

2007-2008 Estimates

Part I
The Government Expense Plan

Part I – The Government Expense Plan

Purpose:

The purpose of the Part I is to provide summary-level information and highlights of year-over-year changes in departmental spending and transfer payments in order to present the reader with some perspective on the major drivers influencing planned spending. For those seeking additional detail, the Main Estimates, Part II, and the individual departmental Reports on Plans and Priorities should be consulted.

Overview:

The Main Estimates present information on both budgetary and non-budgetary spending authorities.

Budgetary Main Estimates:

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. These Main Estimates support the government's request for Parliament's authority to spend \$74.9 billion under program authorities that require Parliament's annual approval of their spending limits. The remaining \$135.4 billion is for statutory items previously approved by Parliament and the detailed forecasts are provided for information purposes only.

Non-Budgetary Main Estimates:

Non-budgetary expenditures (loans, investments and advances) are outlays that represent changes in the composition of the financial assets of the Government of Canada. The 2007-2008 Main Estimates include a total forecast in non-budgetary spending authorities of \$1.4 billion. Voted non-budgetary spending authorities set out in these Estimates amount to \$94.3 million. The remaining \$1.3 billion is pursuant to previously approved enabling legislation.

Table 1 presents 2007-2008 Main Estimates compared to 2006-2007 Main Estimates as tabled on April 25, 2006.

Table 1: Total 2007-2008 Main Estimates Compared to 2006-2007 Main Estimates

(millions)	2007-2008			2006-2007			Change in Total Spending	
	Budgetary	Non-Budgetary	Total	Budgetary	Non-Budgetary	Total	\$	%
Voted	74,928.8	94.3	75,023.1	70,205.0	123.4	70,328.4	4,694.7	6.7
Statutory	135,382.1	1,285.2	136,667.3	128,389.9	999.5	129,389.4	7,277.9	5.6
Total Main Estimates*	210,310.9	1,379.5	211,690.4	198,594.9	1,122.9	199,717.8	11,972.6	6.0

*Totals may not agree with details presented later in this document due to rounding.

In total, the 2007-2008 Main Estimates have increased by \$12.0 billion or 6.0% relative to the 2006-2007 Main Estimates. This is accounted for by increases of \$11.7 billion in budgetary spending and \$256.6 million in non-budgetary spending.

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Budgetary Main Estimates – A net \$11.7 billion increase

Given both production and secrecy constraints and the fact that the Budget will be tabled after the Main Estimates, not all new spending plans can be reflected in the Main Estimates. Therefore, while these Main Estimates represent the major part of the government's spending plans, additional changes to the amounts will be dealt with in Supplementary Estimates later during the fiscal year.

Accordingly, these Main Estimates represent the Government's expense plan as announced in its May 2006 Budget as well as further updates as provided in its November 2006 Economic and Fiscal Update. These Main Estimates also reflect the result of expenditure restraint reductions of \$1 billion over two years, as announced by the government in Budget 2006.

The November 2006 Economic and Fiscal Update presents total planned budgetary expense of \$230.8 billion for 2007-2008. Of that amount, \$34.7 billion is for public debt charges and \$175.6 billion is for program spending.

Impact of Supplementary Estimates Funding

As noted earlier, total budgetary expenses have increased by \$11.7 billion in the 2007-2008 Main Estimates as compared to the 2006-2007 Main Estimates. However, a comparison between the two years does not reflect the impact of funding already provided through the 2006-2007 Supplementary Estimates (A) and (B).

Accordingly, it can be seen that when total estimates for 2006-2007 are compared to the new fiscal year Main Estimates, the year-over-year difference is considerably less dramatic.

Table 2: Total 2006-2007 Budgetary Estimates Compared to 2007-2008 Main Estimates

	2007-2008 Main Estimates	2006-2007 Total Estimates	2006-2007 Supplementary Estimates (B)	2006-2007 Supplementary Estimates (A)	2006-2007 Main Estimates	\$ Change	% Change
Voted	74,928.8	75,619.4 ¹	404.6	5,009.8	70,205.0	(690.6)	(0.9)
Statutory	135,382.1	132,366.3	(211.1)	4,187.5	128,389.9	3,015.8	2.3
Total	210,310.9	207,985.7	193.5	9,197.3	198,594.9	2,325.2	1.1

Since Budget 2006 was tabled May 2nd and after the Main Estimates on April 25th, the 2006-2007 Main Estimates did not reflect a number of the new government's priorities. Funding for these priorities, such as the Universal Child Care Benefit, strengthening the Canadian Forces, including its role in Afghanistan, and support to agriculture and public security programs was done through the 2006-2007 Supplementary Estimates. Accordingly, total estimates for 2006-2007 equal \$208.0 billion and the 2007-2008 Main Estimates represent an increase of \$2.3 billion or 1.1% over the 2006-2007 total estimates.

¹ The voted 2006-2007 Main Estimates also contain \$143.5 million for CRA and Parks Canada Agency in non-lapsing appropriations from 2005-2006.

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Table 3: 2006-2007 Supplementary Funding Contributing to Year-Over-Year Increases

Table 3 provides examples of the most significant in-year incremental funding during 2006-2007 and explains almost \$7.5 billion of the \$11.7 billion increase for 2007-2008.

Department (Issue)	Funding Being Sought in the 2007-2008 Main Estimates	Funding Already Provided through SE(A) or SE(B)
Human Resources and Skills Development (Universal Child Care Benefit) ²	\$2.46 billion	\$1.61 billion
National Defence (All major items) ³	\$2.1 billion	\$1.1 billion
Finance (Transfer Payments to other levels of government) ⁴	\$2.0 billion	\$.5 billion
Public Health Agency & Canadian Food Inspection Agency (Avian or pandemic influenza) ⁵	\$.22 billion	\$.05 billion
Agriculture & Agri-Food Canada (Agricultural Policy Framework) ⁶ (Canadian Farm Families Options Program) ⁷	\$.3 billion	\$.34 billion
Treasury Board Secretariat (Toronto Waterfront Revitalization Initiative) ⁸	\$.23 billion	\$.09 billion
Canada Border Services Agency (Security & Prosperity Partnership Initiative) ⁹	\$.13 billion	\$.14 billion
Total	\$7.44 billion	\$3.83 billion

Table 4 presents the total planned budgetary expense of \$230.8 billion for 2007-2008 according to type of payment. Additional details against these types of payments are provided in subsequent tables that provide budgetary program spending information by sector.

² Budget 2006 announced the introduction of a new universal childcare benefit designed to provide choice in childcare. The *Universal Child Care Benefit Act* came into force on July 1, 2006, and provides families with a \$100 a month benefit for each child under the age of six who is a qualified dependant. Payments to Canadians began on July 20, 2006.

³ Budget 2005 committed to inject up to \$12.8 into the Defence budget over five years. Building on and enhancing that commitment, Budget 2006 committed a further \$5.3 billion over five years. Major items include funding to strengthen the Canadian Forces' independent capacity to defend Canada's national sovereignty and security; support for the Canadian Forces' role in Afghanistan; increases to pay and allowances for Canadian Forces members; and funding for major capital acquisitions.

⁴ Transfer payments to provincial and territorial governments fall into several categories: Fiscal Equalization, Territorial Financing, Canada Health and Social Transfers, Alternative Payments for Standing Programs, and the Youth Recovery Program.

⁵ Budget 2006 committed \$1 billion over the next five years to improve Canada's preparedness to deal with a potential pandemic.

⁶ Agriculture and Agri-Food launched the Agricultural Policy Framework (APF) in 2002. The APF brings together five key elements: Business Risk Management, Environment, Food Safety and Quality, Renewal, and Science and Innovation with the goal to help Canadian agriculture maximize its opportunities in world markets.

⁷ As part of the Action Plan for the Agricultural Sector announced in Budget 2006, this two-year pilot program will provide support to eligible producers in all provinces while they participate in farm business advisory and skills services intended to improve business management skills and increase profitability.

⁸ Revitalization of the Toronto Waterfront through investments in infrastructure and urban development as a result of government restructuring.

⁹ Budget 2006 outlined the government's commitments to securing Canada's borders and to further implementing the Security and Prosperity Partnership of North America Initiative.

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Table 4: Budgetary Main Estimates by Type of Payment

(\$ millions)	Main Estimates		Change in Spending	
	2007-2008	2006-2007	\$	%
<i>Major transfers to other levels of government:</i>				
Fiscal Equalization ¹⁰	11,676.3	11,282.0	394.3	3.5
Canada Health Transfer ¹¹	21,348.4	20,140.0	1,208.4	6.0
Canada Social Transfer ¹²	8,800.0	8,500.0	300.0	3.5
Territorial Financing ¹³	2,142.5	2,070.0	72.5	3.5
Alternative Payments for Standing Programs ¹⁴	(3,010.0)	(2,995.0)	(15.0)	(0.5)
Youth Allowance Recovery ¹⁵	(661.0)	(699.0)	38.0	5.4
Other statutory subsidies	32.0	32.0	0.0	0.0
Sub-total major transfers to other levels of government	40,328.2	38,330.0	1,998.2	5.2
<i>Major transfers to persons:</i>				
Elderly Benefits ¹⁶	32,059.0	30,575.0	1,484.0	4.9
Employment Insurance ¹⁷	15,075.0	15,030.0	45.0	0.3
Universal Child Care Benefit ¹⁸	2,460.0	0.0	2,460.0	N/A
Sub-total major transfers to persons	49,594.0	45,605.0	3,989.0	8.7
<i>Transfers to international financial organizations</i> ¹⁹	539.5	725.9	(186.4)	(25.7)
<i>Other transfer payments and subsidies</i>	27,329.5	26,863.9	465.6	1.7%
Total transfer payments	117,791.2	111,524.8	6,266.4	5.6%
Payments to Crown corporations	4,997.6	5,193.8	(196.2)	(3.8%)
Operating and capital	52,825.1	47,481.3	5,343.8	11.3%
Public debt charges	34,697.0	34,395.0	302.0	0.9%
Total Budgetary Main Estimates	210,310.9	198,594.9	11,716.0	5.9%
Adjustments to reconcile to the November 2006 Economic and Fiscal Update ²⁰	5,568.0	6,505.1	-937.1	-14.4%
Net Adjustment, from net to gross basis of Budget Presentation ²¹	14,893.1	0.0	14,893.1	N/A
Total Budgetary Expenses ²²	230,772.0	205,100.0	25,672.0	12.5%

¹⁰ Fiscal Equalization refers to unconditional transfer payments to lower-income provinces so that they can provide their residents with public services that are reasonably comparable to those in other provinces, at reasonably comparable levels of taxation.

