



OFFICE OF THE
PARLIAMENTARY BUDGET OFFICER



BUREAU DU
DIRECTEUR PARLEMENTAIRE DU BUDGET

Supplementary Estimates (B) 2011-12

November 14, 2011

Key Points of this Note:

- This note highlights items in the 2011-12 Supplementary Estimates (B) that may warrant more detailed scrutiny by parliamentarians, owing to their fiscal materiality or risk.
- Supplementary Estimates (B) proposes to add approximately \$6.6 billion of budgetary authorities to the Government of Canada (Government)'s spending plan, which would bring it close to \$260 billion. This is 3 percent lower than the same period last year.
- In the six appended tables, the Parliamentary Budget Officer (PBO):
 - Identifies the largest changes in authorities outlined in these Supplementary Estimates, compared to total authorities provided in the current fiscal year (\$, %).
 - Highlights the largest changes in total authorities to date, compared to the previous fiscal year (\$, %).
 - Presents an evolution of authorities by standard object (*e.g.* personnel expenditures) for the past three fiscal years.
 - Provides a monitoring update on implementation of the Strategic Review cuts, which were announced in Budget 2011 tabled in March of this year.
- The Integrated Monitoring Database has been updated with 2011-12 Supplementary Estimates (B) data: www.pbo-dpb.gc.ca.

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1. Context

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

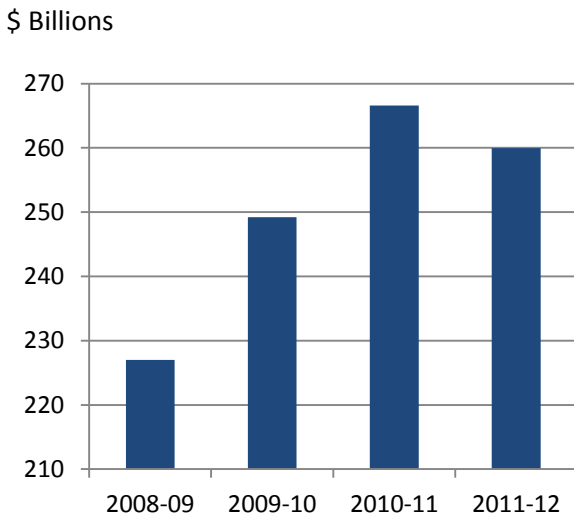
- Proposed changes to votes that are fiscally material to the federal deficit/surplus; and,
- Proposed increases to votes that represent significant growth compared to the status quo.

2. Supplementary Estimates (B)

Supplementary Estimates (B) proposes to add approximately \$6.6 billion of budgetary authorities to the Government’s spending plan, which would bring it close to \$260 billion (Figure 2-1). While this is 3 percent lower than the same period last year, it remains 15 percent above the level achieved prior to the Economic Action Plan (EAP, Stimulus Program).

Figure 2-1

Total Budgetary Authorities



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

¹ http://laws.justice.gc.ca/eng/P-1/20090818/page-3.html#codese:79_1 . Accessed November 2011.

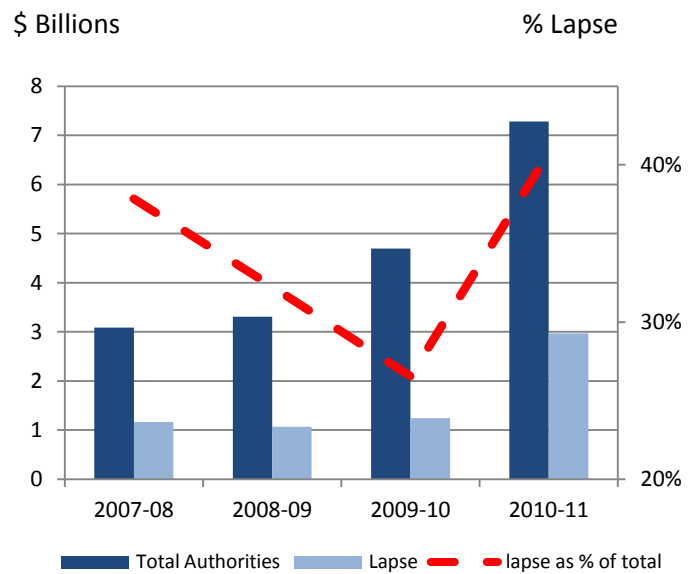
The appendix contains two tables that summarize key data in Supplementary Estimates (B).

