



***‘The axe will fall –  
but where exactly?’***

**Analysis of the 2011 Federal Budget**

**Canadian Conference of the Arts (CCA)**

**[www.ccarts.ca](http://www.ccarts.ca)**

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## ***‘The axe will fall – but where exactly?’***

Annual Analysis of the Federal Budget from the cultural sector perspective

### **Executive Summary**

Each year, the CCA’s Budget Analysis examines federal funding to the Department of Canadian Heritage, cultural agencies and crown corporations; organizational and funding changes within the Department of Canadian Heritage; federal funding of key programs across the arts, heritage and cultural industries, and other noteworthy developments affecting the sector.

The main issue animating this year’s analysis is the federal government’s determination to get its fiscal house in order by 2014/15, one full year ahead of its original pre-election schedule. With Canada’s Economic Action Plan wound down, the government’s focus now is on eliminating the deficit and reducing Canada’s debt. This means expenditure reductions over the next five years undertaken as a result of the Strategic and Operating Review, now better known within bureaucratic circles under the more prosaic name of “deficit reduction action plan”. Many government departments have recently announced staff cut-backs as well as program eliminations, but these are the results of previous strategic review exercises. Future cuts will not be known until the budget is announced next February or March. What this will mean for the cultural sector is not entirely clear yet, although there are some hints of dire things to come.

For this fiscal year, overall federal cultural funding remain quite stable, with only the slimmest of reductions for most organizations – and even small increases for some. The fact that the government has maintained what was essentially a pre-election budget may seem reassuring, as is the renewed commitment to a number of arts and cultural programs. One can only welcome the announcement that the CBC will receive its annual \$60 million top-up again this year and the renewed commitment to the Canada Media Fund, which includes the former Canadian Television Fund, on an ongoing basis at the level of \$100 million per year. Budget 2011 also introduces a new children’s tax credit for arts activities, something the sector has been advocating for some time. The government also establishes funding for the second national museum outside of the national capital region: the Canadian Museum of Immigration at Pier 21 in Halifax receives its first appropriation of \$10 million in the 2011-2012 Main Estimates.

Nonetheless, it is difficult for these “good news” items not to be overshadowed by concerns over what is to come in 2012. The Department of Canadian Heritage, which is understandably tip-lipped on these matters at present, will obviously not escape the swing of the expenditure reduction axe. Like other departments, it is required to identify scenarios for a five percent and a ten percent expenditure reduction cut as part of the Strategic and Operating Review. Based on expenditures to date in 2011/12, this could amount to between \$60 and \$125 million in cuts to the organization (the CCA is awaiting confirmation of these figures from the Department of Canadian Heritage and will forward them along when received). This is on top of the freeze to departmental administrative costs from Budget 2010, which meant the Department had to absorb some \$2 million in scheduled salary increases in 2010-2011. This applies for 2011-12 as well, so the Department will need to absorb a further amount of this scale owing to the freeze.

As noted in many previous budget analyses, the government continues to approach culture without a published long-term vision or clearly articulated policy. In the absence of a clear sense of direction for cultural policy, will the sector be especially vulnerable in the process of Strategic and Operating Review? Will it have to implement its 10% cut scenario rather than the less drastic 5%? In brief, the question of the day is: where will the axe fall exactly?

## Introduction

Like last year, this year's Budget Analysis reveals that overall, federal funding for the cultural sector remains stable, which has been pretty much the case since 2006. While the CCA characterized this 'holding pattern' as reassuring last year, we projected that this state of affairs would not endure given the tightening fiscal situation of the government and the conclusion of the stimulus spending to address the recession of 2008/09.

This year, it is clear that this projection will likely prove accurate. After the May 2<sup>nd</sup> federal election, the government followed through on its commitment to reintroduce substantially the same budget that it had failed to pass in March. This budget kept funding steady for culture, but it also reiterated that the government will be swinging the expenditure reduction axe via the ***Strategic and Operating Review***. The objective of combing some \$80 billion in direct program spending is to identify \$4 billion in permanent cuts by 2014/15. The \$4 billion question is clear: where will the axe fall?

The government is keeping its cards close to its chest on this file. Very little is in the public domain about the Strategic and Operating Review process, beyond the fact that virtually all program spending – save transfers to provinces, territories and individuals – is under review. Departments and agencies have been asked to identify two scenarios: a five percent cut and a ten percent cut. They are to include all operating expenses in their review: grants and contributions, capital expenditures, wages, professional services contracts, and the like. Departments are being encouraged to 're-imagine their business models entirely', including 'administrative and program efficiencies, business consolidation and user fees'.<sup>1</sup>

A range of fundamental questions are guiding the preparation of these scenarios: "should we still be doing this — and doing it in this way? Does this have to be delivered by this organization? Why does it cost as much as it does? Can we find savings? Is it achieving the expected results efficiently? Is this a government priority, and is it affordable during a period of fiscal restraint? Are we achieving value for money?"<sup>2</sup>

The answer as to where the axe falls will not be formally made public until next year's budget in 2012. Since the President of Treasury Board, Minister Tony Clement, has stated that the government would be selective and not apply across the board cuts, it may well be that some departments or agencies have been asked to cough up more over time. So, rumour-prone Ottawa is rife with whisperings that cuts to Heritage staff and programs will be severe. Some cultural organizations, like the Cultural Human Resources Council, have already been told that their funding is coming to an end and that, like other sector councils attached to the Department of Human Resources and Skills Development, they may apply for project funding if they can find ways to fund their own operations.

