

Indigenous Spending in Budget 2022

by Tom Flanagan



SUMMARY

- Overall spending increases announced in Budget 2022 were more moderate than federal spending increases during the pandemic years of 2019-2021.
- Federal Indigenous spending, however, continues to grow faster than overall spending.
- It is projected to rise from about \$25 billion in fiscal 2021-22 to about \$35.5 billion in 2026-27, an increase of 42 percent in nominal dollars.
- Indigenous spending continues to rise as a proportion of the federal budget, from 6.1 percent in 2019-20 to 7.7 percent in 2026-27—an increase of 26 percent in seven years.
- Indigenous spending is increasingly driven by the negotiated settlement of class actions, such as those for Indian residential schools, Indian day schools, Indian hospitals, and boil-water advisories on Indian reserves.
- The biggest of these settlements is the \$40 billion child welfare settlement announced in December 2021.
- The impact of this settlement upon Indigenous spending is difficult to observe because, under the principles of accrual accounting, much of it is backdated to earlier years.
- The Trudeau government has missed all its previous budgetary targets for Indigenous spending, so the increases announced in Budget 2022 will probably prove to be underestimates, especially if class actions continue to put unpredictable pressures on Indigenous funding commitments.

Indigenous Spending in Budget 2022

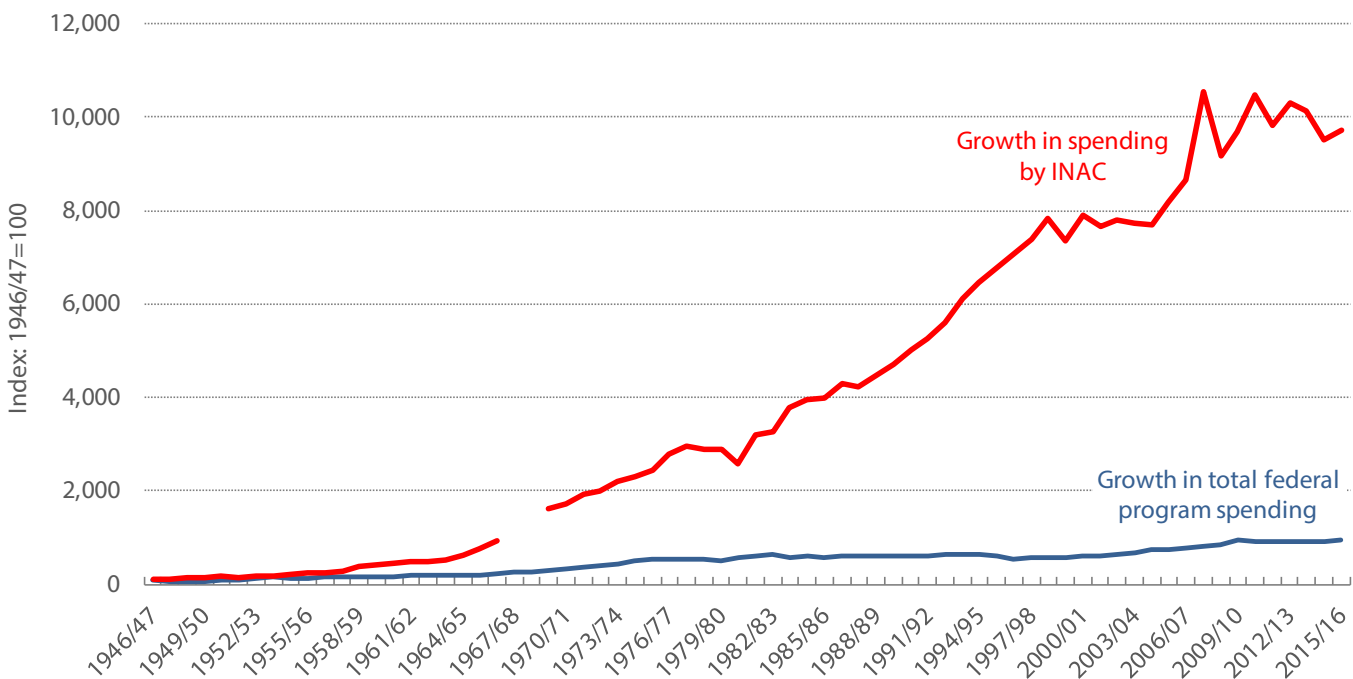
Media coverage of Budget 2022 tended to emphasize the moderation of spending increases as compared to the pandemic spending of the previous two years. A television interview with marquee columnist John Ivison of the *National Post* was headlined, “Restraint Big Surprise in Federal Budget” (Harapyn, 2022). Indeed, Budget 2022 predicted that the federal deficit would fall from \$113.8 billion in the previous fiscal year, 2021-22, to \$52.8 billion in 2022-23, and \$29.9 billion in 2023-24 (Canada, Department of Finance, 2022a: 226).