¹¹ The Canada Health Transfer (CHT) is a federal transfer provided to each province and territory in support of provincial health care. CHT funding is provided through cash payments and tax transfers and is subject to the five principles of the *Canada Health Act* and the prohibition of minimum residency requirements for social assistance and includes the former Health Reform Transfer (HRT).

¹² The Canada Social Transfer (CST) is a federal block transfer to provinces and territories in support of post-secondary education, social assistance and social services, including early childhood development and early learning and childcare. The CST is made up of both a cash transfer and tax transfer component and is allocated on a per capita basis to ensure equal support to all Canadians regardless of their province or territory of residence.

¹³ Territorial Financing payments are federal transfers provided to the territorial governments to assist them in providing public services and include the former Territorial Governments payments program. The transfers are based on a formula that fills the gap between the expenditure requirements and revenue-raising capacity of the territories.

¹⁴ Alternative Payments for Standing Programs represent recoveries from Quebec of an additional tax point transfer above and beyond the tax point transfer under the CHT and the CST. This amount reflects the most current forecast.

¹⁵ Youth Allowance Recovery relates to tax points transferred to the province of Quebec for the Youth Allowance program, which has since expired. The equivalent value of the tax point reduction is recovered from the federal cash transfers to the province. This amount reflects the most current forecast.

¹⁶ Elderly Benefits are basic income support to seniors provided by the Government of Canada through Old Age Security Pensions, the Guaranteed Income Supplement, and both the Allowance Payments and the Allowance for Survivor benefits. It also includes earnings-related pension and insurance benefits provided under the Canada and Quebec Pension Plans. This amount reflects the most current forecast.

¹⁷ Employment Insurance (EI) provides temporary financial assistance for unemployed Canadians while they look for work or upgrade their skills. Canadians who are sick, pregnant or caring for a newborn or adopted child, as well as those who must care for a family member who is seriously ill with a significant risk of death, may also be assisted by EI. This amount reflects the most current forecast.

¹⁸ The Universal Child Care Benefit is a new form of direct financial assistance that provides families with resources to support childcare choices. It will be paid to families in monthly instalments of \$100 per child under the age of six.

¹⁹ Payments made to meet commitments made by Canada under multilateral debt service reduction agreements. (see Table 11, pages 21 and 22).

²⁰ This includes adjustments for the impact of accrual accounting, expenses charged to previous years and anticipated lapses. It also includes expenses not yet allocated for initiatives that require further development or legislation.

²¹ A net adjustment, to account for major components of budgetary expenses that are affected by the move in Budget 2006 from a net basis to a gross basis of presentation (the Canada Child Tax Benefit, department revenues levied for specific services and revenues of consolidated Crown corporations).

²² Total budgetary expenses are consistent with the November 2006 Economic and Fiscal Update with the exceptions, as noted above, where current forecasts of the statutory obligations have been reflected. In addition, public debt charges also reflect the most current forecast.

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Explanation of Major Transfers

Major transfers to other levels of government are projected to increase by \$2.0 billion for the following reasons:

- Fiscal equalization payments are increasing by \$394.3 million as a result of the October 26th, 2004 New Framework for Equalization and the Territorial Formula Financing Program.
- In keeping with the terms and conditions outlined in the *Federal-Provincial Fiscal Arrangements Act, Part V, Chapters 14 and 15, Canada Health and Social Transfer Contributions*, the Canada Health Transfer has been increased by \$1.2 billion, bringing the total to \$21.4 billion. This increase represents the amount established through legislation for Health Transfers as per Budget 2003 and the additional funding announced in the September 2004 Ten Year Plan to Strengthen Health Care.
- Similarly, the Canada Social Transfer has been increased by \$300 million in 2007-2008, reflecting the amount established through legislation for Social Transfers. This increase brings the total amount to \$8.8 billion.
- Territorial Financing is increasing by \$72.5 million as a result of the October 26th, 2004 New Framework for equalization and the Territorial Formula Financing Program.
- In keeping with the terms and conditions outlined in the *Federal-Provincial Fiscal Arrangements Act, Part VI, Chapters 26 and 27*, the change in recoveries to both the Alternative Payments for Standing Programs and the Youth Allowances Recovery are due to adjustments in the value of personal income tax points, which is a key variable in calculating these recoveries.

Major transfers to persons are projected to increase by \$4.0 billion for the following reasons:

- \$1.5 billion in higher elderly benefits due to the growth in the elderly population and an increase in average benefits, which are fully indexed to quarterly changes in consumer prices;
- The slight increase in Employment Insurance benefits of \$45.0 million reflects a rise in the private sector unemployment forecast. Further, starting in 2007, EI benefits are projected to increase because of the indexation of annual maximum insurable earnings to the growth in the average industrial wage in 2007; and
- The new Universal Child Care Benefit was first introduced in July 2006, with initial funding of \$1.6 billion provided through Supplementary Estimates (A) 2006-2007. The addition of \$2.5 billion in 2007-2008 reflects the funding estimates for a full year.

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Program Spending by Sector

In this section, program spending is set out by sector and, within each sector, by federal department and agency. While some sectors show a decline in spending in 2007-2008, others are showing increases that, in part, reflect measures announced in either the 2006 Budget or the November Economic and Fiscal Update. The table below summarizes program budgetary spending by sector.

Table 5: Program Spending by Sector

(\$ thousands)	Main Estimates		Change in Spending		% of
	2007-2008	2006-2007	\$	%	Total
1. Social Programs (including Major Transfers) ²³	97,352,711	90,357,135	6,995,576	7.7	46.3
2. Cultural Programs	3,866,810	3,881,307	(14,497)	(0.4)	1.8
3. Environment and Resource-based Programs	7,843,988	6,838,539	1,005,449	14.7	3.7
4. Industrial, Regional, and Scientific-Technological Support Programs	6,784,205	6,829,751	(45,546)	(0.7)	3.2
5. Transportation Programs	1,696,961	1,474,476	222,485	15.1	0.8
6. Justice and Legal Programs	1,832,151	1,627,395	204,756	12.6	0.9
7. Security and Public Safety Programs	6,509,405	6,024,648	484,757	8.0	3.1
8. International, Immigration and Defence Programs	23,933,740	22,117,546	1,816,194	8.2	11.4
9. Parliament and Governor General	559,396	543,830	15,566	2.9	0.3
10. General Government Services (including major transfers) ²⁴	24,251,026	23,433,366	817,660	3.5	11.5
11. Public Debt Charges	34,697,000	34,395,000	302,000	0.9	16.5
12. Items not allocated to a specific department ²⁵	983,500	1,071,913	(88,413)	(8.2)	0.5
Total Program Spending*	210,310,893	198,594,906	11,715,987	5.9	100.0

*Amounts may not agree with details presented later in this document due to rounding.

The largest portion of program spending is devoted to social programs, which accounts for \$97.4 billion or 46.3% of the total program spending for 2007-2008. Of the remainder, spending on public debt charges, international, immigration and defence programs, and general government services accounts for an additional \$82.9 billion or 39.4% of total spending. The forecast increase in public debt charges is attributed to expected increases in interest rates over 2007-2008 and 2008-2009 as outlined in the Budget Plan.

The remainder of this section examines each of the ten sectors in more detail.

²³ Major transfers for Social Programs include: Employment Insurance, Elderly Benefits, the Canada Health Transfer, and the Canada Social Transfer.

²⁴ Major transfer payments within General Government Services include transfers to territorial governments and equalization payments.

²⁵ This represents administrative charges associated with the provision of the Employment Insurance Plan.

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1 - Social Programs

This sector comprises those departments and agencies that deliver programs which aim to promote the health and well-being of Canadians and foster equality of access to the benefits of Canadian society. The federal government attains these objectives through direct program spending, transfers to persons and transfers to other levels of government. Departments in this sector include Health, Human Resources and Skills Development, Indian Affairs and Northern Development, and Veterans Affairs.

