

2004–2005 Estimates

Part I

The Government Expenditure Plan

Part I – The Government Expenditure Plan

The Expenditure Plan Overview

The Minister of Finance's Economic and Fiscal Update of November 3, 2003 sets out the government's budgetary expenditure plan that amounts to \$183.3 billion. That plan includes \$147.1 billion of program spending, plus public debt charges of \$36.2 billion.

Table 1
Budgetary Main Estimates by Type of Payment

(\$ billions)	2003-2004 ¹	2004-2005 ²	\$ Change
Transfer Payments			
<i>Major transfers to other levels of government:</i>			
Fiscal Equalization	10.5	10.9	0.4
Canada Health and Social Transfers	19.3	20.5	1.2
Health Reform Transfer		1.5	1.5
Territorial governments	1.7	1.8	0.1
Alternative payments for standing programs	(2.7)	(2.6)	0.1
Youth Allowance Recovery and statutory subsidies	(0.6)	(0.6)	0.0
<i>Sub-total major transfers to other levels of government</i>	28.2	31.5	3.3
<i>Major transfers to persons:</i>			
Elderly Benefits	26.8	27.9	1.1
Employment Insurance	15.6	15.5	(0.1)
<i>Sub-total major transfers to persons</i>	42.4	43.4	1.0
<i>Other transfer payments and subsidies</i>	20.4	24.1	3.7
Total transfer payments	91.1	99.0	7.9
Payments to Crown corporations	5.2	5.4	0.2
Operating and capital	39.2	42.7	3.5
Public debt charges	37.6	36.2	(1.4)
<i>Total Budgetary Main Estimates</i>	173.1	183.3	10.2
Adjustments to reconcile to the Budget Plan	7.6	0.0	(7.6)
Total Budgetary Expenditure	180.7	183.3	2.6

¹ Forecast expenditures for 2003-2004 are consistent with total planned spending as provided in the February 18, 2003 Federal Budget.

² Forecast expenditures for 2004-2005 are consistent with total planned spending as provided in the November 3, 2003 Economic and Fiscal Update.

Part I – The Government Expenditure Plan

Major changes in the 2004-2005 Main Estimates

In total, the 2004-2005 *Main Estimates* have increased by \$10.1 billion relative to the 2003-2004 *Main Estimates*: an increase of \$10.2 billion in budgetary spending and a decrease of \$0.1 billion in non-budgetary spending.

A year-over-year comparison of *Main Estimates* can be a misleading indicator of changes in government spending. Annual variations in both the relative and absolute amounts of planned spending not reflected in *Main Estimates* can distort the spending growth rates implied by year-over-year comparisons. In general, this is due to the Budget being tabled in close proximity to the *Main Estimates* and, given both production and secrecy constraints, not all new spending plans can be reflected in the *Main Estimates*. This was certainly the case in 2003-2004. The result is that, while the 2003-2004 *Main Estimates* represented the major part of the government's spending plans, significant amounts were excluded and dealt with in *Supplementary Estimates* later during the fiscal year. As a consequence, the comparison of 2003-2004 year-end actual expenditures to 2004-2005 forecasts will provide a better and more complete indicator of changes in government spending.

The following provides an overview of the major changes in budgetary and non-budgetary spending affecting the 2004-2005 *Main Estimates*.

Budgetary Main Estimates – a net \$10.2 billion increase

Overall, the budgetary spending in the 2004-2005 *Main Estimates* has increased by \$10.2 billion relative to the 2003-2004 *Main Estimates*. The following provides an overview of the major drivers behind this increase in budgetary spending.

1. Major transfers to other levels of government (increase of \$3.3 billion)

Overall, major transfers to other levels of government (federal-provincial fiscal arrangements) have increased by **\$3.3 billion** relative to the 2003-2004 forecasts. This can be attributed to the following major increases in statutory expenditures (in descending order of magnitude):

- **\$1.5 billion** for the new multi-year statutory Health Reform Transfer (*Department of Finance*);
- **\$1.2 billion** for the Canada Health and Social Transfers (*Department of Finance*);
- **\$0.5 billion** for increased fiscal equalization payments (of \$0.4 billion) to the provinces and payments (of \$0.1 billion) to territorial governments (*Department of Finance*); and,
- **\$0.2 billion** relating to a decrease in recoveries from the Youth Allowance Recovery (of \$0.1 billion) and Alternative Payments for Standing Programs (of \$0.1 billion) (*Department of Finance*).