There was little coverage in the media of Indigenous spending, perhaps because, in spite of the de-escalation in increases in overall spending, the budget also contained other new initia-

tives, such as a national child care plan, dental care for children, and increased military spending, which seemed more worthy of reporting. Yet Indigenous spending is not only important in its own right; it continues to grow, both in absolute terms and in relation to the budget as a whole. We must take a closer look to see if the general themes of restraint and moderation in spending apply to spending on Indigenous initiatives.

Previous Fraser Institute research has documented the growth of federal spending on Indigenous programs since the end of World War II. Spending grew rapidly and steadily under both Liberal and Conservative governments, although there were two periods

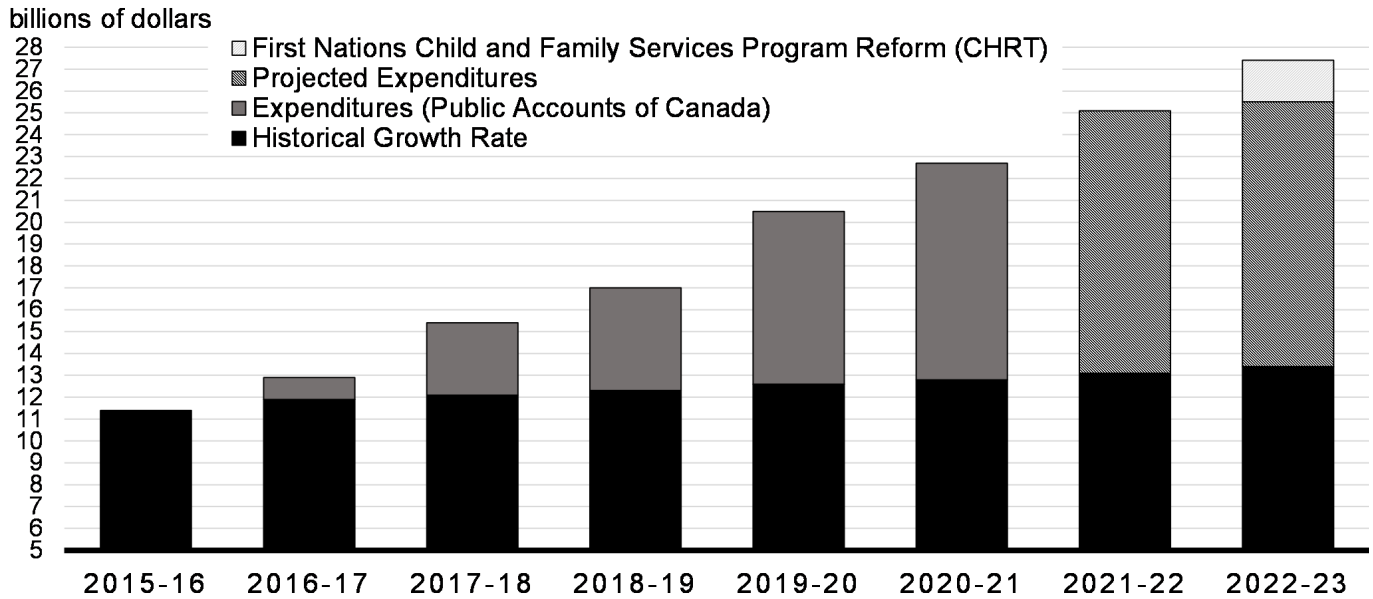
Figure 1: Growth in INAC Spending Compared to Growth in Total Federal Program Spending, 1946/47–2015/16 (Index: 1946/47 = 100)



Sources: Canada, Department of Finance, 2008, 2016; Library and Archives Canada, 2014.