Table 6 breaks down planned spending on social programs by department, corporation and agency as well as transfer payments as follows:

Table 6: Social Programs

(\$ thousands)	Main Estimates		Change in Spending	
	2007-2008	2006-2007	\$	%
Health				
Department	3,028,263	2,975,397	52,866	1.8
Assisted Human Reproduction Agency of Canada	13,476	9,681	3,795	39.2
Canadian Institutes of Health Research	869,521	832,665	36,856	4.4
Hazardous Materials Information Review Commission	3,506	3,512	(6)	(0.2)
Patented Medicine Prices Review Board	11,475	6,512	4,963	76.2
Public Health Agency of Canada	658,342	506,589	151,753	30.0
Human Resources and Skills Development ²⁶	5,086,296	3,802,237	1,284,059	33.8
Canada Mortgage and Housing Corporation	1,985,382	2,266,048	(280,666)	(12.4)
Canadian Centre for Occupational Health and Safety	4,628	4,484	144	3.2
Indian Affairs and Northern Development				
Department	6,232,167	6,189,701	42,466	0.6
Canadian Polar Commission	984	976	8	0.8
First Nations Statistical Institute	4,888	.....	4,888	N/A
Indian Specific Claims Commission	6,733	5,572	1,161	20.8
Veterans Affairs	3,375,650	3,202,761	172,889	5.4
<i>Sub-total–Direct Program Spending</i>	21,281,311	<i>19,806,135</i>	1,475,176	7.4
<i>Major Transfers:</i>				
Canada Health Transfer	21,348,400	20,140,000	1,208,400	6.0
Canada Social Transfer	8,800,000	8,500,000	300,000	3.5
Elderly Benefits	32,059,000	30,575,000	1,484,000	4.9
Employment Insurance	15,075,000	15,030,000	45,000	0.3
Universal Child Care Benefit	2,460,000	.....	2,460,000	N/A
Alternative payments for standing programs	(3,010,000)	(2,995,000)	(15,000)	(0.5)
Youth Allowance Recovery	(661,000)	(699,000)	38,000	5.4
<i>Sub-total–Major Transfers</i>	76,071,400	<i>70,551,000</i>	5,520,400	7.8
Total Program Spending	97,352,711	90,357,135	6,995,576	7.7

²⁶ The two former departments, Human Resources & Skills Development and Social Development have been re-integrated for 2007-2008.

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Details

As presented in these Main Estimates, proposed spending in the Social Programs sector in 2007-2008 is estimated at \$97.4 billion, which represents by far the largest component of total program spending at 46.3%. Of this amount, \$21.3 billion or 21.8% will be for direct program spending, and \$76.0 billion or 78.2%, will be for major transfer payments. Compared to the previous year, this sector's spending in 2007-2008 is set to increase by \$7.0 billion or 7.7%.

The following are some of the major drivers affecting the change in spending levels in the social programs sector:

- In the health area, the \$247.2 million increase focuses mainly on spending in the Department of Health, the Canadian Institutes of Health Research and the Public Health Agency.
 - The Public Health Agency is seeking an increase of \$151.8 million for a variety of items of which the largest is to implement avian and pandemic influenza preparedness measures. In addition, incremental funding is required to: promote healthy living including specific initiatives to combat diabetes, cancer and cardiovascular disease, strengthen initiatives to support the Federal Initiative to address HIV/AIDS in Canada; and support First Nations and Inuit Health programming.
 - In the case of the Department of Health, a net increase of \$52.9 million is being sought. This is reflected in additional operating costs and grants, with reductions in contributions and other transfer payments.
 - In the operating area, major increases include funding for: the Protecting Canadians and the Environment from Toxic Substances program; implementing the Clean Air Regulatory Agenda; annual growth in the First Nations and Inuit Health Envelope; and the Indian Residential Schools Resolution Health Support Program.
 - In the area of grants, the two main drivers are the Canadian Strategy for Cancer Control and implementing the Ten Year Plan - Health Performance Information Program.
 - With respect to the overall reduction in contributions and other transfer payments, major decreases include: a decrease of funding to the Access to Primary Health Care – Official Languages Minorities Communities program; reductions resulting from the 2006 expenditure restraint initiative; and a reduction in funding for the National Resolution Framework for Indian Residential Schools. Additional funding for aboriginal programs as a result of the Special Meeting of the First Minister and Aboriginal Leaders on September 13, 2004; annual growth in the First Nations and Inuit Health Envelope; funding for Non-Insured Health Benefits; as well as funds for several other initiatives partially offsets these reductions.
 - The Canadian Institutes of Health Research is seeking a net increase of \$36.9 million, virtually all of which is in the grants area and includes funding for: the agency's suite of grants and award programs; Fabry's Disease and Expensive Drugs programs; the Research Chairs program; the Pandemic Influenza Preparedness program; and the Public Health Master's and Doctoral Research Awards program.
- The increase of \$1.3 billion in the Ministry of Human Resources and Skills Development is due to several factors:
 - The major item for the department is new funding totalling \$1.9 billion in the operating budget for Service Canada to compensate recipients for the experience of residing at an Indian Residential School as well as \$95.7 million for a variety of other initiatives. This is partially offset by decreases in funding of roughly \$155 million, the most significant of which relates to the transfer of private collection agencies to the Canada Revenue Agency (CRA). With the integration of the department's collection activities, approximately 95%

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of all government collections now rest with the CRA and signifies a first step towards moving the government of Canada to a consolidated debt management approach for collections.

- a \$280.7 million net decrease in spending for the Canada Mortgage and Housing Corporation, of which the most significant reductions are: the end of funding of the Renovation Programs; decreases in 2007-2008 to reflect adjustments in program delivery for the Affordable Housing Initiative and the Renovation Rehabilitation Assistance Program; and a reduction in the Interest and Inflation Reserve.
- The proposed net increase in funding of \$42.5 million for the Department of Indian Affairs and Northern Development is attributable to a variety of items, with the new funding required in the operating, and contributions and other transfer payments budgets.
 - Among these, the most noteworthy increases include:
 - Funding to meet increased demand for ongoing Indian and Inuit programs in the areas of education and social development (\$81.9 million);
 - Implementation of the Action Plan for safe drinking water in First Nation communities (\$36.7 million);
 - Funding to address pressures associated with the strategic management of the department's litigation portfolio (\$31.9 million);
 - School construction in Labrador, Nova Scotia and Alberta (\$31.4 million); and
 - Clean up of contaminated sites under the Federal Contaminated Sites Action Plan (\$17.8 million).
 - The most significant decreases include:
 - A reduction of \$110.0 million as the result of the restructuring, in Budget 2005, of resourcing for the renovation and construction of housing units on reserves and the creation and servicing of building lots;
 - Changes in the planned cash flow for the negotiation, settlement and implementation of specific and comprehensive claims (\$37.2 million);
 - Savings related to departmental efficiencies (\$17.6 million);
 - Sunsetting of funding for Climate Change initiatives (\$9.1 million); and
 - Sunsetting of funding for the purchase of land to establish an adequate land base for the community of Kanesatake (\$6.0 million).
- A new agency known as the First Nations Statistical Institute has been created in the Indian Affairs and Northern Development portfolio with funding of \$4.9 million. The organization will focus on increasing First Nations statistical capacity and building networks of existing statistical systems to support new fiscal relationships and broader governance needs as well as disseminating data on the fiscal, economic and social conditions of First Nations to First Nations governments and other interested parties.
- The proposed \$172.9 million in increased funding for the Department of Veterans Affairs is the result of a number of factors, the most important being: the rise in operating costs covering such items as an increase in other health purchased services due to growth in the number of clients and transactions, inflation and collective agreements; an increase in grant payments due to annual price index adjustments in Disability Pensions, and additional funding for the Loss of Earnings Program as part of the new suite of programs for Canadian Forces members and their families under the new Veterans Charter. There is also an increase in contributions and other transfer payments as a result of an increase for the Veterans Independence Program to reflect increased costs, and increased usage of the Program as clients age, particularly in nursing home care and housekeeping elements.

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2 - Cultural Programs

This sector comprises those departments and agencies that deliver programs which support the growth and development of Canadian cultural life, participation and equity in Canadian society, the nation's linguistic duality and diverse multicultural heritage, and the preservation of its national parks, historic sites and heritage. Organizations include the Department of Canadian Heritage and its associated agencies as well as certain Crown corporations and departmental agencies.

Table 7 breaks down planned spending on heritage and cultural programs by department, Crown corporation and agency as follows:

Table 7: Cultural Programs

(\$ thousands)	Main Estimates		Change in Spending	
	2007-2008	2006-2007	\$	%
Canadian Heritage				
Department	1,363,015	1,384,621	(21,606)	(1.6)
Canada Council for the Arts	181,321	150,445	30,876	20.5
Canadian Broadcasting Corporation	1,043,953	1,112,039	(68,086)	(6.1)
Canadian Museum of Civilization	61,136	59,946	1,190	2.0
Canadian Museum of Nature	84,221	59,145	25,076	42.4
Canadian Radio-television and Telecommunications Commission	5,732	5,815	(83)	(1.4)
Library and Archives of Canada	119,303	109,071	10,232	9.4
National Arts Centre Corporation	35,216	33,283	1,933	5.8
National Battlefields Commission	13,241	8,907	4,334	48.7
National Film Board	67,118	64,839	2,279	3.5
National Gallery of Canada	46,752	46,618	134	0.3
National Museum of Science and Technology	25,835	25,577	258	1.0
Status of Women – Office of the Coordinator	19,889	24,606	(4,717)	(19.2)
Telefilm Canada	104,649	125,042	(20,393)	(16.3)
Environment				
Parks Canada Agency	599,328	578,054	21,274	3.7
Human Resources and Skills Development				
Canadian Artists and Producers Professional Relations Tribunal	1,940	1,929	11	0.6
Transport				
National Capital Commission	94,161	91,370	2,791	3.1
Total Program Spending	3,866,810	3,881,307	(14,497)	(0.4)

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Details

As presented in these Main Estimates, proposed spending in the Cultural Programs sector in 2007-2008 is estimated at \$3.9 billion, which represents 1.8% of total program spending. Compared to the previous year, this sector's spending in 2007-2008 is set to decrease by \$14.5 million or .4%.