2. Major transfers to persons (increase of \$1.0 billion)

Overall the major, or direct, transfers to persons have increased by **\$1.0 billion** from 2003-2004. The forecast increase in statutory payments is attributable to the following:

- **\$1.1 billion** for elderly benefits due to increases in Old Age Security payments (of \$953 million) and Guaranteed Income Supplement payments (of \$144 million). In addition, allowance payments are forecast to increase (by some \$44 million). Overall, these increases are due to an increase in the average rate of payments and in the forecast number of beneficiaries (*Human Resource Development (Social Development)*);
- This is reduced by **\$0.1 billion** for the statutory downward adjustment to the forecast of net Employment Insurance (EI) benefits and offset by increased costs of EI administration as reported in the *Consolidated specified purpose account*.

Part I – The Government Expenditure Plan

3. Public debt charges (decrease of \$1.4 billion)

Public debt interest and servicing costs are being forecast to decrease by ***\$1.4 billion*** over 2003-2004. This is comprised of a decrease in interest and other costs including a reduction to the Canada Investment and Savings account (*Department of Finance*).

4. Direct program spending (increase of \$7.4 billion: other transfer payments and subsidies (\$3.7 billion); payments to Crown corporations (\$0.2 billion); and, operating and capital expenditures (\$3.5 billion))

In total, direct program spending has increased by \$7.4 billion. This is largely due to the following major changes:

- ***\$1.0 billion*** to ease pressures on the defence budget for operational support; to sustain core elements of the Defence Services Program, such as peacekeeping activities and capital infrastructure; and, to partially compensate for the loss of purchasing power due to price increases (*National Defence*);
- ***\$0.8 billion*** for initiatives in support of the Agricultural Policy Framework (*Agriculture & Agri-Food, Canadian Food Inspection Agency, Health, International Trade, Canadian Grain Commission, Environment*);
- ***\$0.6 billion*** in payments, including payments for loan agreements, in support of development assistance activities (*Canadian International Development Agency*);
- ***\$0.6 billion*** for contributions to public service employee benefit plans (*government-wide*);
- ***\$0.5 billion*** in support of grant and scholarship programs to strengthen research capacity in Canada in the areas of health research and innovation, including such initiatives as the Canada Graduate Scholarship and the Canada Research Chairs programs (*Natural Science and Engineering Research Council, Social Sciences and Humanities Research Council, Canadian Institutes for Health Research*);
- ***\$0.5 billion*** relating to the increased demand for ongoing programs such as the implementation of the First Nations Management Strategy (in partnership with Health) and the settlement of specific, comprehensive and special claims and adjustments (*Indian Affairs and Northern Development*);
- ***\$0.4 billion*** to support improvement projects such as highway improvements under the Border Infrastructure Fund and the Canada Strategic Infrastructure Fund (*Office of Infrastructure of Canada*);
- ***\$0.4 billion*** to support various health programs and initiatives such as the sustainability of First Nations and Inuit Health and initiatives related to the First Ministers' Accord on Health Care Renewal (*Health*);
- ***\$0.3 billion*** in support of benefit programs such as the Veterans Independence Program, the Other Health Purchased Services and Disability Pensions (*Veterans Affairs*);
- ***\$0.3 billion*** for salary increases relating to the settlement of collective bargaining agreements, including for the salaries of judges, Royal Canadian Mounted Police members and National Defence military and civilian personnel (*government-wide*);
- ***\$0.2 billion*** to support an increase in climate change activities to reduce greenhouse gas to meet Canada's Kyoto commitments (*Natural Resources, Environment, Industry, National Research Council*);
- ***\$0.2 billion*** for public service insurance programs such as health care, provincial health payroll taxes and premiums, and social security plans for locally-engaged employees outside of Canada (*Treasury Board Secretariat*);
- ***\$0.2 billion*** due to additional resources to address homelessness issues (*Human Resources and Skills Development*);
- ***\$0.2 billion*** for programs that support a cohesive and creative Canada such as the Canada Television Fund, Official Languages programs, and several programs for Aboriginal peoples (*Canadian Heritage*);
- ***\$0.1 billion*** to meet workload requirements and administrative costs relating to the implementation of tax collection agreements (*Canada Customs and Revenue Agency (National Revenue)*);
- ***\$0.1 billion*** in assistance to the Canadian softwood lumber sector (*Industry*);
- ***\$0.1 billion*** for programs or for projects that promote or enhance the economic development and diversification of Western Canada, including contributions under the Infrastructure Canada Program (*Western Economic Diversification*);

