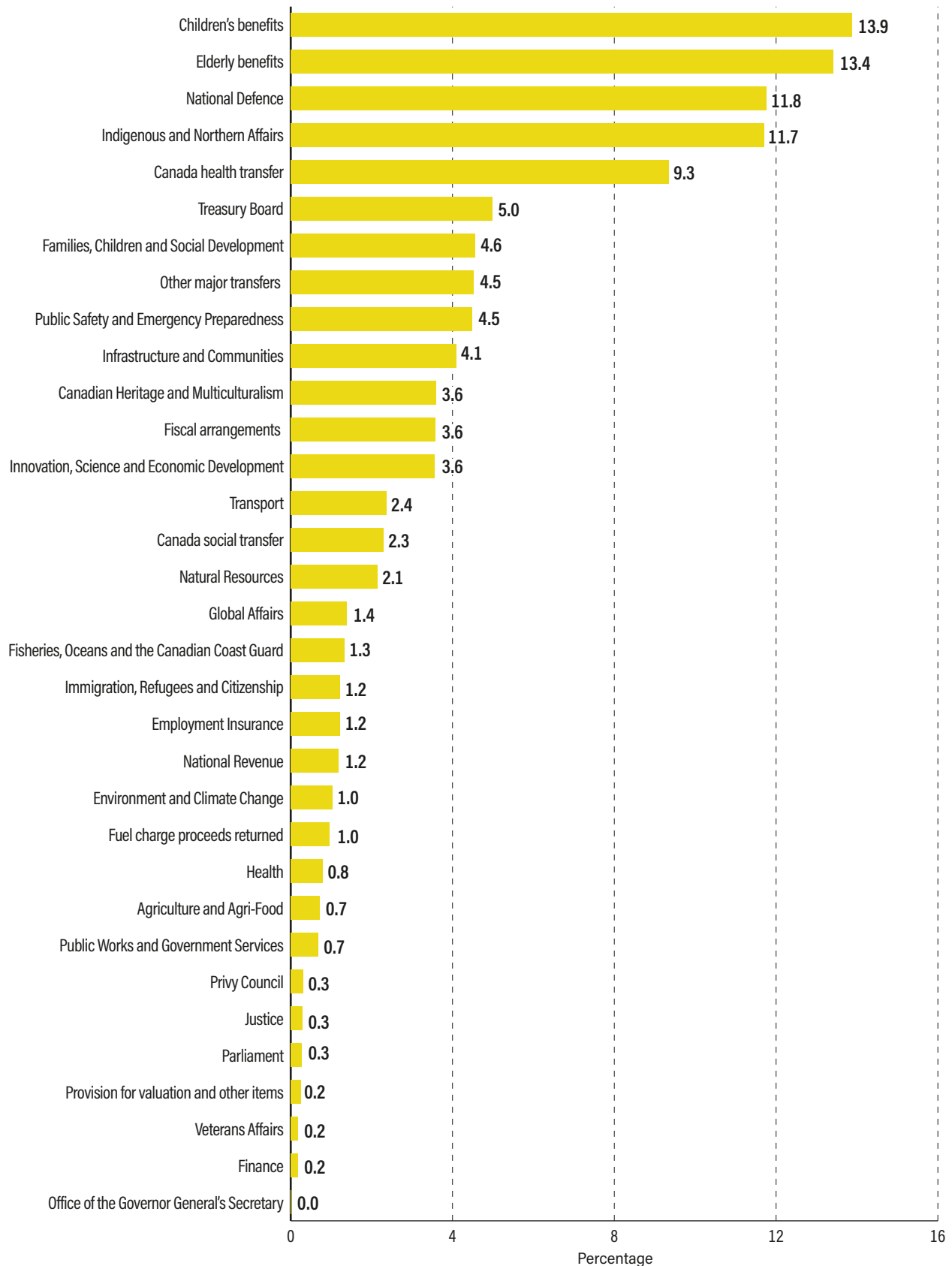
While the data in figure 3 is helpful, it can easily be misunderstood as an explanation of the growth in overall program spending since 2015. For instance, while Infrastructure and Communities clearly grew at the highest percentage level of any spending category, its contribution to explaining the overall growth in program spending was modest. Specifically, Infrastructure and Communities contributed 4.1% to the total increase in overall program spending between 2015 and 2019 (figure 4). The reason for this disparity is that Infrastructure and Community started and ended the period with a comparatively low level of spending. Specifically, it started the period (2015) with \$1.0 billion in spending, rising to \$3.9 billion in 2019, which represented 1.2% of total federal program spending. Simply put, large changes in small areas of spending, while important, cannot explain the overall increase in program spending of \$69.1 billion or 27.2%.

