

## INFORMATION REPORT

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### Comparing the Growth in Federal, Provincial, and Municipal Operating Budgetary Expenditures – 2017-2023

#### ISSUE

Concerns have recently been raised about the growth in the City of Saskatoon's budgeted expenditures, especially in relation to federal and provincial orders of government. As a result, this report provides a summary of operating budgetary expenditure growth by the Government of Canada, Government of Saskatchewan, and the City of Saskatoon from fiscal year 2017 to fiscal year 2023, in nominal terms, per capita terms, and real per capita terms.<sup>1</sup> In real per capita terms, City operating expenditures have declined by 9.7% over the period.

#### BACKGROUND

At its June 28, 2023, meeting, City Council considered a Notice of Motion from Councillor Donauer and resolved:

“Could the Administration report to the relevant Council Committee on cumulative year-over-year spending increases by the Government of Canada, the Government of Saskatchewan, and the City of Saskatoon from fiscal year 2017 to fiscal year 2023 and include this information on a per capita basis.”

Additional debate on the motion suggested that the City's operating expenditures should remove the Saskatoon Police Service's expenditures due to its statutory authority to prepare a budget separate from the rest of the City. This analysis includes City operating expenditures with and without the Police Service expenditures.

#### CURRENT STATUS

A budget is a fiscal policy document, or collection of documents, used by governments to lay out their plans and priorities. They include revenue and expenditure estimates about how a government intends to achieve its plans or priorities. The budget itself is not a legal document, and the revenues and program spending measures are approved by their respective legislative bodies in various ways.

Legislatures have enacted specific rules on how fiscal plans and budgets are adopted. Federally, both houses of Parliament approve the Government of Canada's spending estimates each year, by passing a bill (or bills). In Saskatchewan, the Legislative Assembly does the same for the Government of Saskatchewan. At the City of Saskatoon, the City's estimates are approved by a series of resolutions adopted by City Council.

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<sup>1</sup> Nominal means current or unadjusted spending. Per Capita means per person. Real per capita, means adjusted for inflation and population.

Despite those similarities, federal, provincial, and city spending plans are subject to various institutional rules, conventions and governance structures that make comparisons difficult. For example:

- The Government of Canada uses the full accrual method of accounting to prepare its Budget. However, the spending authorities voted by Parliament are on an expenditure basis, which uses only a partial accrual method of accounting or cash accounting. This means that certain activities of government entities are not included in the budget estimates but show up in the audited financial statements (such as pension liabilities or the operation of Government Business Enterprises).<sup>2</sup>
- In Saskatchewan, budget estimates are tabled on a Summary Financial Statement (SFS) basis, which are the statements prepared to account for the full nature and extent of the financial activities of the Government. These include all Ministries, government service organizations, and Government Business Enterprises. However, the Legislature approves the main estimates for the Ministries, or what is called the General Revenue Fund (GRF). The GRF is equivalent to the government's operating fund (or budget).
- At the City of Saskatoon, budget estimates are prepared on a cash accounting basis. As required by legislation, the City prepares annual budget estimates for operations and one for capital investments. The operating budget estimates must have revenues equal to expenditures once it is passed. This means that City Council is prohibited from approving an operating budget surplus or deficit. As a result, a property tax increase is used to fill the operating expenditure and revenue gap to ensure the budget is balanced at the time of approval.

Despite these institutional differences, it is also to consider the main spending responsibilities of each order of government.

- Federal spending focuses on three core areas: transfers to persons (e.g., income supports), transfers to other governments (e.g., health transfers), and other program spending (e.g., national defence). Transfers to persons and other governments comprise over 80% of federal spending.
- Provincial GRF spending is dominated by health care, education, and social services. On average, these three areas account for 65% of provincial GRF spending.
- City operating spending is dominated by transportation and public safety (police and fire) programs. These two areas account for approximately 60% of the City's operating spending.

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<sup>2</sup> Government Business Enterprise refers to a special type of Crown Corporation who is self-financed and requires no operating subsidy from the government's general revenues. For more on the approach see Library of Parliament:  
[https://lop.parl.ca/sites/PublicWebsite/default/en\\_CA/ResearchPublications/201541E#a5.2](https://lop.parl.ca/sites/PublicWebsite/default/en_CA/ResearchPublications/201541E#a5.2)

There is no standard agreement on how to measure government spending. Some organizations argue for the consolidated financial statement model<sup>3</sup> while others argue for a current account model.<sup>4</sup> For the purposes of this analysis, we use the latter approach or the current account model because it is the “most relevant for describing the budgetary constraints placed on fiscal policy choices with respect to setting tax rates and designing spending programs.”<sup>5</sup>

## **DISCUSSION/ANALYSIS**

Given the context established in the previous section, Appendix 1 provides several data tables and graphs to illustrate government spending trends, starting in fiscal year 2017 (or 2017/18) and ending in fiscal year 2023 (or 2023/24). It also provides a summary of the approach and methodology used to produce the analysis.