Indigenous Spending in Budget 2022

Figure 2: Expenditures on Indigenous Peoples (Actual and Projected) 2015-16 to 2022-23



Notes: This figure does not include \$20 billion in proposed compensation to address harms caused by the First Nations Child and Family Services Program and for delays or denials in needed children's services (as announced in the 2021 Economic and Fiscal Update). The \$20 billion previously announced to respond to orders from the Canadian Human Rights Tribunal and support long-term reforms to the First Nations Child and Family Services Program is over five years, starting in 2022-23 through to 2026-27.

Source: Canada, Department of Finance (2022b), chart 7.2. Some labels altered by the author.

when it temporarily levelled off—during the fiscal crisis of the mid-1990s when Paul Martin was finance minister in Jean Chrétien's Liberal government; and 2011-15 when Stephen Harper's Conservatives had a majority government, giving them greater control of the budget (Flanagan and Jackson, 2017: 1-5). Figure 1 shows the overall pattern from 1946 to 2015.

After the Liberals led by Justin Trudeau regained power in 2015, Indigenous spending resumed growth in a way that can only be termed explosive. Figure 2, reproduced from Budget 2022, shows the spending totals from 2015-16, the last fiscal year with a budget prepared by

the Conservatives, through 2022-23, the fiscal year we have now entered.

Budget 2022 does not supply actual numbers, but approximate totals can be determined from the bar graph in figure 2. Spending rose from about \$11.5 billion in fiscal 2015-16, the last Harper budget, to about \$25 billion in 2021-22, the fiscal year we have just completed (we will leave 2022-23 aside for the moment because that total is for projected rather than actual spending). That is an increase of \$13.5 billion, or 117 percent, in nominal dollars. Even in inflation-adjusted dollars (Bank of Canada, Undated), it is still an increase of 105 percent, meaning that it more than doubled in six years. Such

Indigenous Spending in Budget 2022

a rate of increase can hardly continue for any great length of time.

Budget 2022 contains a five-year plan, covering 2022-23 through 2026-27 (Canada, Department of Finance, 2022a: 179-180). At the end of this five-year period, Indigenous spending is projected to be about \$35.5 billion per fiscal year, an increase of \$10.5 billion over 2021-22, or 42 percent in nominal dollars. Precise inflation adjustment is not possible because the future hasn't happened yet, but Budget 2022 forecasts an average inflation rate of 2 percent a year over the next five years (Canada, Department of Finance, 2022a: 13). That estimate seems low, given that inflation is running at 6.7 percent a year at the time of writing (Statistics Canada, 2022), but let's go with it for now. That yields cumulative growth of slightly over 10 percent for five years, which means the increase in inflation-adjusted dollars is 29 percent over five years—a substantial increment, but not nearly as great as the growth in Indigenous spending from 2015-16 through 2021-22. It may seem that the government has taken account of the American economist Herbert Stein's aphorism, "what can't go on, won't" (Cox, 2013), and that the growth in Indigenous spending is moderating.

