



OVERVIEW

Today, Deputy Prime Minister and Finance Minister Chrystia Freeland tabled *Budget 2022: A Plan to Grow Our Economy and Make Life More Affordable*. This is the first of possibly four federal budgets to be tabled under the newly minted *Delivering for Canadians Now, A Supply and Confidence Agreement* between the Liberals and NDP – the result of leader-to-leader conversations following the birth of Jagmeet Singh’s child – which was designed to offer stability and predictability to Trudeau’s Liberal government on the condition that it pursue ambitious progressive policies where the parties found common ground.

With Budget 2022, the government recognizes economic anxieties Canadians are facing on affordability issues including housing and ongoing concerns about health care.

According to the Canadian Real Estate Association, the average price of a home in Canada is \$816,720, which has doubled in the last 10 years and in the last year alone risen by nearly 30 per cent. Budget 2022 unveils a \$10-billion housing plan to support the middle class and address affordability issues. This includes a ban on foreigners buying homes, a tax on property flippers, and a new tax-free savings account for those first-time homebuyers who are planning to get into the housing market.

Conservatives call this an NDP budget given the recent agreement between the two parties and the spending commitments found in the budget. Following the budget tabling in the House of Commons, Interim Conservative party leader Candice Bergen said the government was not doing enough to help Canadians struggling as the inflation rate hits its highest level in over 30 years, affecting prices from gasoline to groceries.

By the Numbers

Budget 2022 projects a revised deficit of \$52.8 billion in 2022-23. This is about half of what it was a year ago and a slight increase from earlier estimates of \$44.1 billion. This accounts for \$31.2 billion in net new spending over five years. While the government has forecasted economic growth of 3.9 per cent for this year, it is projected to go down to 2.9 per cent annual growth in real gross domestic production. As well, the government is planning for inflation to fall from about 5.7 per cent to 3.9 per cent later this year.

Key Initiatives



- **\$52.8-billion** deficit
- **\$31.2-billion** net new spending
- Economic growth of **3.9%**
- Unemployment rate of **5.5%** as of February 2022

The big-ticket items in this budget include housing, dental care for low-income families, funds for energy and climate change and further commitments to Indigenous peoples, and an increase in defence spending.

Key Initiatives



\$10 billion over five years to make housing more accessible to Canadians, including:

- **\$4 billion** to launch the Housing Accelerator Fund
- **\$1 billion** for the construction of affordable housing units
- **\$725 million** over five years to implement a new Tax-Free First Home Savings Account

\$8 billion over five years to increase Canada’s defence spending to 1.5 per cent of GDP, including:

- **\$500 million** to buy new weapons for Ukraine
- **\$250 million** for culture change efforts

Health and Life Science

As COVID-19 cases continue to rise across the country — Ontario alone is expected to have over 100,000 new cases per day — the government is providing new funding to research the long-term impacts of COVID-19, including mental health supports and loan forgiveness for doctors and nurses in rural communities.



There was much speculation leading up to budget day the Liberals would commit funds to implement national pharmacare given the recent agreement with the NDP. The Parliamentary Budget Office costed the NDP pharmacare plan as put forward in its 2021 election platform at approximately \$11 billion. The NDP will be happy, though, as Budget 2022 lays out an initial plan for dental care for low-income families.

Key Initiatives



- **\$5.3 billion** over five years and then **\$1.7 billion** ongoing for national dental care
 - This will apply to families whose annual income is less than \$90,000 and copays will be waived for families with an annual income less than \$70,000
- **\$2 billion** top-up to Canada Health Transfer to provinces to address the backlog of surgeries and procedures

Energy and Climate Change

Budget 2022 brings forward over \$9 billion in important spending initiatives required for the government to achieve its ambitious *2030 Emissions Reduction Plan*, tabled recently by Environment Minister Steven Guilbeault. While projections and initiatives will be refined under that plan as we get closer to 2030, Budget 2022 takes the first steps to shift Canada's transportation system toward the use of zero-emission vehicles (ZEVs), increase energy efficiency, help industries transition to clean technologies and adopt carbon capture, and de-carbonize the oil and gas sector.

Specific to the oil and gas sector, Budget 2022 proposes to eliminate the flow-through share regime for fossil fuel sector activities. This will be done by no longer allowing expenditures related to oil, gas, and coal exploration and development to be renounced to flow-through share investors for flow-through share agreements entered into after March 31, 2023. And while Budget 2022 doesn't introduce a cap on oil and gas sector emissions, that is anticipated soon, with sector emissions likely to be tied to 2021 or 2022.

