




OFFICE OF THE
PARLIAMENTARY BUDGET OFFICER



BUREAU DU
DIRECTEUR PARLEMENTAIRE DU BUDGET

Supplementary Estimates (C) 2011-12

March 2, 2012



Key Points of this Note:

- This note highlights items in the 2011-12 Supplementary Estimates (C) that may warrant more detailed scrutiny by parliamentarians, owing to their fiscal materiality or risk.
- Supplementary Estimates (C) proposes to add approximately \$1.2 billion of budgetary authorities to the Government of Canada (Government's) spending plan. Combined with \$1.6 billion in downward revisions to forecast budgetary statutory expenditures, this would result in a net reduction in total budgetary authorities of \$0.4 billion. Overall, total budgetary authorities for 2011-12 would be approximately \$260 billion. This is 3 per cent lower than the same period last year.
- In the five appended tables, the Parliamentary Budget Officer (PBO):
 - Identifies the largest changes in authorities outlined in these Supplementary Estimates, compared to total authorities provided in the current fiscal year (\$, %).
 - Highlights the largest changes in total authorities to date, compared to the previous fiscal year (\$, %).
 - Presents an evolution of authorities by standard object (*e.g.* personnel expenditures) for the past three fiscal years.
- The Integrated Monitoring Database has been updated with 2011-12 Supplementary Estimates (C) data: www.pbo-dpb.gc.ca.

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1. Context

The PBO's legislative mandate includes research and analysis regarding the Government of Canada's (Government) Estimates.¹ To implement this aspect of the mandate, the PBO reviews the Estimates and highlights proposed adjustments that warrant detailed scrutiny, including:

- Proposed changes to votes that are fiscally material to the federal deficit/surplus; and,
- Proposed increases to votes that represent significant growth compared to the status quo.

2. Supplementary Estimates (C)

Supplementary Estimates (C) proposes to add approximately \$1.2 billion of budgetary authorities to the Government's spending plan. Combined with \$1.6 billion in downward revisions to forecast budgetary statutory expenditures, this would result in a net reduction in total budgetary authorities of \$0.4 billion (Figure 2-1).

Figure 2-1

Supplementary Estimates (C): Budgetary Authorities

Voted	\$1.2 B
Statutory	(\$1.6) B
Net Change	(\$0.4) B

Sources: *Supplementary Estimates (C)* 2011-12.

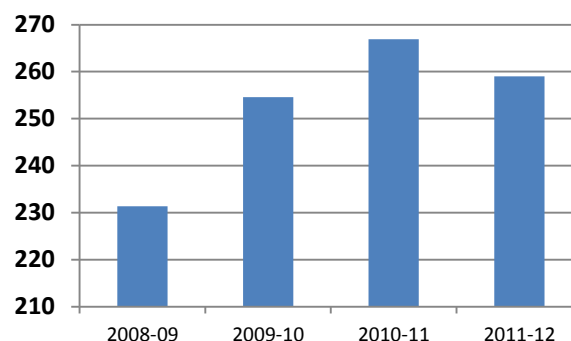
Overall, the proposed changes in Supplementary Estimates (C) would bring total budgetary authorities for 2011-12 to approximately \$260 billion (Figure 2-2). This is 3 per cent lower than the same period last year, but remains 12 per cent above the level achieved prior to the Economic Action Plan in 2008-09 (*EAP, Stimulus Program*).

¹ <http://laws-lois.justice.gc.ca/eng/acts/P-1/FullText.html?term=79.2>. Accessed February 2012.

Figure 2-2

Total Budgetary Authorities²

\$ Billions



Sources: *Main and Supplementary Estimates*: 2008-09 to 2011-12.

The appendix contains two tables that summarize key data in Supplementary Estimates (C).