Another way of looking at Indigenous expenditure is to track its percentage share of all federal government program spending. This can't be done meaningfully on a year-by-year basis for recent years because federal spending spiked in fiscal 2020-21 and remained abnormally high in 2021-22 due to the COVID pandemic. However, we can compare expenditures in fiscal 2019-20, the last pre-COVID year, with projected expenditures in fiscal 2026-27, by which time federal spending is supposed to be back on a more usual growth trajectory. When we make that comparison, we find that Indigenous spending was \$20.5 billion in the earlier year, out of to-

tal program spending of \$338.5 billion (Canada, Department of Finance, 2021a: 245, 328), for a 6.1 percent share. In the latter year, Indigenous spending is supposed to reach \$35.7 billion (Canada, Department of Finance, 2022a: 166, 180) out of total program spending of \$463.3 billion (Canada, Department of Finance, 2022a: 226) for a 7.7 percent share. Thus, after factoring out the exceptional COVID years, Indigenous spending will continue to rise as a proportion of all federal government spending. An increase from 6.1 to 7.7 percent is 26 percent over seven years, quite a large growth in the proportion of the federal budget devoted to Indigenous spending. This trend reflects Prime Minister Trudeau's often-repeated sentiment that "there is no more important relationship to me and to Canada than the one with Indigenous peoples" (Barrera and Tasker, 2020).

However, the five-year forecast does not make it easy to see the full impact of the \$40 billion child welfare settlement announced in January 2022 (Indigenous Services Canada, 2022). The Economic and Fiscal Update the Department of Finance released on December 14, 2021 allocated \$16 billion of that \$40 billion to fiscal 2020-21 (Canada, Department of Finance, 2021b: 48), which had been completed in March 2021, and \$4 billion to fiscal 2021-22, which was still underway at that time. Since \$20 billion of the settlement was thus attributed to past years, only the other half of the \$40 billion settlement shows up in the government's five-year plan for the future. This was an application of accrual accounting, which records expenditures in the year when the obligation is incurred rather than in the year when the cash is actually paid out; but it also conveniently made it difficult for observers to track the true impact of the child welfare settlement. So far, the only observer to have seen through the fiscal legerdemain is the

Indigenous Spending in Budget 2022

Parliamentary Budget Officer (House of Commons, 2022).

The large but not clearly delineated impact of the \$40 billion child welfare settlement upon federal Indigenous spending is the culmination of a trend that began with the 2006 Indian Residential Schools Settlement Agreement. That settlement gave rise to other major class actions to which the government offered at best token legal resistance before entering into a voluntary settlement. There were class actions for different categories of Indian students— “day scholars,” who attended residential schools but did not stay overnight there; students who attended day schools while living at home; and “boarding students,” who boarded in private homes while attending public schools in town (Flanagan, 2021: 6-11). Settlements of these and other class actions, such as the clean water lawsuit (Canada, Indigenous Services, 2021), have led to multi-billion-dollar costs for Indigenous initiatives, both for compensation payments to individuals and bands, and for program enhancements.

The residential schools class action and its progeny also cemented in public opinion the image of the Indian as victim, which in turn provided much of the emotional energy behind the “Sixties Scoop” class action (Canada, Indigenous and Northern Affairs, 2017) and the child welfare human rights grievance and related class actions. It is striking that the key Canadian Human Rights Tribunal decision in the child welfare case began with a stirring reference to residential schools, even though that topic was legally unrelated to the matter at hand: “... the Panel Members... believe it important to acknowledge the suffering of all residential school survivors, their families and communities” (Canadian Human Rights Tribunal, 2016: 1-2).

Even before the pandemic, the Trudeau government spending on Indigenous programs regularly exceeded Indigenous spending targets announced in its own budgets (Flanagan, 2021: 1-2). For example, Budget 2016 claimed that spending on Indigenous priorities would be increased by \$8.4 billion by 2021/22 (Canada, Department of Finance, 2016: 134) whereas the actual increase as shown in Figure 2 above was closer to \$11 billion.

Thus the targets set out in Budget 2022 are somewhat misleading, as they do not include that half of the child welfare settlement that was backdated to previous fiscal years under the principle of accrual accounting. And given the Trudeau government’s record of overshooting targets in previous fiscal years, these targets may also prove elusive. It is questionable, therefore, whether the deceleration in the rate of spending increases planned in Budget 2022’s five-year forecast will be fully realized in practice.