Contributing to the decrease in sector spending is an overall reduction in the Canadian Heritage Ministry's spending of \$38.6 million as a result of:

- A net forecast reduction of \$68.1 million to the funding of the Canadian Broadcasting Corporation due primarily to the sunseting of \$60 million in funding to English and French television, radio and new media programming. Requirements for spending on capital are also reduced by some \$10.4 million as the result of the completion of various projects.
- The Department of Canadian Heritage's spending is decreasing by a net of \$21.6 million or 1.6%, with reductions in grants, contributions and other transfer payments accounting for the change. Major increases include: new funding for the Ex-Gratia and Historical Recognition Programs; support for the Canadian Television Fund (including a transfer from Telefilm Canada); funding for the 400th anniversary of the City of Quebec in 2008 and renewal of the Multiculturalism Program. This is offset by a reduction in transfers to other government departments for the Canadian Memory Fund; funding and reprofiling adjustments for support of the 2010 Winter Olympics; and reductions resulting from the 2006 expenditure restraint initiative.
- Spending by Telefilm Canada is decreasing as a result of a \$20.4 million transfer to Canadian Heritage with respect to changes in the governance of the Canadian Television Fund.
- The Status of Women – Office of the Co-ordinator's spending is decreasing by a net of \$4.7 million due mainly to administrative savings in its operating budget as a result of the 2006 expenditure restraint initiative.

Offsetting these reductions are the following increases:

- The Canada Council for the Arts' operating base is increasing by \$30.9 million or 20.5%. Of this, virtually all of the funding is for individual artists, arts organizations and increased touring and dissemination of artwork to support innovation, growth and success in Canada's cultural communities. The remainder is to support the Interdepartmental Partnership with Official Language Communities program.
- The Canadian Museum of Nature's spending is increasing by a net of \$25.1 million or 42.4%. The increase is reflected in their capital budget, with \$25 million for a major renovation of the Victoria Memorial Museum Building. Total spending requirements are being partially offset by a decrease in the operating budget.
- The Library and Archives of Canada's is seeking an additional \$10.2 million primarily for renovation and expansion of 100 Wellington Street to accommodate the Portrait Gallery of Canada and the Canadian Culture On-Line Program.
- The National Battlefield Commission's spending is increasing by \$4.3 million or almost 49%. Virtually all of this increase is for the rehabilitation of roads, sidewalks, storm sewers and several areas of the Battlefields Park, construction of a restroom/office building and landscaping of the major events site in preparation for the celebration of the Park's 100th anniversary and the 400th anniversary of Quebec City.

Other changes in the sector include:

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- The Parks Canada Agency spending is increasing by \$21.3 million or 3.7% of which the major increases are: the enhancement of Parks Canada’s ability to manage ecological integrity; the 400th Anniversary of Quebec celebration; the Asian Pacific Gateway initiative²⁷; and repair and restoration of infrastructure in the national parks. Partially offsetting these increases are reductions in funding for: the twinning of the Trans-Canada Highway through Banff National Park; and the Commercial Heritage Places Incentive Fund.
- The National Capital Commission’s spending is increasing by a net of \$2.8 million or 3.1% mainly as a result of increases in capital projects being funded from their Acquisition and Disposal Fund.

3 – Environment and Resource-based Programs

This sector comprises those departments and agencies that deliver programs that promote the sustainable development of Canada’s environment, natural resources and agriculture industries. These organizations include Agriculture and Agri-Food, Environment, Fisheries and Oceans, and Natural Resources.

Table 8 breaks down planned spending on environmental and resource-based programs by department, corporation and agency as follows:

Table 8: Environment and Resource-based Programs

(\$ thousands)	Main Estimates		Change in Spending	
	2007-2008	2006-2007	\$	%
Agriculture and Agri-Food				
Department	2,434,321	2,191,678	242,643	11.1
Canadian Dairy Commission	3,595	3,513	82	2.3
Canadian Food Inspection Agency	587,351	571,529	15,822	2.8
Canadian Grain Commission	34,732	35,222	(490)	(1.4)
Environment				
Department	841,954	803,869	38,085	4.7
Canada Emission Reduction Incentives Agency ²⁸	.....	49,442	(49,442)	(100.0)
Canadian Environmental Assessment Agency	16,540	17,383	(843)	(4.8)
National Round Table on the Environment and the Economy	5,156	5,183	(27)	(0.5)
Fisheries and Oceans	1,538,589	1,513,368	25,221	1.7
Natural Resources				
Department	2,145,121	1,426,054	719,067	50.4
Atomic Energy of Canada	103,749	103,749	.....	0.0
Canadian Nuclear Safety Commission	94,485	78,671	15,814	20.1
National Energy Board	38,129	37,932	197	0.5
Northern Pipeline Agency	266	946	(680)	(71.9)
Total Program Spending	7,843,988	6,838,539	1,005,449	14.7

²⁷ The Asia-Pacific Gateway and Corridor Initiative is an integrated set of investment and policy measures focused on trade with the Asia-Pacific Region. Its mission is to establish Canada’s Asia-Pacific Gateway and Corridor as the best transportation network facilitating global supply chains between North America and Asia.

²⁸ No funding is proposed for this Agency for 2007-2008, given that its mandate is not supported by the new government’s environment platform.

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Details

As presented in these Main Estimates, proposed spending in the Environment and Resource-Based Programs Sector in 2007-2008 is estimated at \$7.8 billion, which represents 3.7% of total program spending. Compared to the previous year, the 2007-2008 spending in this sector is forecast to increase by \$1.0 billion, or 14.7%.

The following are some of the major drivers affecting the change in spending levels in the environment and resource-based programs sector:

- The Department of Natural Resources spending is increasing by a net of \$719.1 million or 50.4%, with some \$536.1 million in new funding for contributions and other transfer payments, and the remainder in operating and grants. Among the variety of program initiatives receiving funding, the most noteworthy include: the Nuclear Legacy Liabilities Program; the Clean Air Agenda; the Port Hope Low-Level Radioactive Waste Clean-Up Program; the Federal Response to the Mountain Pine Beetle Program; and the Forest Industry Long-Term Competitiveness Strategies Program. Partially offsetting these increases are significant reductions in funding for several items, including: decreases for all elements of the Emission Reduction Package; a decrease for the Climate Change Action Plan 2000; a reduction in the Softwood Lumber Sector Assistance Program; and a decrease in funding for the Hibernia Interest Assistance Program. In addition, there are major increases in statutory payments to the Newfoundland Offshore Petroleum Resource Revenue Fund (\$241.6 million) and the Nova Scotia Offshore Revenue Account²⁹ (\$250.0 million).
- The Department of Agriculture's spending is increasing by a net of \$242.6 million or 11.1%, primarily in the area of grants, contributions and other transfer payments, which account for \$220.6 million of the change. Major items include: new funding for the Canadian Farm Family Options Program; payments in connection with the *Agricultural Marketing Programs Act*; the Enhanced Spring Credit Advance Program; and additional funding related to implementation of the Agriculture Policy Framework. These increases are partially offset by reductions as a result of the 2006 expenditure restraint initiative and reductions in the Spring Credit Advance Program.
- The Department of Environment is anticipating a net increase in spending of \$38.1 million or 4.7%, with much of the increase due to implementation of the new Environmental Management Agenda – Clean Air Initiatives. Additional funding is also being sought for the Great Lakes Action Plan and Action Plan 2000. These planned expenditures are being partially offset by several major decreases including: termination of the Border Air Quality Strategy; funding for the implementation of the Species at Risk Act initiatives; and the 2006 expenditure restraint initiative
- Fisheries and Oceans' net planned spending increase is \$25.2 million, consisting of \$18.0 million in operating funds and \$64.0 million in capital, offset by a \$56.8 million reduction in contributions and other transfer payments. Major increases include new funding to modernize the delivery of core programs and services and ensure their sustainability; and funding for Canadian Coast Guard Fleet Renewal. The decrease in contributions and other transfer payments is the result of the sunsetting of funding for the Fisheries Access Program. This program had originally been scheduled to sunset in 2003-2004, however, program extensions were approved because the department had been unable to provide all the required fishing licenses to First Nations under the signed Fisheries Agreements and funds continued to be needed for payments.

²⁹ The Government of Canada uses revenue funds and accounts to return the revenue benefits of offshore development to the provinces of Newfoundland and Labrador, and Nova Scotia (Natural Resources Canada acts as a flow-through by collecting royalties to distribute to the provinces through statutory contribution programs). In accordance with the enabling legislation, statutory payments are made to the Funds in an amount equal to federal royalties, tax rentals, forfeitures, fees and the corporate offshore income tax revenues generated (as determined by Canada Revenue Agency).