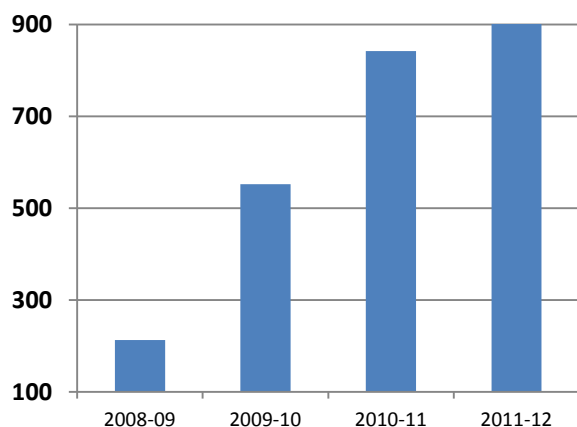
Table 1 presents the top changes to authorities, measured by dollar value. Many of these items relate to pre-existing statutory obligations (*e.g.* Newfoundland Offshore Petroleum Revenue Fund). However, several also pertain to new unforeseen obligations (*e.g.* Payments to Atomic Energy of Canada Ltd; Figure 2-3).

Table 2 highlights the top ten percentage changes in authorities. While there is no common trend across these items, many are explained within the Supplementary Estimates document. That said, given that departments and agencies will be obliged to spend any new funding over a period of several weeks following approval of *Appropriation Act N°4*, large proposed changes to operating and capital votes may warrant additional scrutiny (*e.g.* Canadian Northern Economic Development Agency).

² Figure has been amended from the original note to reflect actual total authorities for 2008-09 and 2009-10, which are \$4.0 and \$5.4 billion higher, respectively.

Figure 2-3**Payments to Atomic Energy of Canada Limited:
Total Authorities***

\$ Millions



*Note that for 2011-12, this includes total budgetary authorities, including payments related to divestiture expenditures.

Sources: *Main and Supplementary Estimates: 2011-12.*
Public Accounts of Canada: 2008-09 to 2010-11.

3. Year-to-Date

Overall, many of the proposed adjustments to expenditure authorities contained in Supplementary Estimates (C) are consistent with the spending plan of the previous year. As such, they represent regular adjustments to authorities that occur during the fiscal year. Many of the material differences in planned spending were highlighted in the PBO's earlier note on the Main and Supplementary Estimates (B).³

(i) Largest Changes by Value

³ http://www.parl.gc.ca/PBO-DPB/documents/Supplementary_Estimates_B_EN.pdf. Accessed February 2012.

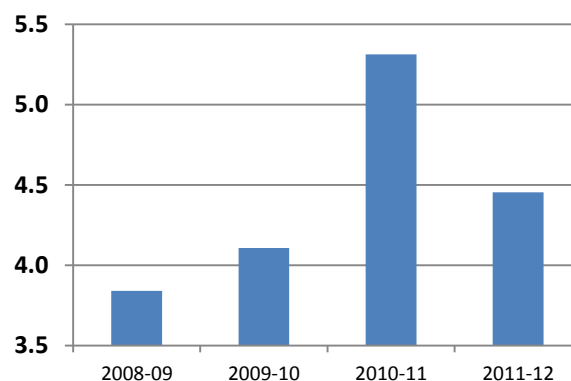
Table 3 highlights the 10 items with the largest change in proposed authorities, compared to the total authorities provided in 2010-11.⁴

With one month remaining in the current fiscal year, it is apparent that the most significant changes in planned authorities arise from the planned wind-down of the Economic Action Plan, as well as legislated increases for major transfer programs (e.g. Canada Health Transfer).

The planned capital authorities for National Defence are the only exception to this overall trend, which are approximately \$850 million lower compared to the previous year, including a further reduction of \$157 million in Supplementary Estimates (C) (Figure 3-1).⁵

Figure 3-1**National Defence Capital Authorities**

\$ Billions



Sources: *Main and Supplementary Estimates: 2011-12.*
Public Accounts of Canada: 2008-09 to 2010-11.

⁴ The change in value is calculated as the proposed level of annual spending in the 2011-12 Main and Supplementary Estimates less total spending authorities granted in the previous fiscal year (2010-11; Main and Supplementary Estimates).

⁵ The most recent reduction in the capital vote related to a transfer to the department's operating vote, intended to support the Government's four-year training mission in Afghanistan. As outlined in the Supplementary Estimates (C) document, the overall cost estimate for the four-year training mission is \$499 million.