Figure 3: Change (%) in federal program spending (nominal), by sub-category, 2015–2019



Sources: Canada, Department of Finance (various years, 2015–2019); calculations by authors.

Figure 4: Share (%) of change in federal program spending (nominal), by sub-category, 2015–2019



Sources: Canada, Department of Finance (various years, 2015–2019); calculations by authors.

The most important analysis, and indeed the focus of this study is calculating the increase in each category of spending and their relative contribution to the overall increase in program spending between 2015 and 2019. As depicted in figure 4 (data is available in table 1), five areas of federal spending dominate the growth in overall program spending during this period. Indeed, these five areas of spending represent 60.1% of the total increase in spending over the period from 2015 to 2019.

1 Children's Benefits

The increase in Children's Benefits, which totaled \$9.6 billion or 67.0% (table 1), constitutes the largest dollar increase relative to the other departments and areas of spending. Specifically, the increase in spending in Children's Benefits represented 13.9% of the total increase in program spending (figure 4).

2 Elderly Benefits

Elderly Benefits, which is essentially Old Age Security (OAS) and the Guaranteed Income Supplement (GIS), increased by \$9.3 billion or 21.0%. It constituted 13.4% of the total increase in program spending.

3 National Defence

The third-ranked area of spending increase is National Defence, which experienced a 34.1% increase since 2015, or \$8.1 billion. It represented 11.8% of the total increase in program spending over the period.

4 Indigenous and Northern Affairs

Indigenous and Northern Affairs follows closely behind National Defence as the fourth-ranked area of spending increase. It experienced a 71.1% increase since 2015, or \$8.1 billion, and represented 11.7% of the total increase in program spending between 2015 and 2019.

5 Canada Health Transfer

Finally, the Canada Health Transfer (CHT), which provides resources to the provinces for health-care spending, experienced a \$6.5 billion increase or 20.1%, and represented 9.3% of the total increase in program spending since 2015.⁹

A number of other areas of spending experienced substantial increases, though not to the level observed in the five areas discussed above. These include the Treasury Board (+\$3.4

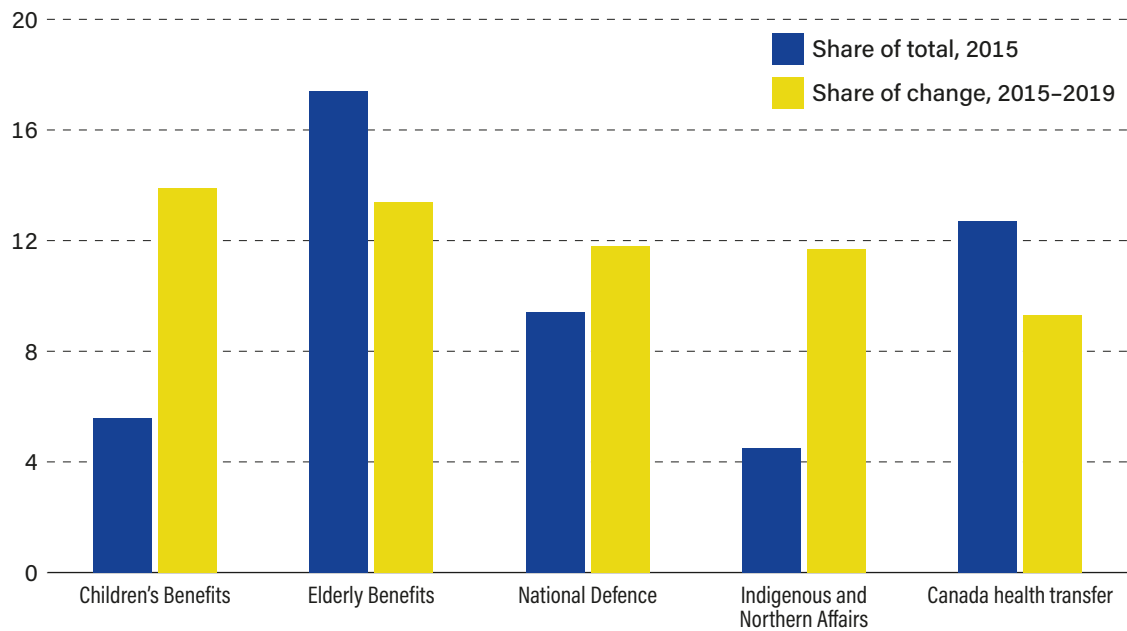
9. It is worth noting that the five sub-categories experienced a marked increase in (inflation-adjusted, real \$2019) spending: Children's Benefits increased by \$8.5 billion (55.4%); Indigenous and Northern Affairs increased by \$7.2 billion (59.3%); National Defence grew by \$6.4 billion (24.8%); Elderly Benefits increased by \$6.0 billion (12.6%); and the Canada Health Transfer increased by \$4.1 billion, an 11.8% increase since 2015.