Table 1 presents the top changes to authorities, measured by dollar value. Most of these items relate to pre-existing statutory obligations (e.g. Total Transfer Protection) or regular re-profiling of unspent money from the previous fiscal year (e.g. Infrastructure Contributions, Vote 55, Figure 2-2).

Table 2 highlights the top ten percentage changes in authorities. While there is no common trend across these items, many are explained within the Supplementary Estimates document.

Figure 2-2

Infrastructure Contributions: Authorities and Lapses



Sources: *Main and Supplementary Estimates: 2009-10 to 2011-12.*
Public Accounts of Canada: 2007-08 to 2010-11.

3. Year-to-Date

Overall, many of the proposed adjustments to expenditure authorities contained in Supplementary Estimates (B) are consistent with the spending plan of the previous year. As such, they represent regular adjustments to authorities that occur during the fiscal year. Many of the material differences in planned spending were

highlighted in the PBO's earlier note on the Main and Supplementary Estimates (A).²

(i) Largest Changes by Value

Table 3 highlights the 10 items with the largest change in proposed authorities, compared to the total authorities provided in 2010-11.³

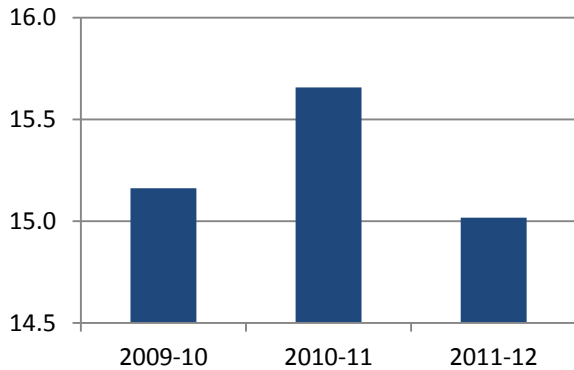
Eight months into the current fiscal year, it is apparent that the most significant changes in planned authorities arise from the planned wind-down of the Economic Action Plan, as well as legislated increases for major transfer programs (e.g. Canada Health Transfer).

The planned authorities for National Defence are the only exception to this overall trend. Capital and operating authorities are approximately \$700 million and \$600 million lower, respectively, compared to the previous year (Figure 3-1).

Figure 3-1

National Defence Operating Authorities

\$ Billions



Source: Main and Supplementary Estimates: 2009-10 to 2011-12.

² http://www.parl.gc.ca/PBO-DPB/documents/ME_SuppsA_EN.pdf. Accessed November 2011.

³ The change in value is calculated as the proposed level of annual spending in the 2011-12 Main and Supplementary Estimates less total spending authorities granted in the previous fiscal year (2010-11; Main and Supplementary Estimates).

(ii) Largest Changes by Percent

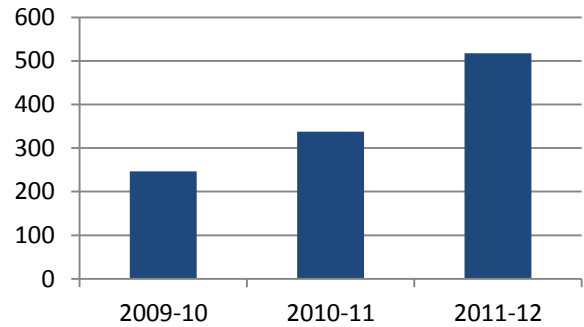
Table 4 lists the 10 largest changes to items, as measured by percent, compared to the total authorities provided in 2010-11.⁴

The largest percentage increase in overall authorities continues to be the increase in the Treasury Board Secretariat's reserve for employee benefits. This is followed by the increase in the capital authorities for the Correctional Service of Canada (70%, Figure 3-2).

Figure 3-2

Correctional Service's Capital Budget

\$ Millions



Source: Main and Supplementary Estimates: 2009-10 to 2011-12.