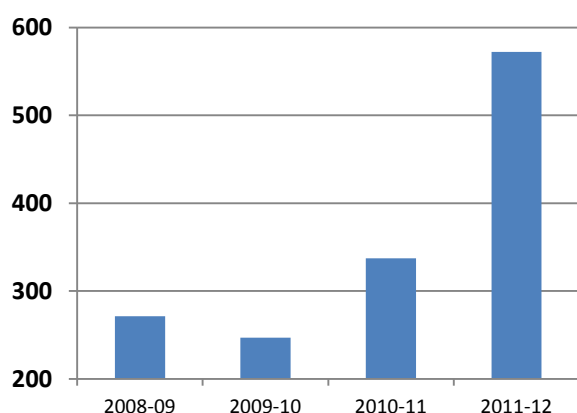
(ii) Largest Changes by Per cent

Table 4 lists the 10 largest changes to items, as measured by per cent, compared to the total authorities provided in 2010-11.⁶

The largest percentage increase in overall authorities relates to the 41st General Election. The largest percentage increase in a voted authority is planned capital expenditures for the Correctional Service of Canada (70%, Figure 3-2).

Figure 3-2**Correctional Service's Capital Budget**

\$ Millions



Sources: *Main and Supplementary Estimates: 2011-12.*
Public Accounts of Canada: 2008-09 to 2010-11.

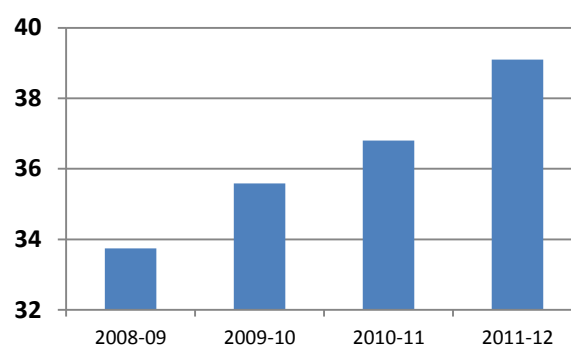
(iii) Personnel and Capital Spending⁷

Table 5 presents planned spending by Standard Object presented in the 2011-12 Main and Supplementary Estimates, compared to the total authorities provided in 2010-11.

Proposed adjustments in Supplementary Estimates (C) would increase personnel spending by a further \$240 million. This would result in an overall increase of \$2.3 billion from 2010-11 levels, or approximately 6 per cent (Figure 3-3). This growth has occurred notwithstanding initiatives announced in Budget 2010 to restrain the growth of direct program expenses, including freezing approximately two-thirds of operating spending.⁸

Figure 3-3**Personnel Expenditures**

\$ Billions



Sources: *Main and Supplementary Estimates: 2008-09 to 2011-12.*

Proposed adjustments in Supplementary Estimates (C) would increase capital expenditures by approximately \$60 million. This marginally offsets the planned 9 per cent decrease in spending. As mentioned earlier, the year-over-year decrease is primarily driven by decreased capital authorities for National Defence (Figure 3-4).

⁶ The growth rate is calculated as the proposed level of annual spending in the 2011-12 Main and Supplementary Estimates divided by total spending authorities granted in the previous fiscal year.

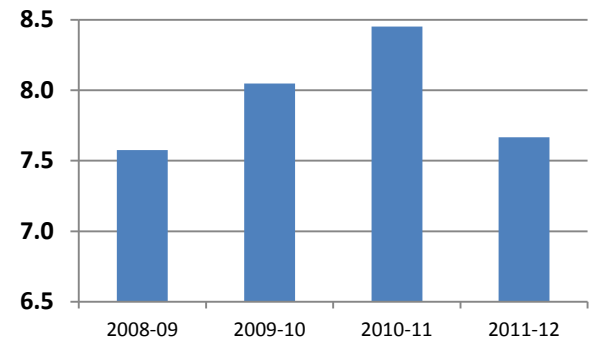
⁷ While the Supplementary Estimates do list all gross changes to standard objects, offsets to authorities (*i.e.* Funds Available) are not categorized. As such, spending estimates by standard objects could be higher or lower, depending on how these offsets are allocated.