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- The Canadian Food Inspection Agency's spending is increasing by \$15.8 million or 2.8% for increased operating and capital costs, the major item being an increase in funding for Avian and Pandemic Influenza Preparedness. These costs are being partially offset by decreases relating to the sunseting of the Bovine Spongiform Encephalopathy Feed Ban and the 2006 expenditure restraint initiative.
- The Canadian Nuclear Safety Commission's spending is increasing by \$15.8 million or 20.1% in order to deal with new demand in regulatory workload associated with industry growth and the licensing of new nuclear power plants.

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4 - Industrial, Regional and Scientific-Technological Support Programs

This sector comprises those departments, agencies and Crown corporations that deliver programs which foster economic growth and job creation through measures that stimulate private-sector investment across Canada, encourage regional development, improve the country's innovation performance, and promote a stronger science and technology capability in Canada. Organizations include Industry, the three regional development agencies, and Crown corporations, including Enterprise Cape Breton Corporation and the Cape Breton Development Corporation, as well as a number of departmental agencies such as the National Research Council, the Social Sciences and Humanities Research Council and the Natural Sciences and Engineering Research Council.

Table 9 breaks down planned spending on industrial, regional and scientific-technological support programs by department, corporation and agency, as follows:

Table 9: Industrial, Regional and Scientific-Technological Support Programs

(\$ thousands)	Main Estimates		Change in Spending	
	2007-2008	2006-2007	\$	%
Atlantic Canada Opportunities Agency				
Department	366,329	381,748	(15,419)	(4.0)
Enterprise Cape Breton Corporation	8,650	8,650	.....	0.0
Economic Development Agency of Canada for the Regions of Quebec	394,700	381,595	13,105	3.4
Human Resources and Skills Development				
Canada Industrial Relations Board	12,437	12,396	41	0.3
Industry				
Department	995,340	1,197,582	(202,242)	(16.9)
Canadian Space Agency	368,182	374,093	(5,911)	(1.6)
Canadian Tourism Commission	76,577	76,526	51	0.1
Competition Tribunal	1,696	1,686	10	0.6
Copyright Board	2,597	2,580	17	0.7
National Research Council of Canada	672,539	692,421	(19,882)	(2.9)
Natural Sciences and Engineering Research Council	899,551	885,258	14,293	1.6
Social Sciences and Humanities Research Council	619,260	581,321	37,939	6.5
Standards Council of Canada	7,129	7,529	(400)	(5.3)
Natural Resources				
Cape Breton Development Corporation	69,511	66,211	3,300	5.0
Transport				
Office of Infrastructure of Canada	2,017,697	1,844,624	173,073	9.4
Old Port of Montreal Corporation Inc.	18,800	.....	18,800	N/A
Western Economic Diversification	253,210	315,531	(62,321)	(19.8)
Total Program Spending	6,784,205	6,829,751	(45,546)	(0.7)

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Details

As presented in these Main Estimates, proposed spending in the Industrial, Regional and Scientific-Technological Support Programs sector in 2007-2008 is estimated at \$6.8 billion, which represents 3.2% of total program spending. Compared to the previous year, the spending level in 2007-2008 is set to decrease by \$45.5 million, or .7%.

The following are some of the major drivers affecting the change in spending levels in the industrial, regional and scientific-technological support programs sector.

- Major decreases totalling \$240.8 million are impacting on sector spending in the following areas:
 - Industry Canada is anticipating a net decrease of \$202.0 million in spending largely due to reductions in operating costs coupled with decreases in contributions and other transfer payments. Some of the more significant reductions include such items as: the Community Access Program and SchoolNet; the Automotive Program³⁰; the Canada Ontario Infrastructure Program; and the Broadband³¹ initiative.
 - The three regional development agencies: Western Economic Diversification, Economic Development Agency of Canada for the Regions of Quebec, and the Atlantic Canada Opportunities Agency are showing a net decrease of \$64.6 million.
 - In the case of the West, the reduction is mainly in the area of transfer payments including: the sunsetting of the Prince Rupert Port Authority grant (\$29.0 million); a decrease in funding requirements for 2007-2008 for the Infrastructure Canada Program (\$22 million); and a decrease for the Alberta and Saskatchewan Centenaries (\$12.6 million). These decreases are partially offset by increased spending for: the Stronger West/Canada Job Fund; the RCMP Heritage Centre; and the Asia Pacific Gateway and Corridor Initiative.
 - In Quebec, the new funding of \$13.1 million is in the area of grants to commemorate the 400th anniversary of Quebec City in 2008 and to provide funding to the Sept-Iles Port Authority for wharf expansion.
 - In Atlantic Canada, the net reduction of \$15.4 million is the result of a \$4.2 million decrease in operating funds, mainly because of the sunsetting of funding for the Canada Business Service Centres, and an \$11.2 million decrease in contributions and other transfer payments, due a decrease in funding for the Infrastructure Canada Program.
 - The Canadian Space Agency's spending is decreasing by a net of \$5.9 million as a result of adjusted cash flow requirements for the long term development cycle of projects and program changes arising from the nature of space activities (e.g., high technology risks, uncertainties with work schedules, implementation delays).

³⁰ This program was created in 2005-2006 to enable the government to make strategic investments in Canadian automotive engineering, research and development and manufacturing modernization. Funding is provided to Industry Canada on an as-required basis so that it can make specific strategic investments in companies on a project-by-project basis. There are two projects currently funded through this program: General Motors Beacon Project (\$200 million over five years) and Ford's Project Centennial (\$100 million over three years). Payment schedules are tailored to the specific needs of the company receiving funds.

³¹ Project to provide high-capacity Internet connection to serve as a pipeline for delivering innovative applications, and putting services in areas like health, education and business within easy reach to an estimated 612 Aboriginal, northern and rural communities across Canada.

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- Funding for the Office of Infrastructure of Canada is forecast to increase by a net of \$173.1 million, mainly in the area of contributions and other transfer payments. Major items include additional funding for: the Municipal Rural Infrastructure Fund; the Gas Tax Fund; and the Border Infrastructure Fund.
- In the case of the three granting councils – the National Research Council, the Natural Sciences and Engineering Research Council and the Social Sciences and Humanities Research Council, their total spending will be increasing by a net of \$32.4 million with most of the funding going towards grant payments to build on Canada's continuing support of research and the strengthening of research and innovation in Canada.
- The Cape Breton Development Corporation's additional funding requirement is related to an increase in environmental remediation costs and an increase in workers' compensation costs, which is due to a July 2004 legislative change made to Nova Scotia's *Workers' Compensation Act*. This change allows Canadian workers who are declared eligible, to claim benefits for chronic pain. This has lead the Corporation to adjust its long-term liability by \$50M (to \$200.4 million) effective March 31, 2005.

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5 - Transportation Programs

This sector comprises those departments, agencies and Crown corporations that deliver transportation programs. Organizations include the Department of Transport, the Canadian Transportation Agency, the Canadian Transportation Accident Investigation and Safety Board of Canada (which reports through the Privy Council Office) and the Transportation Appeal Tribunal of Canada; and Crown corporations. A number of these, including the Federal Bridge Corporation Limited, Jacques Cartier and Champlain Bridges Incorporated, Marine Atlantic Incorporated, the Canadian Air Transport Security Authority and VIA Rail are being displayed as separate entities in these 2007-2008 Main Estimates.

Table 10 breaks down planned spending on transportation programs by department, corporation and agency, as follows:

Table 10: Transportation Programs

(\$ thousands)	Main Estimates		Change in Spending	
	2007-2008	2006-2007	\$	%
Transport				
Department	859,027	755,357	103,670	13.7
Canadian Air Transport Security Authority	455,304	381,366	73,938	19.4
Canadian Transportation Agency	26,055	26,817	(762)	(2.8)
Federal Bridge Corporation Limited	10,450	.....	10,450	N/A
Jacques Cartier and Champlain Bridges Inc.	65,839	30,488	35,351	116.0
Marine Atlantic Inc.	80,980	80,980	.....	0.0
Transportation Appeal Tribunal of Canada	1,333	1,329	4	0.3
VIA Rail Canada Inc.	169,001	169,001	.....	0.0
Privy Council				
Canadian Transportation Accident Investigation and Safety Board	28,972	29,138	(166)	(0.6)
Total Program Spending	1,696,961	1,474,476	222,485	15.1

Details

As presented in these Main Estimates, proposed spending in the Transportation Programs sector in 2007-2008 is estimated at \$1.7 billion, which represents less than 1% of total program spending. Compared to the previous year, this sector's spending in 2007-2008 is set to increase by \$222.5 million, or 15.1%.

Some of the major drivers affecting this increase include:

- A net increase of \$103.7 million or 13.7% in the Department of Transport due to:
 - \$84.0 million in the operating budget for a variety of items, the major increase being for program measures in support of the government's Clean Air Agenda; and
 - \$17.8 million in contributions and other transfer payments, primarily the Passenger, Rail, Urban Transit and Ferry Security Enhancement, and the Asia Pacific Gateway Initiative. The increased expenditures in the transfer payments area are being partially offset by several reductions, the most significant being the winding-

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down of: the Strategic Highway Infrastructure Program, the Marine Security Contribution Program, and initiatives relating to the existing Climate Change Program.