The only new material decrease relates to the Green Infrastructure Fund (-59%). This initiative was launched in Budget 2009 with a total budget of \$1 billion over 5 years.⁵

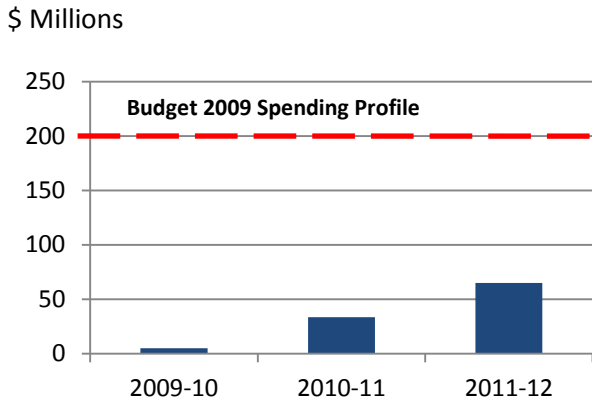
According to the Public Accounts of Canada, it expended approximately \$5 million in 2009-10 and \$34 million in 2010-11. Combined with the updated authorities of \$65 million in 2011-12, this leaves the program with almost 90% of its budget to expend for the last two fiscal years (Figure 3-3).⁶

⁴ The growth rate is calculated as the proposed level of annual spending in the 2011-12 Main and Supplementary Estimates divided by total spending authorities granted in the previous fiscal year.

⁵ <http://www.budget.gc.ca/2009/pdf/budget-planbudgetaire-eng.pdf>. Accessed November 2011.

⁶ Infrastructure Canada's 2011-12 Report on Plans and Priorities was tabled in June 2011, and indicated that planned spending on the Green Infrastructure Fund would exceed \$430 million in 2011-12.

Figure 3-3
Green Infrastructure Fund: Actual and Planned Authorities



Sources: *Main and Supplementary Estimates: 2009-10 to 2011-12.*
Public Accounts of Canada: 2009-10 and 2010-11.
The Budget Plan 2009

(iii) Personnel and Capital Spending⁷

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

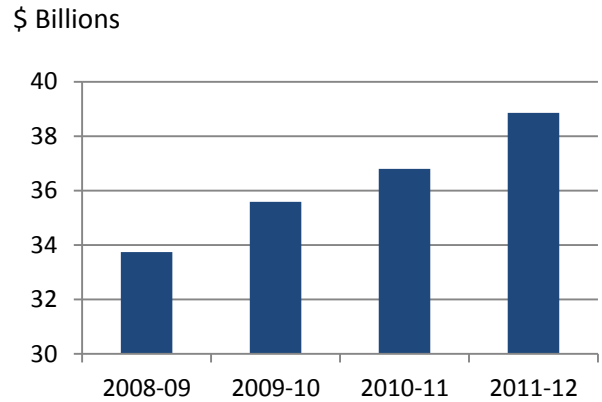
Proposed adjustments in Supplementary Estimates (B) could increase personnel spending by a further \$300 million. This would result in an overall increase of \$2 billion from 2010-11 levels, or 5.6 percent (Figure 3-4).

Proposed adjustments in Supplementary Estimates (B) would increase capital expenditures by approximately \$90 million. This marginally offsets the planned 9 percent decrease in spending. The year-over-year decrease is primarily driven by decreased capital authorities for National Defence (Figure 3-5).

<http://www.tbs-sct.gc.ca/rpp/2011-2012/inst/inf/inf-eng.pdf>.
 Accessed November 2011.

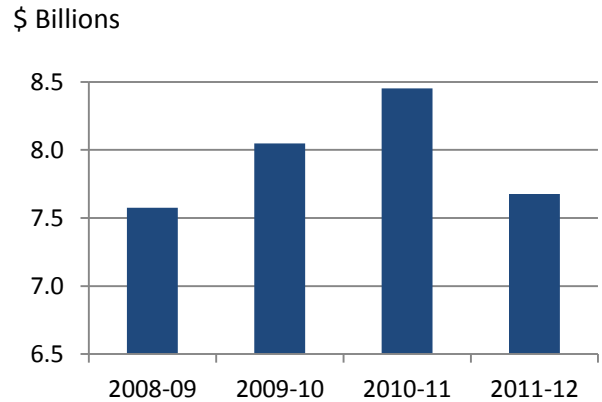
⁷ While the Supplementary Estimates do list all gross changes to standard objects, offsets to authorities (*i.e.* Funds Available) are not categorized. As such, spending estimates by standard objects could be lower, depending on how these offsets are allocated. These offsets represent less than 8 percent of total expenditure authorities requested in the Supplementary Estimates (B).