billion), Families, Children, and Social Development (+\$3.1 billion), Public Safety and Emergency Preparedness (+\$3.1 billion), and Infrastructure and Communities (+\$2.8 billion). Every area of spending increased between 2015 and 2019.

Proportional increases

Finally, it is useful to compare and contrast the share of total program spending (see table 1) by each sub-category in 2015 to its share of spending growth over the period (figure 5). The five main areas of spending growth represent a large share of total spending in 2015 (49.5%), but this is substantially less than their contribution to the total growth in spending (60.1%) over this period. In other words, collectively these five sub-categories account for a disproportionate share of spending growth.¹⁰

Figure 5: Share (%) of total federal program spending (nominal, 2015) and of change in spending for the top 5 areas of spending growth, 2015–2019



Sources: Canada, Department of Finance (various years, 2015–2019); calculations by authors.

Children's Benefits and Indigenous and Northern Affairs both contributed a relatively large share of spending growth compared to their share of total spending in 2015. Indeed, despite accounting for just 5.6% of total spending in 2015, Children's Benefits represented

10. These five sub-categories also account for a significant portion (51.8%) of total program spending in 2019. Elderly Benefits constitute 16.5% of total program spending in 2019, making it the largest area of spending. The Canada Health Transfer accounts for 11.9% of total spending in 2019, National Defence, 9.9%, and Children's Benefits, 7.4% of total spending. Finally, Indigenous and Northern Affairs account for 6.0% of total spending in 2019.

13.9% of total spending growth. Similarly, Indigenous and Northern Affairs accounted for 4.5% of total spending in 2015, yet represented 11.7% of total spending growth. Put differently, these categories contributed a disproportionately high amount to overall spending growth over the period.

Elderly Benefits and the Canada Health Transfer were somewhat more proportional. Elderly Benefits contributed more to total spending in 2015 (17.4%) than it did to total growth (13.4%) as did the Canada Health Transfer, which contributed 12.7% to total spending in 2015, but accounted for just 9.3% of overall growth.

National Defence contributed a somewhat proportional amount to total spending growth. It represented 9.4% of program spending in 2015 and accounted for 11.8% of total spending growth.

What's Driving the Five Main Sources of Spending Growth?

It's worthwhile to understand the nature of the changes driving the increases in the five categories of spending that account for almost two-thirds of the total increase in program spending.

First, the Trudeau government promised to increase spending on Indigenous programs in its 2015 election campaign (Liberal Party of Canada, 2015).¹¹ Beginning in *Budget 2016*, the federal government committed \$8.4 billion over five years to improve the socio-economic conditions of Indigenous peoples and similar commitments have been made in subsequent budgets. So, unlike some of the other areas where spending increased as noted above, the increase in Aboriginal-related spending was largely a discretionary decision by the federal government.

The Trudeau government also markedly increased the benefits paid under the Children's Benefits. In 2016, the federal government introduced the Canada Child Benefit (CCB), a tax-free payment that replaced and expanded two existing programs—the Canada Child Tax Benefit and Universal Child Care Benefit. The CCB increased the average payment to eligible families by nearly \$2,300 in 2016/17 (Canada, Department of Finance, 2016). Like the increase in Aboriginal-related spending, the increases observed in the Children's Benefits were a discretionary decision by the federal government.