- The net increase in funding levels for the Canadian Air Transport Security Authority is a result of two factors:
 - Short-term budgetary pressures related to increasing passenger volumes, market-driven service provider costs, equipment requirements, and increased maintenance as well as increased funding for wages, training and uniform costs as new pre-board screening lines are set up in the expanded terminals; and
 - Increased capital costs for airports in Toronto, Vancouver, Winnipeg, Montreal, Calgary and Halifax as they undergo expansions and/or revamping to accommodate the acquisition and integration of explosive detection equipment as well as hold baggage-screening machinery;
- Funding for Jacques Cartier and Champlain Bridges Incorporated is increasing due to the re-decking of the Honoré Mercier and Jacques Cartier Bridges. The increases are offset by reductions due to the 2006 expenditure restraint initiative.
- The new capital funding for the Federal Bridge Corporation Limited is to replace the deteriorating North Channel span of the Seaway International Bridge in Cornwall and related infrastructure improvements.

6 - Justice and Legal Programs

This sector comprises those departments and agencies that deliver programs covering the administration of justice and law enforcement. Organizations include the Department of Justice and all of its associated agencies, as well as the Office of Indian Residential Schools Resolution and the Office of the Director of Public Prosecutions, which appears in Main Estimates for the first time.

Table 11 breaks down planned spending on justice and legal programs by department and agency, as follows:

Table 11: Justice and Legal Programs

(\$ thousands)	Main Estimates		Change in Spending	
	2007-2008	2006-2007	\$	%
Indian Affairs and Northern Development				
Office of Indian Residential Schools Resolution	596,693	208,611	388,082	186.0
Justice				
Department	595,672	915,752	(320,080)	(35.0)
Canadian Human Rights Commission	21,112	21,005	107	0.5
Canadian Human Rights Tribunal	4,334	4,352	(18)	(0.4)
Commissioner for Federal Judicial Affairs	400,274	359,632	40,642	11.3
Courts Administration Service	57,728	62,547	(4,819)	(7.7)
Law Commission of Canada	.....	3,193	(3,193)	(100.0)
Office of the Director of Public Prosecutions	98,526	.....	98,526	N/A
Offices of the Information and Privacy Commissioners of Canada	26,006	24,479	1,527	6.2
Supreme Court of Canada	31,806	27,824	3,982	14.3
Total Program Spending	1,832,151	1,627,395	204,756	12.6

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Details

As presented in these Main Estimates, proposed spending in the Justice And Legal Programs sector in 2007-2008 is estimated at \$1.8 billion, which represents less than 1% of total program spending. Compared to the previous year, this sector's spending in 2007-2008 is set to increase by \$204.8 million, or 12.6%.

Among the significant drivers of the spending changes in this sector are:

- A \$388.1 million increase in spending for the Office of Indian Residential Schools Resolution of Canada covers two areas including \$260.1 million for operating expenses and payments related to the implementation of the Settlement Agreement and \$125.0 million in grants to provide for an endowment to the Aboriginal Healing Foundation so that a further five years of funding can be provided to community-based programs.
- The establishment of a new organization known as the Office of the Director of Public Prosecutions with initial funding of \$98.5 million. These funds, which are being transferred from the Department of Justice, will be used to establish the Office and begin operations.
- An increase of \$40.6 million for the Office of the Commissioner for Federal Judicial Affairs due to the increase in the number of judicial appointments, salary increases to federally appointed judges as provided for in Bill C-17, and an increase in the overall average pension amount being paid to pensioners in accordance with the *Judges Act*.
- An increase in additional operating funds for the Supreme Court of Canada for the modernization of the Courtroom audio-visual/IT project as well as adjustments to judge's salaries, pensions and allowances.
- An additional \$1.5 million in the budget for the Offices of the Information and Privacy Commissioners of Canada primarily to deal with increased workload associated with educational activities required to promote awareness of privacy rights.
- A net decrease of \$320.0 million or 35% in the budget for the department of Justice. The primary cause is the \$225.8 million decrease in funding for the provision of legal services to government clients. Instead, a vote-netting authority has been established that recognizes the provision of legal services to government departments as a revenue-generating function. This difference in how the activity is managed reduces the requirement for parliamentary appropriations. In addition, \$98.5 million to establish the new Office of the Director of Public Prosecutions is also being transferred from the department of Justice.
- A decrease of \$4.8 million in funding for the Courts Administration Service because of the sunsetting of funding for fit-up requirements for the Federal Judicial Centre accommodations in Toronto and reductions related to the 2006 expenditure restraint initiative.
- A decrease of \$3.2 million in spending for the portfolio because of the elimination of the Law Commission of Canada as a result of the 2006 expenditure restraint initiative.

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7 - Security and Public Safety Programs

This sector comprises those departments and agencies that deliver programs which are intended to close security gaps and ensure that the country's national interests and citizens are protected from risks to personal safety ranging from crime or naturally occurring events such as severe blizzards, floods or forest fires, to threats to national security from terrorist activity. Organizations include the Security Intelligence Review Committee of the Privy Council Office, and the portfolio of Public Safety and Emergency Preparedness, including the Royal Canadian Mounted Police; the Canadian Security Intelligence Service; the Canada Border Services Agency; the Correctional Service of Canada; and the National Parole Board.

Table 12 breaks down planned spending on security and public safety programs by department and agency, as follows:

Table 12: Security and Public Safety Programs

(\$ thousands)	Main Estimates		Change in Spending	
	2007-2008	2006-2007	\$	%
Privy Council				
Security Intelligence Review Committee	2,916	2,900	16	0.6
Public Safety and Emergency Preparedness				
Department	428,050	458,092	(30,042)	(6.6)
Canada Border Services Agency	1,440,365	1,293,533	146,832	11.4
Canadian Firearms Centre ³²	.....	83,595	(83,595)	(100.0)
Canadian Security Intelligence Service	346,475	346,148	327	0.1
Correctional Service	1,870,033	1,709,353	160,680	9.4
National Parole Board	43,199	43,057	142	0.3
Office of the Correctional Investigator	3,132	3,114	18	0.6
Royal Canadian Mounted Police	2,368,421	2,077,658	290,763	14.0
Royal Canadian Mounted Police External Review Committee	1,192	895	297	33.2
Royal Canadian Mounted Police Public Complaints Commission	5,622	6,303	(681)	(10.8)
Total Program Spending	6,509,405	6,024,648	484,757	8.0

Details

As presented in these Main Estimates, proposed spending in the Security and Public Safety Programs sector in 2007-2008 is estimated at \$6.5 billion, which represents 3.1% of total program spending. Compared to the previous year, this sector's spending in 2007-2008 has increased by \$484.8 million, or 8.0 %.

Among the major drivers contributing to the increase in planned spending are:

- An increase of \$290.8 million in net funding for the Royal Canadian Mounted Police. The increase is primarily in the operating budget of which the following increases are the most noteworthy: additional policing services requested by contracting partners; salary compensation for Force and civilian members; funding to create a permanent International Police Peacekeeping and Peace Operations capacity; additional funding for the RCMP Training Academy Refurbishment; expansion and improvements to RCMP field coaching facilities; as well as an

³² This organization has been integrated into the RCMP.

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increase of \$83.6 million due to the elimination of the Canadian Firearms Centre as a separate entity and the transfer of its functions and funding to the RCMP.

- An increase of \$160.7 million in net funding for the Correctional Service of Canada. This increase is in the operating budget and includes such items as funding related to various accommodations measures for the maintenance and housing of offenders as reflected in the National Capital, Accommodation and Operations Plan, including increases due to signed collective agreements and the employer's share of employee benefit plans and inflation compensation on energy, health care and food services. These planned expenditures are partially offset by reductions related to an increase in revenues for the department's revolving fund.
- An increase of \$146.8 million in net funding for the Canada Border Services Agency. This is primarily as a result of Budget 2006, which outlined the government's commitments to securing Canada's borders and to further implementing the Security and Prosperity Partnership (SPP) of North America Initiative. Major items include:
 - \$132.2 million for four SPP projects, including E-Manifest³³ which is a Major Crown Project;
 - \$60.5 million to arm border service officers and eliminate "work-alone" situations in order to enhance border security and officers' safety;
 - \$15.1 million for the provision of border services in relation to a new container facility in Port Rupert as part of the Asia-Pacific Gateway and Corridor Initiative; and
 - \$8.7 million to screen marine crews and passengers on the Great Lakes under the Securing Canada's Marine Transportation Initiative.
- These increases are partially offset by \$2.3 million from the cancellation of the Visitor's Rebate Program, the sunseting of \$30.3 million in funding for the replacement of Primary Automated Lookout Systems³⁴ and the reprofiling of funding for Smart Border Initiatives and Container Security.

Net decreases of \$30.0 million within the department of Public Safety and Emergency Preparedness include: a \$20 million reduction in the contribution to the provinces for assistance related to natural disasters under the Disaster Financial Assistance Arrangements which is adjusted annually based on an estimate of claims to be paid to the Provinces and Territories. In addition, there is a \$5 million reduction for the implementation of the Advertising Themes program; a \$4 million reduction in one-time funding for the National Integrated Interagency Information System; and a net decrease of \$4.4 million in spending for the National Crime Prevention Centre.

³³ E-Manifest (Electronic Manifest) is a Major Crown Project (with total request of funding of \$396M over five years and \$79M ongoing). This project is to enhance highway and rail cargo security and to expedite processing at the borders by developing and implementing Electronic Manifest reporting. The primary objective of the E-Manifest initiative is to ensure that the CBSA is able to identify high-risk shipments prior to their arrival at the border, and to expedite the clearance of low-risk shipments. E-Manifest is an important component of the trilateral (Canada, US, and Mexico) Security and Prosperity Partnership of North America (SPP), which was initiated in March 2005 to ensure the security, competitiveness and economic wellbeing of North America.