Figure 3-4
Personnel Expenditures



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

Figure 3-5
Expenditures on Land, Machinery and Equipment



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

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

4. Strategic Review Implementation

Budget 2011 was tabled in March of this year. In it, the Government announced budgetary reductions of approximately \$195 million in the current fiscal year spread across 10 organizations.⁸

The first fiscal evidence of these cuts emerges in Supplementary Estimates (B). As summarized in Table 6, over \$160 million of reductions are identified (83 percent of the savings target).

Some affected organizations have provided details regarding the impact of these reductions (*e.g.* elimination of full-time equivalent positions, curtailing business activities) via other communications, such as the quarterly financial statements.

5. Conclusion

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

Given that more than half of the fiscal year has passed, parliamentarians may wish to solicit further details from those organizations currently implementing Strategic Review reductions. In particular, those who have yet to provide any details.

⁸ The Strategic Review exercise covered 12 organizations, but only 10 had cuts beginning in the current fiscal year.

APPENDIX

Table 1. Largest \$ Changes in Authorities: Supplementary Estimates B compared to Year-to-Date¹

Organization	Authorities	\$ (000s)
		Δ
Office of Infrastructure Canada	55 Contributions	981,122
Finance	5² Total Transfer Protection	952,107
Finance	5 Transitional Payment to Newfoundland and Labrador	536,121
Natural Resources	10 Grants and contributions	448,865
Finance	5 Public Debt Interest	-410,000
Agriculture and Agrifood	5 Agricultural Disaster Relief Program	300,042
Indian Affairs and Northern Development	1 Operating Expenditures	288,585
Health Canada	1 Operating Expenditures	285,661
Natural Resources	5 Divestiture of AECL	284,856
Natural Resources	15 Payments to AECL for Operating and Capital	275,512

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

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

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

Organization	Vote	Δ % ²	Adjustment \$000s
Office of Infrastructure of Canada	S³ Provincial-Territorial Base Funding Program	151%	94,856
Human Resources and Skills Development	S Canada Disability Savings Grant	116%	43,800
Natural Resources Canada	15 Payments to AECL for Operating and Capital	112%	275,512
Canada Revenue Agency	5 Capital expenditures	-56%	-114,060
Industry	S Contributions to Genome Canada	42%	9,400
Natural Resources	10 Grants and contributions	35%	448,865
Industry	S Grant to Genome Canada	-34%	-12,900
Indian Affairs and Northern Development	1 Operating Expenditures	27%	288,585
Atlantic Canada Opportunities Agency	15 Enterprise Cape Breton Development Corporation	23%	15,097
Public Works and Government Services	5 Capital expenditures	22%	89,168

1. All Authorities listed in the 2011-12 Supplementary Estimates B with total authorities to date above \$10 million; excluding non-budgetary items.
2. The growth rate is calculated as the proposed change to authorities in Supplementary Estimates (B) divided by total spending authorities granted in the current fiscal year.
3. S = Statutory authorities, for which pre-existing expenditure authority is provided by Parliament under separate statute.

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

Organization	Authorities	\$ (000s)	Explanation from Quarterly Report/Estimates
		Δ	
Finance	HST Transition Transfer	-1,889,000	<i>None</i>
Office of Infrastructure Canada	Contributions	-1,605,608	<i>Wind-down of Economic Action Plan</i>
Finance	Canada Health Transfer	1,509,865	<i>Planned legislative increase</i>
Finance	Public Debt Interest	1,409,000	<i>Change in debt stock; interest rates</i>
Treasury Board	Paylist Requirements	1,126,407	<i>Adjustment to collective agreements</i>
Human Resources and Skills Development	Old Age Security payments	1,114,215	<i>Increased number of beneficiaries, increased payment amount</i>
Canada Mortgage and Housing Corporation	National Housing / CMHC Acts	-831,918	<i>Wind-down of Economic Action Plan</i>
National Defence	Capital expenditures	-700,696	<i>Adjustments in the spending profile for Infrastructure and Major Capital Projects</i>
Industry	Grants and contributions	-669,458	<i>Wind-down of Economic Action Plan</i>
National Defence	Operating expenditures	-639,065	<i>Cost containment measures to reduce the rate of growth in operating expenditures</i>