References

- Bank of Canada (Undated). Inflation Calculator. Bank of Canada. <<https://www.bankofcanada.ca/rates/related/inflation-calculator/>>, as of May 30, 2022.
- Barrera, Jorge, and John Paul Tasker (2020, February 13). Trudeau Sends Ministers to Meet with Indigenous Groups behind Rail Blockades. CBC News. <<https://www.cbc.ca/news/indigenous/indigenous-services-marc-miller-tyendinaga-meeting-1.5462264>>, as of May 30, 2022.
- Canada, Department of Finance (2008). Fiscal Reference Tables: October 1996. Government of Canada. <<https://www.canada.ca/content/dam/fin/migration/frt-trf/pdf/frt96e.pdf>>, as of May 30, 2022.

Indigenous Spending in Budget 2022

- Canada, Department of Finance (2016). *Budget 2016: Growing the Middle Class*. Government of Canada. <<https://budget.gc.ca/2016/docs/plan/budget2016-en.pdf>>, as of May 30, 2022.
- Canada, Department of Finance (2020). *Fiscal Reference Tables (November 2020)*. Government of Canada. <<https://www.canada.ca/en/department-finance/services/publications/fiscal-reference-tables/2020.html>>, as of May 30, 2022.
- Canada, Department of Finance (2021a). *Budget 2021: A Recovery Plan for Jobs, Growth, and Resilience*. Government of Canada. <<https://www.budget.gc.ca/2021/home-accueil-en.html>>, as of May 30, 2022.
- Canada, Department of Finance (2021b). *Economic and Fiscal Update 2021*. Government of Canada. <<https://www.budget.gc.ca/efumeb/2021/home-accueil-en.html>>, as of May 30, 2022.
- Canada, Department of Finance (2022a). *Budget 2022: A Plan to Grow Our Economy and Make Life More Affordable*. Government of Canada. <<https://budget.gc.ca/2022/pdf/budget-2022-en.pdf>>, as of May 30, 2022.
- Canada, Department of Finance (2022b). Chapter 7: Moving Forward Together on Reconciliation. *Budget 2022: A Plan to Grow Our Economy and Make Life More Affordable*. Government of Canada. <<https://budget.gc.ca/2022/report-rapport/chap7-en.html#wb-cont>>, as of May 30, 2022.
- Canada, Indigenous and Northern Affairs (2017). *Sixties Scoop Agreement in Principle*. Government of Canada. <https://www.canada.ca/en/indigenous-northern-affairs/news/2017/10/sixties_scoop_agreementin-principle.html>, as of May 30, 2022.
- Canada, Indigenous Services (2021). *Courts Approve Settlement Agreement to Resolve Class Action Litigation Related to Safe Drinking Water in First Nations Communities*. Government of Canada. <<https://www.canada.ca/en/indigenous-services-canada/news/2021/12/courts-approve-settlement-agreement-to-resolve-class-action-litigation-related-to-safe-drinking-water-in-first-nations-communities.html>>, as of May 30, 2022.
- Canada, Indigenous Services (2022). *Agreements-in-Principle Reached on Compensation and Long-Term Reform of First Nations Child and Family Services and Jordan's Principle*. News release (January 4). Government of Canada. <<https://www.canada.ca/en/indigenous-services-canada/news/2022/01/agreements-in-principle-reached-on-compensation-and-long-term-reform-of-first-nations-child-and-family-services-and-jordans-principle.html?msclkid=20f792a5bda811ec90621c19899d2a82>>, as of May 30, 2022.
- Canadian Human Rights Tribunal (2016). *First Nations Child and Family and Caring Society of Canada and Assembly of First Nations (Complainants) and Canadian Human Rights Commission (Commission) and Attorney General of Canada (Respondent) and Chiefs of Ontario and Amnesty International (Interested Parties): Decision*. 2016 CHRT 2. Canadian Human Rights Tribunal. <https://fncaringsociety.com/sites/default/files/2016_chrt_2_access_0.pdf>, as of May 30, 2022.
- Cox, Patrick (2013, March 25). *What Can't Go On, Won't*. *Daily Reckoning*. <<https://dailyreckoning.com/what-cant-go-on-wont/?msclkid=35ec79a2bda711ecaa2c69d115248ad3>>, as of May 30, 2022.
- Flanagan, Tom (2021). *Fiscal Explosion: Federal Spending on Indigenous Programs, 2015-2022*. Fraser Institute. <<https://fraserinstitute.org/sites/default/files/fiscal-explosion-federal-spending-on-indigenous-programs-2015-2022.pdf>>, as of May 30, 2022.
- Flanagan, Tom (2022). *A \$40 Billion Settlement for Indigenous Child Welfare: Is Anyone Minding the Fiscal Store?* Research Bulletin. Fraser Institute. <<https://www.fraserinstitute.org/sites/default/files/40-billion-settlement->