Unlike the previous two areas of spending, however, the increases observed in Elderly Benefits is largely a result of an ageing population and thus an increasing number of recipients. For example, between January 2015 and December 2019, the number of seniors receiving OAS increased from 5.5 million to 6.5 million, an increase of 16.8% (Canada, Employment and Social Development, 2020). In addition, the value of Elderly Benefits are automatically adjusted for inflation each year and some benefit changes have also been introduced. The combination of an ageing population coupled with increases in the benefits paid explain the 21.0% increase in the level of spending for Elderly Benefits between 2015 and 2019.

Canada's defence spending is influenced by its participation in international alliances, such as NATO. In 2014, NATO members agreed to spend 2% of national GDP on defence.

11. As Flanagan and Jackson (2017) explain, some of the challenges faced by First Nations cannot be addressed simply through more spending. In fact, historically the well-being of this population has not improved in proportion to higher spending levels (Flanagan, 2019).

Although Canada has not reached this level, it appears the government may be increasing spending to be more in line with this target. Indeed, in 2015 the federal government spent 1.2% of GDP on national defence, this increased to 1.4% in 2019 (Canada, Dep't of Finance, various years; Statistics Canada 2020c; calculations by authors).

Finally, the Canada Health Transfer (CHT) is a federal payment to the provinces and territories to support health care. Payments under the CHT are determined by a formula; up until 2016/17 payments were set to increase at 6.0% annually. In 2017/18, the formula was adjusted such that payments grow in line with a three-year moving average of national Gross Domestic Product (nominal), with funding guaranteed to grow by at least 3.0% annually. Similar to the spending increases observed with respect to Elderly Benefits, the increases in the CHT are driven by existing rules and guidelines rather than any specific discretionary decision made by the federal government.

Conclusion

It is clear from the data presented that, from 2015 to 2019, there has been a substantial increase in federal program spending. By 2019, federal spending (excluding interest costs) reached \$322.9 billion, which is an increase of \$69.1 billion since 2015, or 27.2% (nominal). After adjusting for inflation, the increase in program spending is still sizeable at \$50.2 billion or 18.4%.

Each of the three major spending categories experienced a marked increase since 2015: major transfers to persons grew by 26.6%, major transfers to other levels of government by 20.3%, and direct program expenses by 31.4%. Major transfers to persons account for 29.4% of total program spending growth, major transfers to other levels of government represented 18.6% of the change, and direct program expenses represented 52.0% of the overall growth.

Five areas of federal spending dominate the growth in overall spending between 2015 and 2019, representing 60.1% of the total increase in spending. Children's Benefits experienced the largest increase of any category, \$9.6 billion or 67.0%. The increase in spending in Children's Benefits represented the largest share of the change in federal program spending at 13.9% of the total increase in program spending.

Elderly Benefits ranked second in the share of the change in federal program spending at 13.4%, increasing by \$9.3 billion or 21.0% over the period. National Defence increased by \$8.1 billion or 34.1%, which represented 11.8% of the total increase in program spending. Following closely, Indigenous and Northern Affairs ranked fourth and experienced a 71.1% increase or \$8.1 billion. It represented 11.7% of the total increase. Finally, the Canada Health Transfer (CHT) increased by \$6.5 billion or 20.1%, which represented 9.3% of the total increase in program spending since 2015.

The increases observed in Children's Benefits as well as Indigenous and Northern Affairs were largely, if not exclusively, discretionary policy decisions made by the government, while the increases in Elderly Benefits are largely automatic, driven by an growing population of seniors. Similarly, the increases in the Canada Health Transfer are determined by the existing formula rather than any particular discretionary decision. And finally, the increase in National Defence may relate to Canada trying to uphold its NATO commitments for spending as a share of the economy.

In sum, Canada's federal government oversaw a pronounced increase in spending across all main categories of expenditures between 2015 and 2019. These increases were dominated—almost two thirds of the increase—by five areas of spending.