Next, the government will develop Regional Strategic Initiatives to guide the transition of energy and transportation systems, and draft regulations (anticipated by end of the year or by early 2023) to guide the transition to the sale of ZEV vehicles.

Key Initiatives

- **\$2.2 billion** to expand and renew the Low Carbon Economy Fund
- **\$400M** to install zero-emission vehicle charging stations
- **\$1.7 billion** to extend the Incentives for Zero-Emission Vehicles (iZEV) program until March 2025
- **\$600M** to support the Smart Renewables and Electrical Pathway Program

Indigenous Affairs

Central to the Liberal-NDP Supply and Confidence agreement was the promise to take significant action to advance reconciliation with Indigenous peoples. Budget 2022 advances significant funding to move forward on reconciliation, including initiatives to address ongoing boil-water advisories, build more Indigenous housing, and advance self-determination by further implementing UNDRIP and Jordan's Principle and supporting the co-development of an Indigenous Climate Leadership Agenda to support self-determined action in addressing Indigenous peoples' climate priorities.

Key Initiatives

- **\$4 billion** over seven years to support Indigenous housing
- **\$4 billion** over six years to ensure First Nations children continue to receive the support they need through Jordan's Principle
- **\$268 million** to provide high-quality health care in remote and isolated First Nations communities on-reserve

Finance and National Revenue

In their 2021 election platform, the Liberal party promised several new progressive measures which included tackling inequities by re-distributing wealth from the most profitable corporations to offset social programs and tax cuts for low-income Canadians, and by spurring greater investments by charitable organizations into the community.

Budget 2022 acts on those commitments by introducing the following measures to increase federal revenues and spur more spending by non-government entities:

Key Initiatives

- Impose a **1.5 per cent** surtax on banks and insurers who earn more than \$100 million per year,
- Introduce a temporary Canada Recovery Dividend under which banking and life insurers' groups will pay a one-time 15 per cent tax on taxable income above \$1 billion for the 2021 tax year,
- Raise the disbursement quota on philanthropic spending from 3.5 per cent to 5 per cent and making related changes to the Income Tax Act to allow charities to provide its resources to organizations that are not qualified donees

The increase to the disbursement quota on philanthropic spending comes at a time when Canadians are giving less to charities than ever before, while some of those charities – such as food banks – have seen an increase in demand for their services.

Opposition Reaction

As expected, the Conservatives said the budget overall was not a good one. Interim leader Candice Bergen said it was “not a good day for Canadians.” Though Conservatives were glad to see a slight increase in defence spending, Bergen said the government did not go far enough.

Bloc Québécois leader Yves-François Blanchet took issue with the fact there was no increased spending for seniors, particularly those who are aged 65-75 years.

Expectedly, NDP leader Jagmeet Singh took credit for some of the more progressive elements of Budget 2022, including dental care and increasing affordability of housing, while asserting more money should have been set aside for health transfers or for the environment. He added that the government’s plan on the environment, which includes carbon capture, raises a lot of questions in terms of whether it will work.



What's Next

While budgets are not necessary for the expenditure of money – estimates and associated appropriation bills provide Parliamentary approval of government spending – they serve the important purpose of communicating the government's overall program plans and broader objectives. By all accounts, this first test of the Liberal-NDP Supply and Confidence Agreement has gone well, with the Liberals getting their necessary defence spending to right the ship their shaky record of welcoming Canada 'back' to the world, while the NDP are taking credit for the Liberal government taking its first steps toward a national dental care plan (which Trudeau promised in his 2019 throne speech).

That the budget comes on the heels of the federal approval of the Bay du Nord oilfield development project off the coast of Newfoundland and Labrador will only increase the stress test on the Liberal-NDP Supply and Confidence Agreement. While its emissions would be modest in comparison to similar fossil fuel developments, the Bay du Nord project is projected to produce up to 200,000 barrels of oil daily beginning in 2028. With the continued expansion of social programs, most notably in health care, the federal government will need to find all the revenue possible to make those programs work.

MPs will begin debate on the budget Friday then the House will rise for its April two-week break, giving federal ministers ample opportunity to hit the road and make echo announcements on key funding initiatives that impact program delivery for their respective departments and agencies. When they return to the House later this month, they will need to get the budget passed along with other key pieces of legislation in less than two months, before the House rises for its summer recess.