Indigenous Spending in Budget 2022

[for-indigenous-child-welfare.pdf](#)>, as of May 30, 2022.

Flanagan, Tom, and Taylor Jackson (2017). *Bending the Curve: Recent Developments in Government Spending on First Nations*. Fraser Institute. <>, as of May 30, 2022. <<https://www.fraserinstitute.org/sites/default/files/bending-the-curve-recent-developments-in-government-spending-on-first-nations.pdf>>, as of May 30, 2022.

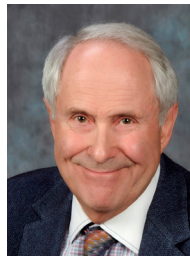
Harapyn, Larysa (2022, April 11). Restraint Big Surprise in Federal Budget: John Ivison. *Financial Post*. <<https://financialpost.com/news/economy/restraint-big-surprise-in-federal-budget-john-ivison>>, as of May 30, 2022.

House of Commons Canada (2022, May 13). Standing Committee on Government Operations and Estimates, 44th Parliament, 1st Session, Number 20. House of Commons Canada. <<https://www.ourcommons.ca/Document-Viewer/en/44-1/OGGO/meeting-20/evidence>>, as of May 30, 2022.

Library and Archives Canada (2014). *Indian Affairs Annual Reports, 1864–1990*. Government of Canada. <<https://www.bac-lac.gc.ca/eng/discover/aboriginal-heritage/first-nations/indian-affairs-annual-reports/Pages/introduction.aspx>>, as of May 30, 2021.

Statistics Canada (2021). Table 18-10-0005-01: Consumer Price Index, Annual Average, Not Seasonally Adjusted. Statistics Canada. <<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000501>>, as of May 30, 2022.

Statistics Canada (2022, April 20). Consumer Price Index, March 2022. Statistics Canada. <<https://www150.statcan.gc.ca/n1/daily-quotidien/220420/dq220420a-eng.htm>>, as of May 30, 2022.



Tom Flanagan, Senior Fellow of the Fraser Institute, is Professor Emeritus of Political Science and Distinguished Fellow, at the School of Public Policy, University of Calgary, and Chair, Aboriginal Futures, at the Frontier Centre for Public Policy. He received his B.A. from Notre Dame and his M.A. and Ph.D. from Duke University. He taught political science at the University of Calgary from 1968 until retirement in 2013. He is the author of many books and articles on topics such as Louis Riel and Metis history, aboriginal rights and land claims, Canadian political parties, political campaigning, and applications of game theory to politics.

Acknowledgments

The author wishes to thank the anonymous reviewers for their suggestions and feedback. Any remaining errors or oversights are the sole responsibility of the author.

As the researcher has worked independently, the views and conclusions expressed in this paper do not necessarily reflect those of the Board of Directors of the Fraser Institute, the staff, or supporters.

Copyright © 2022 by the Fraser Institute. All rights reserved. Without written permission, only brief passages may be quoted in critical articles and reviews.

ISSN 2291-8620

Media queries: For media enquiries, please contact our communications department via e-mail: communications@fraserinstitute.org; telephone: 604.714.4582. **Support** the Institute: call 1.800.665.3558, ext. 574 or e-mail: development@fraserinstitute.org. Visit our **website:** www.fraserinstitute.org