³⁴ Primary Automated Lookout System (PALS) is a critical risk management system that is deployed along the land border all across the country. It is used to verify the license plates of vehicles entering Canada. The license plate information is then cross-referenced against enforcement databases. CBSA will not be able to use the current system after 2006-2007 because the supplier has discontinued the hardware.

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8 – International, Immigration and Defence Programs

This sector comprises those departments and agencies that deliver programs which support the security of Canadians, defend Canadian interests, promote a stable international environment and project Canadian values and culture in world affairs. Organizations include Citizenship and Immigration, the Department of Foreign Affairs and International Trade and its associated agencies, the Department of Finance and National Defence.

Table 13 breaks down planned spending on international affairs, immigration and defence programs by department, corporation and agency, as follows:

Table 13: International Affairs, Immigration and Defence Programs

(\$ thousands)	Main Estimates		Change in Spending	
	2007-2008	2006-2007	\$	%
Citizenship and Immigration				
Department	1,187,331	1,226,775	(39,444)	(3.2)
Immigration and Refugee Board of Canada	113,612	117,375	(3,763)	(3.2)
Foreign Affairs and International Trade				
Department *	2,002,227	2,145,028	(142,801)	(6.7)
Canadian Commercial Corporation	16,182	15,969	213	1.3
Canadian International Development Agency	3,026,543	2,935,587	90,956	3.1
International Development Research Centre	137,441	133,092	4,349	3.3
International Joint Commission	5,784	5,810	(26)	(0.4)
NAFTA Secretariat, Canadian Section	3,001	2,991	10	0.3
Finance				
International Assistance – Transfer Payments	539,469	725,869	(186,400)	(25.7)
Canadian International Trade Tribunal	10,682	10,005	677	6.8
National Defence				
Department	16,881,605	14,789,222	2,092,383	14.1
Canadian Forces Grievance Board	6,429	6,407	22	0.3
Military Police Complaints Commission	3,434	3,416	18	0.5
Total Program Spending	23,933,740	22,117,546	1,816,194	8.2

* 2006-2007 figures re-stated to show integration of former departments of Foreign Affairs and International Trade

Details

As presented in these Main Estimates, proposed spending in the International, Immigration and Defence Programs sector in 2007-2008 is estimated at \$23.9 billion, which represents 11.4% of total program spending. Compared to the previous year, this sector's spending in 2007-2008 has increased by \$1.8 billion, or 8.2 %.

Among the major drivers affecting the change in planned spending are:

- A proposed net spending increase of \$2.1 billion or 14.1% for the Department of National Defence is the primary reason for the increase in the sector's spending, with some \$777.2 million being sought in the operating budget and \$1.3 billion in the capital budget. The increases in the operating budget include funding for such major items

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as: expansion of the Canadian Forces; operations in Afghanistan; Military and Civilian pay raises; adjustments for inflation; operational sustainability; and contaminated sites remediation. The planned increase in the capital budget provides funding for a variety of major capital projects, including: the Strategic and Tactical Airlift Capability Projects; the Medium to Heavy Lift Helicopter Project; the Medium Support Vehicle System Project; as well as funding for operations in Afghanistan and funding to support the expansion of the Canadian Forces.

- A net increase of \$91 million in the Canadian International Development Agency's budgetary funding level in the area of contributions and other transfer payments. This additional funding will support initiatives in Haiti and Afghanistan and the continuation of funding to the Canada Fund for Africa. In addition, funds have been set aside in the International Assistance Envelope to provide the government with additional development assistance funding should the need arise during the course of the fiscal year.
- Major decreases within the sector include:
 - The Department of Finance plans to decrease its international assistance by \$186.4 million in 2007-2008, primarily as the payment commitment for debt relief for Cameroon that was made in 2006-2007, as part of the Heavily-Indebted Poor Countries process, has been met. There is also a decrease in payments to the International Monetary Fund's Poverty Reduction and Growth Facility, which is consistent with Canada's schedule of commitments to the Facility.
 - A reduction of \$142.8 million in spending by the department of Foreign Affairs and International Trade, with the bulk of the reduction occurring in its operating, and contributions and other transfer payments budgets. Major reductions include: a decrease to reflect lower costs overseas as a result of the net rise in the value of the Canadian dollar vis-à-vis other currencies; decrease in funding for assessed contributions due to decreases in Canada's share of the cost of membership in international organizations. There is also a decrease due to lower budgetary requirements for the Export Development Corporation as a result of less use of concessional financing and the expiry of the China Line of Credit Facility.
 - Citizenship and Immigration's funding level is decreasing by a net of \$39.4 million, with decreases totalling \$67.6 million occurring in the operating, and contributions and other transfer payments budgets, offset by increase in grants.
 - Major reductions include:
 - A decrease of \$115.8 million related to a transfer of resources to the Treasury Board Secretariat for the Toronto Waterfront Revitalization Initiative;
 - A decrease of \$65.9 million for sunseting of spending related to dealing with short-term immigration pressures;
 - Major increases include:
 - \$75.9 million for the extension of settlement services;
 - \$34.3 million for the Canada-Ontario Immigration Agreement;
 - \$28.2 million for escalation of the Canada-Quebec Accord;
 - \$17.1 million for programs to improve the successful social, cultural and economic integration of immigrants into Canadian society.

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- The Immigration and Refugee Board of Canada’s spending is decreasing mainly as a result of the end of temporary funding for administrative measures in support of reforms in respect to Refugee Protection and steps to reduce the inventory of family-class applications in the Immigration Appeals area.

9 - Parliament and the Governor General

This sector includes the Senate, the House of Commons, the Library of Parliament, the Office of the Ethics Commissioner, the Senate Ethics Officer and the Office of the Secretary to the Governor General. The requirements of each of these organizations are appropriated annually. The Board of Internal Economy approves the requirements of the House of Commons, whereas the Standing Committee of Internal Economy, Budgets and Administration approves the Senate’s requirements. The Speakers of both Houses approve the requirements of the Library of Parliament. The Speaker of the House of Commons approves the requirements of the Office of the Ethics Commissioner, while the Speaker of the Senate approves the requirements of the Senate Ethics Officer. There are no parliamentary officers or committees involved in the approval of the requirements of the Office of the Secretary to the Governor General.

Table 14 shows spending by Parliament and by the Office of the Secretary to the Governor General.

Table 14: Parliament and Governor General Spending

(\$ thousands)	Main Estimates		Change in Spending	
	2007-2008	2006-2007	\$	%
Governor General	19,054	19,236	(182)	(0.9)
Parliament				
The Senate	87,030	84,276	2,754	3.3
House of Commons	410,531	400,324	10,207	2.5
Library of Parliament	36,687	33,986	2,701	7.9
Office of the Ethics Commissioner	5,140	5,051	89	1.8
Senate Ethics Officer	954	957	(3)	(0.3)
Total Program Spending	559,396	543,830	15,566	2.9

Details

As presented in these Main Estimates, proposed spending in the Parliament and Governor General sector in 2007-2008 is estimated at \$559.4 million, which represents less than 1% of total program spending. Compared to the previous year, this sector’s spending is set to increase by \$15.6 million, or 2.9%.

The following are some of the key drivers affecting the change in this sector’s program spending:

- An increase of \$10.2 million for the House of Commons, specifically for Members’ and House Officers’ budgets, including the related employer’s share of contributions to employee benefit plans, and supporting Members in committees, international and interparliamentary activities, and the Chamber; and salaries, including the related employer’s share of contributions to employee benefit plans.
- An increase of \$2.8 million for the Senate, specifically for salary and other inflationary increases, including increases to pay for costs previously paid for by other government organizations.

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- An increase of \$2.7 million for the Library of Parliament, specifically for salary increases, increased services to Parliament and parliamentarians, and measures to strengthen accountability in the areas of management infrastructure, evaluation, information management and security.
- The reduction in planned spending for the Governor General is due to the 2006 expenditure restraint initiative and adjustments to employee benefit plans.

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10 - General Government Services

This sector comprises those departments and agencies that provide central services to support the internal operations of government and includes, under the Department of Finance, fiscal equalization and transfers to Territorial governments. These organizations include Finance, Privy Council, Public Works and Government Services, and Treasury Board as well as a number of departmental agencies.