⁸ <http://www.budget.gc.ca/2010/pdf/budget-planbudgetaire-eng.pdf>. Accessed in February 2012. Personnel expenditures are the largest component of operating expenditures.

Figure 3-4

Expenditures on Land, Machinery and Equipment

\$ Billions



Source: *Main and Supplementary Estimates: 2008-09 to 2011-12.*

Note: Capital expenditures are calculated as the sum of two standard objects: *acquisition of land, buildings and works*, and *acquisitions of machinery and equipment*. Figures for 2011-12 contain the new capital budget carry-forward vote.

4. Conclusion

Parliamentarians may wish to seek further details on the items in the Government's expenditure plan that exhibit the greatest changes in value or per cent.

Given that less than one month remains in the fiscal year, parliamentarians may wish to solicit further details from those organizations seeking additional operating and capital funding to assess how these funds could be spent within a narrow time frame (e.g. Finance Canada, Canadian Northern Economic Development).

Finally, parliamentarians may wish to further study how the ongoing growth in personnel expenditures can be reconciled with the Budget 2010 restraint initiatives.

APPENDIX

Table 1. Largest \$ Changes in Authorities: Supplementary Estimates (C) compared to Year-to-Date ¹

Organization	Authorities	\$ (000s)
		Δ
Finance	5² Public Debt Interest	-1,448,000
Natural Resources	5 Newfoundland Offshore Revenue Fund	-415,758
Human Resources and Skills Development	5 Old Age Security Payments	-410,338
Canadian International Development Agency	30 Grants and contributions	359,409
Office of Infrastructure Canada	55 Contributions	282,125
Chief Electoral Officer	5 Election Expenses	232,928
Human Resources and Skills Development	7 Write-off of Canada Student Loans	162,227
National Defence	5 Capital Expenditures	-157,412
National Defence	1 Operating Expenditures	156,689
Natural Resources	15 Payments to AECL for Operating and Capital	95,000

1. All Votes listed in the 2011-12 Supplementary Estimates (C) with total authorities above \$10 million; excluding non-budgetary items.

2. S = Statutory authorities, for which pre-existing expenditure authority is provided by Parliament under separate statute.

Table 2. Largest % Changes in Authorities: Supplementary Estimates (C) compared to Year-to-Date¹

Organization		Vote	Δ % ²	Adjustment \$000s
Chief Electoral Officer	S³	Election Expenses	267%	232,928
Human Resources and Skills Development	7	Write-off of Canada Student Loans	108%	162,227
National Research Council	S	Spending of Revenues under the <i>National Research Council Act</i>	46%	34,500
Natural Resources	S	Newfoundland Offshore Revenue Fund	-29%	-415,758
Canadian Food Inspection Agency	25	Capital expenditures	22%	5,256
Human Resources and Skills Development	S	Canada Disability Savings Grant	21%	17,500
Industry	5	Liabilities Under the <i>Canada Small Business Financing Act</i>	-18%	-20,000
Canadian Northern Economic Development	27	Operating Expenditures	16%	2,150
Finance	1	Operating Expenditures	13%	15,222
International Development Research Centre	S	Payments to the International Development Research Centre	13%	27,500

1. All Authorities listed in the 2011-12 Supplementary Estimates (C) with total authorities to date above \$10 million; excluding non-budgetary items.

2. The growth rate is calculated as the proposed change to authorities in Supplementary Estimates (C) divided by total spending authorities granted in the current fiscal year.

3. S = Statutory authorities, for which pre-existing expenditure authority is provided by Parliament under separate statute.