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

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

Organization	Authorities	Δ % ²	Explanation from Quarterly Report/Estimates
Treasury Board	<i>Playlist Requirements</i>	188%	<i>Adjustment to collective agreements</i>
Office of Infrastructure of Canada	<i>Infrastructure Stimulus Fund</i>	-94%	<i>Wind-down of Economic Action Plan</i>
Correctional Service of Canada	<i>Capital expenditures</i>	70%	<i>Implementation of newly enacted legislation; projected increase in offender</i>
Western Economic Diversification	<i>Grants and contributions</i>	-62%	<i>Wind-down of Economic Action Plan</i>
Office of Infrastructure of Canada	<i>Green Infrastructure Fund</i>	-59%	<i>None</i>
Transport	<i>Capital expenditures</i>	-56%	<i>Decrease in the planned spending for the Detroit River Crossing Major Crown</i>
Federal Economic Development Agency for Southern Ontario	<i>Grants and contributions</i>	-52%	<i>Wind-down of Economic Action Plan</i>
Public Safety and Emergency Preparedness	<i>Grants and contributions</i>	-52%	<i>Reflects one-time funding in previous year for G8/G20 meetings</i>
Finance	<i>Harmonized Sales Tax Transition Payments</i>	-50%	<i>None</i>
Office of Infrastructure of Canada	<i>Provincial-Territorial Base Funding Program</i>	-50%	<i>None</i>

1. All Authorities listed in the 2011-12 Main Estimates with total authorities above \$100 million in 2010-11 or 2011-12; excluding non-budgetary items.
2. The growth rate is calculated as the proposed level of annual spending in the 2011-12 Main and Supplementary Estimates divided by total spending authorities granted in the previous fiscal year.

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

Standard Object	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Personnel	35,589,778	36,801,189	38,851,958
Transportation & Communications	3,584,874	3,514,314	3,459,809
Information	475,166	415,537	371,540
Professional & Special Services	9,721,237	10,406,553	10,726,128
Rentals	2,769,230	2,730,785	2,651,597
Purchased Repair & Maintenance	3,918,384	4,038,740	3,771,095
Utilities, Materials and Supplies	4,045,190	3,902,555	3,371,589
Acquisition of Land, Buildings and Works	1,607,560	2,149,811	1,419,496
Acquisition of Machinery and Equipment	6,439,950	6,302,066	5,947,365
Transfer Payments	128,509,946	142,487,111	137,372,924
Public Debt Charges	30,659,000	28,432,000	29,841,087
Other Subsidies and Payments	13,923,069	14,933,715	11,586,956

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

Table 6. 2010 Strategic Review Implementation in the Government's Estimates¹

Organization	Identified	Target ²	Residual	%	Description of Savings ³
	(\$millions)				
Atlantic Canada Opportunities Agency	5.4	5.9	0.5	8%	Elimination of 42 positions; improved internal operations ⁴
Economic Development Agency for the Regions of Quebec	6.8	6.8	0.0	0%	None
Fisheries and Oceans	8.8	9.1	0.3	3%	None
Human Resources and Skills Development	60.0	80.5	20.5	25%	None
Industry	5.9	6.1	0.2	3%	None
Office of Infrastructure Canada	48.4	51.8	3.4	7%	None
Marine Atlantic	0.0	0.0	0.0	N.A.	Reductions do not begin until 2012-13
Privy Council Office	1.1	2.0	0.9	44%	None
Public Prosecution Service	0.0	0.0	0.0	N.A.	Reductions do not begin until 2012-13
Public Works and Government Services	16.6	24.1	7.5	31%	Eliminating 687 positions; reduced competition with private sector
Treasury Board Secretariat	4.4	4.9	0.5	11%	Eliminating 84 positions; transfer of responsibilities to PCO
Western Economic Diversification	3.2	3.2	0.0	0%	None
TOTAL⁵	160.7	194.4	33.7	17%	

1. Tracking of all 2010 Strategic Review savings initiatives identified in the 2011-12 Estimates documents.

2. Budgetary reductions for 2011-12, which were announced in Budget 2011 (tabled in March 2011).

3. Identification of the full-time equivalent reductions and program eliminations identified in the Estimates or Quarterly Reports.

4. ACOA announced details of Strategic Review savings via a press release.

5. The Department of National Defence also used the 2010 Strategic Review process to identify savings mandated in Budget 2010.