Table 15 breaks down planned spending on government services by department, corporation and agency, as follows:

Table 15: General Government Services

(\$ thousands)	Main Estimates		Change in Spending	
	2007-2008	2006-2007	\$	%
Canadian Heritage				
Public Service Commission of Canada	103,206	106,017	(2,811)	(2.7)
Public Service Labour Relations Board	11,405	17,924	(6,519)	(36.4)
Public Service Staffing Tribunal	4,960	5,244	(284)	(5.4)
Canada Revenue Agency	3,379,924	3,228,253	151,671	4.7
Finance				
Department	278,762	220,737	58,025	26.3
Auditor General of Canada	80,589	73,748	6,841	9.3
Financial Transactions and Reports Analysis Centre	44,893	31,128	13,765	44.2
Office of the Superintendent of Financial Institutions	784	768	16	2.1
Industry				
Statistics Canada	454,113	601,243	(147,130)	(24.5)
Privy Council Office				
Department	127,304	146,721	(19,417)	(13.2)
Canadian Intergovernmental Conference Secretariat	6,516	6,432	84	1.3
Chief Electoral Officer	104,422	87,226	17,196	19.7
Public Appointments Commission Secretariat	1,074	.....	1,074	N/A
Commissioner of Official Languages	19,214	19,129	85	0.4
Public Works and Government Services	2,533,687	2,573,295	(39,608)	(1.5)
Treasury Board Secretariat				
Department	3,000,147	2,598,226	401,921	15.5
Canada School of Public Service	86,590	111,185	(24,595)	(22.1)
Office of the Registrar of Lobbyists	3,363	.....	3,363	N/A
Public Service Human Resources Management Agency	69,060	106,880	(37,820)	(35.4)
Transport				
Canada Post Corporation	122,210	147,210	(25,000)	(17.0)
Sub-Total Direct Program Spending	10,432,223	10,081,366	350,857	3.5
Major Transfers (Finance):				
Fiscal Equalization	11,676,353	11,282,000	394,353	3.5
Territorial Financing	2,142,450	2,070,000	72,450	3.5
Sub-Total Major Transfers	13,818,803	13,352,000	466,803	3.5
Total Program Spending	24,251,026	23,433,366	817,660	3.5

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Details

As presented in these Main Estimates, proposed spending in the General Government Services sector for 2007-2008 is estimated at \$24.3 billion, which represents 11.5% of total program spending. Of the \$24.3 billion, \$10.4 billion or 42.8%, will be for direct program spending and the remaining \$13.8 billion will be for transfer payments. Compared to the previous year, this sector's total spending in 2007-2008 has increased by \$817.8 million, or 3.5%.

Changes in planned spending include:

- A net change of \$342.9 million in the Treasury Board Secretariat portfolio due to such items as:
 - The \$232.8 million transfer of the Toronto Waterfront Revitalization Initiative (TWRI)³⁵ from Citizenship and Immigration Canada to the Treasury Board Secretariat³⁶, as well as increases in funding for: Public Service Insurance; changes to the Public Service Health Care Plan; and the design and implementation of a new expenditure management information system. These increases are partially offset by an increase in revenues credited to the vote and by reductions as a result of the 2006 expenditure restraint initiative.
 - New funding of \$3.4 million to establish the Office of the Registrar of Lobbyists.
 - A \$37.8 million reduction in the Public Service Human Resources Management Agency. The bulk of this change relates to a reduction in funding for the Human Resources Modernization Management Program and the sunsetting of funds to support classification reform.
 - A decrease of \$24.6 million in spending for the Canada School of Public Service due to the sunsetting of funding for official languages training and reductions related to the 2006 expenditure restraint initiative.
- The Canada Revenue Agency's increase in net spending of \$151.7 million as a result of an overall increase of \$144.3 million in operating costs and \$18.0 million in grants, partially offset by an \$11.6 million increase in revenue.
 - Major items explaining the \$144.3 million increase in operating costs:
 - \$99.0 million for increases for collective agreements/awards;
 - \$48.7 million for National Collection Services and payments to private collection agencies, transferred from the Canada Revenue Agency;
 - \$47.5 million reflecting an increased demand for information technology services by the agency;
 - a decrease of \$69.4 million relating to various government reduction initiatives.
 - The additional funding in grants represents an increase to the Children's Special Allowance.
- The net increase of \$58.0 million in the department of Finance's operating budget is required to cover the cost to produce and distribute domestic coinage.
- The Chief Electoral Officer will see a budget increase of \$17.2 million or 19.7% in funding for the renewal of its information technology infrastructure, including application upgrades and enhancements; and an increase to

³⁵ The purpose of the TWRI is to revitalize the Toronto waterfront through investments in both traditional city-building infrastructure, such as local transportation and sewers, and more contemporary urban development, including parks, green spaces, tourism-related facilities and the redevelopment of underutilized post-industrial areas. Federal participation in the initiative is manifest through a contribution program where the main eligible recipient is the Toronto Waterfront Revitalization Corporation (TWRC).

³⁶ The funds provided to TBS for TWRI will be transferred to Environment Canada in 2007-2008 once the Order-in-Council relating to this machinery of government change is approved.

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payments of quarterly allowances to registered political parties due to the increase in voter turnout in the January 2006 general election and the inflation indexing factor.

- The Financial Transactions and Reports Analysis Centre will see a budget increase of \$13.8 million or 44.2% in order to bolster existing capacities to combat money laundering and terrorist financing and to provide a contribution to the Secretariat of the Egmont Group³⁷ of Financial Intelligence Units to support its set-up and initial operations.
- The Office of the Auditor General is seeking new funding for changes in statutory audit responsibilities, new audit work from existing legislation, and strategic investments in recruitment, methodology and one-time funding for investment in technology projects.
- Reductions in spending will impact on the following organizations:
 - Statistics Canada’s net decrease of \$147.1million is essentially due to completion of activities associated with the 2006 Census of Population, and the 2006 Census of Agriculture.
 - Appropriations for Public Works and Government Services are decreasing by a net of \$39.6 million compared to last year. This decrease is mainly in operating costs. The major items contributing to the decrease include savings from the Expenditure Review Committee process and reduced funding for the following items: the Long-Term Vision and Plan for the Parliamentary Precinct; the Records, Document and Information Management System; the Fairs and Exhibits program; and the Shared Travel Services Initiative.
 - The \$19.4 million reduction in the budget for the Privy Council Office is due primarily to the transfer of responsibilities to other departments as part of government restructuring. Examples include:
 - Office of the Senior Advisor Responsible for Diversity and Special Projects to the Public Service Human Resources Management Agency;
 - National Science Advisor Secretariat to Industry;
 - Borders Task Force to Public Safety and Emergency Preparedness;
 - Aboriginal Affairs Secretariat to Indian Affairs and Northern Development;
 - Official Languages Secretariat to Canadian Heritage;
 - Policy Research Initiative to Human Resources and Skills Development; and
 - Regional Offices in the Communications and Consultations Secretariat and the Regulatory Affairs and Orders in Council Secretariat (excepting the Orders in Council Division) to the Treasury Board Secretariat.
 - The decrease in funding levels for Canada Post is due to a reduction in payments for transitional support for the implementation of the Canada Post Corporation Pension.
 - The Canadian Heritage portfolio’s reduction in spending is the result of:
 - A reduction in the budget for the Public Service Labour Relations Board because of reductions in funding for activities associated with the *Public Service Modernization Act*; and

³⁷ In June 2002, FINTRAC became a member of the Egmont Group of Financial Intelligence Units whose purpose is to enhance cooperation and information exchange in support of member countries’ anti-money laundering and terrorist financing regimes.

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- A net decrease in funding for the Public Service Commission due to reductions in funding for the Public Service Resourcing Modernization Project.

Non-Budgetary Main Estimates – A net \$256.6 million increase

The non-budgetary spending in the 2007-2008 Main Estimates amounts to \$1.4 billion. This represents an increase of \$256.6 million compared to the 2006-2007 Main Estimates.

Table 16 provides a more detailed breakdown of non-budgetary Main Estimates.

Table 16: Non-budgetary Main Estimates

(\$ thousands)	Main Estimates		Change in Spending	
	2007-2008	2006-2007	\$	%
Canadian Heritage				
Department	.....	10	(10)	(100.0)
Foreign Affairs and International Trade				
Department	679,000	209,000	470,000	224.9
Canadian International Development Agency	22,643	39,270	(16,627)	(42.3)
Finance				
Department	5,247	7,471	(2,224)	(29.8)
Human Resources and Skills Development				
Department	855,695	981,456	(125,761)	(12.8)
Canada Mortgage and Housing Corporation	(258,431)	(198,472)	(59,959)	(30.2)
Indian Affairs and Northern Development				
Department	74,503	80,843	(6,340)	(7.8)
Industry				
Department	800	800	.....	0.0
Transport				
Office of Infrastructure Canada	.....	2,492	(2,492)	(100.0)
Total Non-budgetary Spending	1,379,457	1,122,870	256,587	22.9

Details

Overall, non-budgetary expenditures have increased by a net of \$256.6 million or 22.9% over last year.

- The increase is due to the additional \$470 million the Department of Foreign Affairs and International Trade is seeking for payments to the Export Development Corporation to discharge obligations incurred pursuant to Section 23 of the *Export Development Act* (Canada Account) for the purpose of facilitating trade between Canada and other countries.
- The offsetting decreases which total \$213.4 million are in the following areas:

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- A decrease of \$125.8 million in the department of Human Resources and Skills Development is related to the loans negotiated under the *Canada Student Financial Assistance Act* as a result of a higher than forecast uptake in loans disbursed.
- A decrease of \$60.0 million in non-budgetary funding for the Canada Mortgage and Housing Corporation as a result of a scheduled increase in the Corporation's loan repayment to the Consolidated Revenue Fund.
- A decrease of \$16.6 million for the Canadian International Development Agency due to a change in forecasted requirements for the Canadian Investment Fund for Africa.
- Loans to institutions and public authorities under the *Cultural Property Export and Import Act* for \$10 million have been removed from Canadian Heritage's estimates. The department does not plan to use this authority in the future.
- A decrease of \$6.3 million in the department of Indian Affairs and Northern Development due to a decrease in funding to support First Nations participation in the British Columbia Treaty Commission process.
- A decrease of \$2.5 million in non-budgetary spending for the Office of Infrastructure of Canada due to the transfer of responsibility of Downsview Park to Transport Canada.
- A decrease of \$2.2 million in statutory, non-budgetary spending for the department of Finance consistent with the agreed schedule of Canada's payments and encashments for the capital subscription increase of the European Bank for Reconstruction and Development.