Table A1: Federal program spending, by expense (real \$2019)

	2014/15 Spending (\$ thousands)	2018/19 Spending (\$ thousands)	Net change (\$ thousands) (%)	
Major transfers to persons				
<i>Elderly benefits</i>	47,377,567	53,366,469	5,988,902	12.6
<i>Employment Insurance</i>	19,392,550	18,887,965	-504,585	-2.6
<i>Children's benefits</i>	15,364,582	23,881,910	8,517,328	55.4
<i>Fuel charge proceeds returned</i> [1]	0	663,759	663,759	N/A
Total Major transfers to persons	82,134,699	96,800,103	14,665,404	17.9
Major transfers to other levels of government				
<i>Canada health transfer</i>	34,498,458	38,567,524	4,069,066	11.8
<i>Canada social transfer</i>	13,515,917	14,160,847	644,930	4.8
<i>Fiscal arrangements</i>	22,027,753	22,975,265	947,512	4.3
<i>Quebec abatement</i>	-4,548,164	-5,046,284	-498,120	11.0
<i>Other major transfers</i>	2,301,332	5,267,412	2,966,080	128.9
Total Major transfers to other levels of government	67,795,296	75,924,764	8,129,468	12.0
Direct program expenses				
<i>Agriculture and Agri-Food</i>	2,235,331	2,572,333	337,002	15.1
<i>Canadian Heritage and Multiculturalism</i>	1,927,535	4,271,834	2,344,299	121.6
<i>Immigration, Refugees and Citizenship</i>	2,197,078	2,888,536	691,458	31.5
<i>Environment and Climate Change</i>	1,780,326	2,375,305	594,979	33.4
<i>Families, Children and Social Development</i>	9,621,917	12,105,652	2,483,735	25.8
<i>Finance</i>	1,537,085	1,550,558	13,473	0.9
<i>Fisheries, Oceans and the Canadian Coast Guard</i>	1,795,099	2,584,297	789,198	44.0
<i>Global Affairs</i>	6,580,274	7,084,764	504,490	7.7
<i>Health</i> [2]	3,929,614	4,199,423	269,809	6.9
<i>Indigenous and Northern Affairs</i> [2]	12,210,929	19,446,329	7,235,400	59.3
<i>Innovation, Science and Economic Development</i>	5,378,588	7,466,672	2,088,084	38.8
<i>Justice</i>	1,745,316	1,825,314	79,998	4.6
<i>National Defence</i>	25,572,483	31,922,525	6,350,042	24.8
<i>National Revenue</i>	12,308,947	12,266,346	-42,601	-0.3
<i>Natural Resources</i>	2,417,946	3,731,999	1,314,053	54.3
<i>Infrastructure and Communities</i>	1,124,748	3,869,062	2,744,314	244.0
<i>Office of the Governor General's Secretary</i>	21,736	22,022	286	1.3
<i>Parliament</i>	583,641	731,233	147,592	25.3
<i>Privy Council</i>	346,107	534,257	188,150	54.4
<i>Public Safety and Emergency Preparedness</i>	10,779,705	13,127,446	2,347,741	21.8
<i>Public Works and Government Services</i>	4,584,238	4,730,396	146,158	3.2
<i>Transport</i>	1,624,330	3,143,621	1,519,291	93.5
<i>Treasury Board</i>	3,520,424	6,720,865	3,200,441	90.9
<i>Veterans Affairs</i>	1,093,688	1,140,535	46,847	4.3
<i>Provision for valuation and other items</i>	-312,835	-120,454	192,381	-61.5
<i>Crown Corporations</i> [3]	8,153,681	0	N/A	N/A
Total direct program expenses	122,757,931	150,190,870	27,432,939	22.3
Total program expenses	272,687,927	322,915,737	50,227,810	18.4
Public debt charges	28,568,668	23,266,101	-5,302,567	-18.6
Total expenses	301,256,595	346,181,838	44,925,243	14.9

Notes: Several departments have changed names since 2015, we use the most current name unless otherwise specified. [1] *Fuel charge proceeds returned* consist of payments under the new federal carbon-pollution pricing system. [2] For comparative purposes, \$2.6 billion of expenditure for the purpose of First Nations and Inuit health under Health Canada were moved to Indigenous and Northern Affairs in 2015. [3] Spending by Crown Corporations, which totaled \$7.6 billion (nominal) in 2015, was consolidated with the expenses of other government units in 2017 and, therefore, cannot be presented as a separate line item in 2019. This reclassification does not affect the five largest categories: Indigenous and Northern Affairs, Children's Benefits, Elderly Benefits, National Defence, and the Canada Health Transfer, but may have a small impact on several smaller spending categories.

Sources: Canada, Department of Finance, various years, 2015–2019; Statistics Canada, 2020b; calculations by authors.