Part I – The Government Expenditure Plan

- ***\$0.1 billion*** in statutory payments to the Newfoundland Offshore Petroleum Resource Fund primarily due to an increase in royalty revenue related to Terra Nova oil and gas production (*Natural Resources*);
- ***\$0.1 billion*** for the delivery of housing renovation programs designed to support the renovation and renewal of the existing stock of housing and help low-income persons with critical housing repair needs (*Canada Mortgage and Housing*); and,
- ***\$0.1 billion*** to assist producers in recovering from the impacts of the Bovine Spongiform Encephalopathy (BSE) crisis in Canada (*Agriculture Canada*).

The balance, some ***\$0.6 billion***, represents the cumulative net total of adjustments below \$0.1 billion and is spread amongst a number of government organizations, the details of which can be found in these *Main Estimates*.

Non-Budgetary Main Estimates – a net \$0.1 billion decrease

Overall, the non-budgetary spending in the 2004-2005 *Main Estimates* has decreased by ***\$0.1 billion*** relative to the 2003-2004 *Main Estimates*.

This can be explained in part by a decrease of ***\$0.3 billion*** for loans disbursed under the *Canada Student Financial Assistance Act* primarily due to the impact of loan reimbursements from borrowers on the loan portfolio (*Human Resources Development Canada (Social Development Canada)*).

This is offset by an anticipated increase of ***\$0.2 billion*** in payments for the purpose of facilitating and developing trade between Canada and other countries under the terms of the *Export Development Act (Export Development Canada)*.

Spending Authority

The *Main Estimates* present information on both budgetary and non-budgetary spending authorities. **Budgetary** expenditures include the cost of servicing the public debt; operating and capital expenditures; transfer payments to other levels of government, organizations or individuals; and payments to Crown corporations. **Non-budgetary** expenditures (loans, investments and advances) are outlays that represent changes in the composition of financial assets of the Government of Canada.

Budgetary Spending Authority

These *Main Estimates* support the government's request for Parliament's authority to spend \$65.0 billion under program authorities that require Parliament's annual approval of their spending limits. The remaining \$118.3 billion, or 65 per cent of the total, is statutory and the detailed forecasts are provided for information purposes only.

Non-budgetary Spending Authority

The 2004–2005 *Main Estimates* include a forecast increase in the value of loans, investments and advances of \$2.8 billion. Voted non-budgetary spending authorities set out in these Estimates amount to \$0.1 billion. The remaining \$2.7 billion is pursuant to enabling legislation.

Part I – The Government Expenditure Plan

Table 2
Total Main Estimates

(\$ millions)	2004–2005		Total
	Budgetary	Non-budgetary	
Voted Appropriations	64,987	78	65,065
Statutory Authorities	118,303	2,687	120,990
Total Main Estimates	\$183,290	\$2,765	\$186,055

Note: **Voted** expenditures are those for which parliamentary authority is sought through an annual appropriation bill.
Statutory expenditures are those authorized by Parliament through enabling legislation.
 A more detailed break-down of these authorities by department and agency is presented in Part II of the Main Estimates.