Table 3. Largest \$ Changes in Authorities: Total Authorities in 2011-12 versus 2010-11¹

Organization	Authorities	\$ (000s)	Explanation from Quarterly Report/Estimates
		Δ	
Finance	HST Transition Transfer	-1,889,000	<i>Planned reduction</i>
Finance	Canada Health Transfer	1,509,865	<i>Planned legislative increase</i>
Office of Infrastructure Canada	Contributions	-1,323,482	<i>Wind-down of Economic Action Plan</i>
Canada Mortgage and Housing Corporation	National Housing / CMHC Acts	-831,918	<i>Wind-down of Economic Action Plan</i>
National Defence	Capital expenditures	-858,108	<i>Adjustments in the spending profile for Infrastructure and Major Capital Projects</i>
Human Resources and Skills Development	Old Age Security payments	703,877	<i>Increased number of beneficiaries, increased payment amount</i>
Industry	Grants and contributions	-669,458	<i>Wind-down of Economic Action Plan</i>
Natural Resources	Newfoundland Offshore Petroleum Fund	-363,014	<i>Decreased oil prices</i>
Public Safety and Emergency Preparedness	Grants and contributions	-268,984	<i>Decrease due to one time G8/G20 expenses in 2010-11</i>
Chief Electoral Officer	Election Expenses	218,282	<i>41st General Election</i>

1. All Authorities listed in the 2011-12 Main Estimates with total authorities above \$100 million in 2010-11 or 2011-12; excluding non-budgetary items.

Table 4. Largest % Changes in Authorities: Total Authorities in 2011-12 versus 2010-11¹

Organization	Authorities	Δ %²	Explanation from Quarterly Report/Estimates
Chief Electoral Officer	<i>Election Expenses</i>	214%	<i>41st General Election</i>
Office of Infrastructure of Canada	<i>Infrastructure Stimulus Fund</i>	-94%	<i>Wind-down of Economic Action Plan</i>
Correctional Service of Canada	<i>Capital expenditures</i>	70%	<i>Implementation of newly enacted legislation; projected increase in offender population</i>
National Capital Commission	<i>Capital expenditures</i>	-66%	<i>None</i>
Western Economic Diversification	<i>Grants and contributions</i>	-62%	<i>Wind-down of Economic Action Plan</i>
Transport	<i>Capital expenditures</i>	-56%	<i>Decrease in the planned spending for the Detroit River Crossing Major Crown</i>
Public Safety and Emergency Preparedness	<i>Grants and contributions</i>	-53%	<i>Reflects one-time funding in previous year for G8/G20 meetings</i>
Federal Economic Development Agency for Southern Ontario	<i>Grants and contributions</i>	-52%	<i>Wind-down of Economic Action Plan</i>
Finance	<i>Harmonized Sales Tax Transition Payments</i>	-50%	<i>Planned reduction</i>
Office of Infrastructure of Canada	<i>Provincial-Territorial Base Funding Program</i>	-50%	<i>None</i>

1. All Authorities listed in the 2011-12 Main Estimates with total authorities above \$100 million in 2010-11 or 2011-12; excluding non-budgetary items.

2. The growth rate is calculated as the proposed level of annual spending in the 2011-12 Main and Supplementary Estimates divided by total spending

Table 5. Comparison of Standard Objects:
Total Authorities (\$000s) (2009-10 to 2011-12) ¹

Standard Object	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	y/y Δ %
Personnel	35,589,778	36,801,189	39,093,807	6%
Transportation & Communications	3,584,874	3,514,314	3,531,689	0%
Information	475,166	415,537	387,926	-7%
Professional & Special Services	9,721,237	10,406,553	10,796,248	4%
Rentals	2,769,230	2,730,785	2,706,569	-1%
Purchased Repair & Maintenance	3,918,384	4,038,740	3,841,288	-5%
Utilities, Materials and Supplies	4,045,190	3,902,555	3,441,137	-12%
Acquisition of Land, Buildings and Works	1,607,560	2,149,811	1,424,493	-34%
Acquisition of Machinery and Equipment	6,439,950	6,302,066	6,000,569	-5%
Transfer Payments	128,509,946	142,487,111	138,141,328	-3%
Public Debt Charges	30,659,000	28,432,000	28,393,087	0%
Other Subsidies and Payments	13,923,069	14,933,715	11,922,273	-20%

1. Figures for 2009-10 and 2010-11 reflect **all** authorities passed for the year (*i.e.* Main and Supplementary Estimates). Figures for 2011-12 include Main Estimates, Supplementary Estimates (A) & (B), as well as adjustments in Supplementary Estimates (C).