The expenditure analysis is conducted in three ways:

1. Unadjusted (or nominal) spending, which is simply budgetary expenditures as presented in the reference documents.
2. Unadjusted per capita spending. We obtain population data from Statistics Canada’s annual population estimates as of July 1 of the preceding year.<sup>6</sup> Expenditures are thus adjusted as follows. Expenditures recorded in fiscal year 2022, for example are divided by the population estimate for July 1, 2021, etc. Changes in per capita spending attempt to account for population growth.
3. Inflation-adjusted (or real) per capita spending. Here, per capita expenditures are adjusted for inflation using Statistics Canada’s All-Items Consumer Price Index CPI.<sup>7</sup> The inflation for 2023 uses the median of the forecasts from the Bank of Canada, Finance Canada, and several other private sector organizations. Per capita expenditures are adjusted to 2017 constant dollars. The point of this analysis is to determine whether spending is keeping up with population growth and rising prices. Because real per capita spending adjusts for inflation and population growth, the benchmark cumulative spending increase should be at or near zero. However, various fiscal shocks, such as pandemic responses, or unanticipated disasters can make spending rise above the benchmark.

Tables 1 and 2 in the appendix show the population and inflation data used for this analysis.

## **Key Findings**

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<sup>3</sup> See for example, <https://www.cdhowe.org/public-policy-research/show-us-our-money-fiscal-accountability-canadas-cities-2022#adopt-psas-consistent-accounting-in-budgets>

<sup>4</sup> See Ronald Kneebone & Margarita Wilkins, 2016. "Canadian Provincial Government Budget Data, 1980/81 to 2013/14," Canadian Public Policy, University of Toronto Press, vol. 42(1), pages 1-19, March.

<sup>5</sup> See *Ibid* and <https://www.policyschool.ca/wp-content/uploads/2022/01/Provincial-Government-Budget-Data-January-2022.xlsx>

<sup>6</sup> See Table 17-10-0142-01 Population estimates, July 1, by census subdivision, 2016 boundaries DOI: <https://doi.org/10.25318/1710014201-eng>

<sup>7</sup> See Statistics Canada. Table 18-10-0005-01 Consumer Price Index, annual average, not seasonally adjusted, obtained from <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000501>

Tables 3 to 5 and charts 1 to 3 in the appendix show that the City of Saskatoon has had the lowest rate of budgetary operating spending growth over the analysis period, 2017/18 fiscal year to 2023/34 fiscal year. Specifically:

- Chart 3 shows that the cumulative percent change in unadjusted spending for the Government of Canada was 61%, for the Government of Saskatchewan 25.2%, the City of Saskatoon 20.3%, and the City of Saskatoon less police at 18.63%.
- Chart 4 shows the unadjusted per capita spending by each order of government. Overall, the City's per capita spending rose by 8.5% (including police) or an average of 1.4% per year. Excluding police, City per capita spending rose by 6.8% over the period, averaging 1.1% growth per year. Provincial per capita spending, by contrast, rose by 20% over the period.
- Chart 5 shows the inflation-adjusted, or real, per capita spending in 2017 constant dollars. On a real per capita basis, City operating spending (including police) declined by 9.7% over the period as real per capita spending had fallen from \$1,487 to \$1,326. Excluding police, City operating spending fell by a cumulative 11.3% an average decline 1.9% per year. By contrast, federal spending rose 35%, while provincial spending increased by a modest 1.5%.

Clearly, the COVID pandemic had a large impact on the level of federal spending (and to a lesser extent provincial spending) and certainly skews the results. Federal budgetary spending jumped over 73% in fiscal year 2020/21, the first year of the COVID pandemic. This was well above the pre-COVID trend and altered the trajectory of federal (and provincial) fiscal spending.

Although the City of Saskatoon's operating spending growth is lower than federal and provincial operating spending, the City of Saskatoon did benefit directly from increased federal and provincial spending, especially during the pandemic. For example, the Government of Canada doubled the Gas Tax Fund (now called the Canada Community Building Fund) twice over the analysis period. It also provided operating support to provinces and municipalities through the Safe Restart Program, and the Transit and Housing Program which came in fiscal 2022.

The Government of Saskatchewan provided funding through the Municipal Economic Enhancement Program and maintained the long-standing Municipal Revenue Sharing Grants Program, which has seen double digit growth in recent years. These programs enabled the City to maintain critical public services despite large drops in non-tax supported budget revenues.

## **IMPLICATIONS**

Because this report is for information purposes, there are no direct financial or other implications emerging from the report.

## **APPENDIX**

1. Approach, Methodology and Reference Tables

Report Approval

**Comparing the Growth in Federal, Provincial, and Municipal Operating Budgetary Expenditures – 2017-2023**

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