Table A2: Federal program spending per person, by expense (real \$2019)

	2014/15 Spending [1] (\$ per person)	2018/19 Spending [1] (\$ per person)	Net change (\$ per person) (%)	
Major transfers to persons				
<i>Elderly benefits</i>	1,327	1,420	93	7.0
<i>Employment Insurance</i>	543	502	-41	-7.5
<i>Children's benefits</i>	430	635	205	47.6
<i>Fuel charge proceeds returned</i> [2]	0	18	18	N/A
Total Major transfers to persons	2,301	2,575	275	11.9
Major transfers to other levels of government				
<i>Canada health transfer</i>	966	1,026	60	6.2
<i>Canada social transfer</i>	379	377	-2	-0.5
<i>Fiscal arrangements</i>	617	611	-6	-0.9
<i>Quebec abatement</i>	-127	-134	-7	5.4
<i>Other major transfers</i>	64	140	76	117.4
Total Major transfers to other levels of government	1,899	2,020	121	6.4
Direct program expenses				
<i>Agriculture and Agri-Food</i>	63	68	6	9.3
<i>Canadian Heritage and Multiculturalism</i>	54	114	60	110.5
<i>Immigration, Refugees and Citizenship</i>	62	77	15	24.9
<i>Environment and Climate Change</i>	50	63	13	26.7
<i>Families, Children and Social Development</i>	269	322	53	19.5
<i>Finance</i>	43	41	-2	-4.2
<i>Fisheries, Oceans and the Canadian Coast Guard</i>	50	69	18	36.7
<i>Global Affairs</i>	184	188	4	2.3
<i>Health</i> [3]	110	112	2	1.5
<i>Indigenous and Northern Affairs</i> [3]	342	517	175	51.3
<i>Innovation, Science and Economic Development</i>	151	199	48	31.9
<i>Justice</i>	49	49	0	-0.7
<i>National Defence</i>	716	849	133	18.6
<i>National Revenue</i>	345	326	-18	-5.3
<i>Natural Resources</i>	68	99	32	46.6
<i>Infrastructure and Communities</i>	32	103	71	226.7
<i>Office of the Governor General's Secretary</i>	1	1	0	-3.8
<i>Parliament</i>	16	19	3	19.0
<i>Privy Council</i>	10	14	5	46.6
<i>Public Safety and Emergency Preparedness</i>	302	349	47	15.7
<i>Public Works and Government Services</i>	128	126	-3	-2.0
<i>Transport</i>	45	84	38	83.8
<i>Treasury Board</i>	99	179	80	81.3
<i>Veterans Affairs</i>	31	30	0	-0.9
<i>Provision for valuation and other items</i>	-9	-3	6	-63.4
<i>Crown Corporations</i> [4]	228	0	N/A	N/A
Total direct program expenses	3,438	3,996	557	16.2
Total program expenses	7,638	8,591	953	12.5
Public debt charges	800	619	-181	-22.6
Total expenses	8,438	9,210	772	9.1

Notes: Several departments have changed names since 2015, we use the most current name unless otherwise specified. [1] Values for real per-person spending should be interpreted with caution as several spending items (such as Old Age Security, Children's Benefits) are not affected by a change in total population but rather by a change in specific demographics. [2] *Fuel charge proceeds returned* consist of payments under the new federal carbon-pollution pricing system. [3] For comparative purposes, \$2.6 billion of expenditure for the purpose of First Nations and Inuit health under Health Canada were moved to Indigenous and Northern Affairs in 2015. [4] Spending by Crown Corporations, which totaled \$7.6 billion (nominal) in 2015, was consolidated with the expenses of other government units in 2017 and, therefore, cannot be presented as a separate line item in 2019. This reclassification does not affect the five largest categories: Indigenous and Northern Affairs, Children's Benefits, Elderly Benefits, National Defence, and the Canada Health Transfer, but may have a small impact on several smaller spending categories.

Sources: Canada, Department of Finance, various years, 2015–2019; Statistics Canada, 2020a, 2020b; calculations by authors.

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Acknowledgments

The authors wish to thank the anonymous reviewers for many helpful comments and suggestions on an earlier draft. Thanks also to Tom Flanagan for helping us to refine our analysis. Any remaining errors are the sole responsibility of the authors.

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Date of issue

2020

ISBN

978-0-88975-607-6

Citation

Tegan Hill, Nathaniel Li, Milagros Palacios, and Jason Clemens (2020). *Explaining the Growth in Federal Program Spending since 2015*. Fraser Institute. <<http://www.fraserinstitute.org>>.

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