The Department of Canadian Heritage was already scheduled to go through its second periodic Strategic Review this fiscal year, through which it needed to identify a five percent cut in its expenditures. Fortunately this process has been folded into – rather

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<sup>1</sup> Treasury Board of Canada Secretariat, *Address by Minister Tony Clement to Public Service Executives at APEX Symposium*, Ottawa, Ontario, June 8, 2011.

<sup>2</sup> Ibid.

than added onto – the Strategic and Operating Review. As such, the Department is identifying scenarios for a five percent and ten percent funding cut. It must also absorb salary increases following the spending freeze announced in last year's budget. The CCA is awaiting a response back from the Department of Canadian Heritage as to the exact dollar amounts at play, but a simple calculation based on expenditures to date in 2011-12 suggests that the cuts could be anywhere between \$60 million (5%) and \$125 million (10%), as well as some \$2 million to absorb wage increases and inflation.

It is against this backdrop that this year's analysis has been prepared. While there is little in the way of 'bad news' in expenditures announced for this year – indeed, there was positive news with the announcement of ongoing funding for the Canada Media Fund and the creation of the Children's Arts Tax Credit – all eyes are on next year, and where the axe will fall.

This budget analysis proceeds in four sections. The first examines 'the big picture' of overall federal funding levels to key federal cultural institutions. The second focuses on the Department of Canadian Heritage, and examines its organizational structure and program expenditures across key areas of activity. The third section undertakes a detailed analysis of program expenditures across cultural sub-sectors. The final section explores a number of developments in the cultural sector beyond expenditures, and looks at other government-wide initiatives with potential impact on the sector.

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## THE BIG PICTURE

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Table 1 shows expenditures for the Department of Canadian Heritage and selected agencies and crown corporations for the period 2010/11 to 2011/12 (each organization is examined in greater detail in subsequent sections of this analysis).

The second and third columns show expenditures for fiscal year 2010/11: expenditures in the 2010/11 Main Estimates and Total Expenditures for 2010/11, which include expenditures in the Supplementary Estimates. The next column shows expenditures for 2011/12 in the Main Estimates and in the first set of supplementary estimates released shortly after the budget (Supplementary Estimates A). These figures also include new expenditures announced in Budget 2011: an additional \$15 million per year to the Canada Periodical Fund in 2011/12, an additional \$100 million to the Canada Media Fund and the CBC's \$60 million top-up.

The final two columns show the increase (decrease) in expenditures between 2011/12 and (a) the Main Estimates 2010/11 and (b) total expenditures in 2010/11 (Main and Supplementary Estimates). The difference between total expenditures to date in 2011/12 and total expenditures in 2010/11 should be interpreted with caution, however, as additional supplementary estimates are likely to be released later this year, which could increase total spending for 2011/12. As a result, **the final column likely overstates funding decreases and understates funding increases**. The CCA will undertake an analysis of additional supplementary estimates when they are released in order to give a more accurate picture of funding increases or decreases between this fiscal year and the previous one. For now, this analysis analyzes funding changes, paying particular attention to year-over-year changes in the Main Estimates, the best 'apples-to-apples' comparison available at this time.

### **Funding Levels Hold Steady**

As the second-last cell in the table's bottom row reveals, **overall funding levels have held very steady** between expenditures to date this year and last year's Main Estimates, decreasing by less than two percent (\$46.5 million). If spending to date this year is compared to total expenditures for 2010/11, the decline is still quite modest (\$125.8 million or 3.9%), and again, here, additional expenditures could well accrue to the cultural sector in subsequent supplementary estimates documents, although additional expenditures would likely be small given the current context of fiscal restraint.

The following sections of this analysis discuss the specifics behind changes in funding levels to each organization in the table. As shown in Table 1, this "big picture" examination of the 2010/11 Main Estimates and 2011/12 expenditures to date reveals that **half of the organizations experienced a less than five percentage change in their funding level, and for most, less than two percent changes**. Only the Canadian Museum for Human Rights suffered a major funding decline from \$55.9 million to \$31.7 million (43.3%), but, as explained further in this document, this was owing to reduced

funding for capital construction. On the other hand, the new Canadian Museum of Immigration at Pier 21 received its first appropriation of \$10 million in the 2011/12 Main Estimates.

As noted above, ***it must be remembered that additional expenditures may accrue to the sector through supplementary estimates, in which case the size of increases (decreases) may grow (decrease).***



**Table 1: Expenditures for the Department of Canadian Heritage and Selected Agencies and Crown Corporations, 2010/11 to 2011/12 (millions of dollars)**

Organization <sup>1</sup>	2010/11 Expenditures		2011/12 Total Expenditures to Date  (Main Estimates, Supplementary Estimates A <sup>2</sup> and Budget 2011)	Increase (decrease) between Total Expenditures to Date 2011/12 and...	
	Main Estimates	Total Expenditures <sup>2</sup>		Main Estimates 2010/11	Total expenditures 2010/11
Department of Canadian Heritage	1,145.9	1,332.8	1,258.3 <sup>3</sup>	112.4 9.8%	(74.5) (5.6%)
Canada Council for the Arts	181.7	181.8	181.7	0.0 0.0%	(0.1) (0.1%)
Canadian Broadcasting Corporation	1,090.9	1,137.1	1,134.3 <sup>4</sup>	43.4 4.0%	(2.8) (0.2%)
Library and Archives of Canada	120.3	126.4	113.0	(7.3) (6.1%)	(13.4) (10.6%)
National Arts Centre	35.2	35.7	35.6	0.4 1.1%	(0.1) (0.3%)
National Gallery of Canada	49.3	51.0	48.6	(0.7) (1.4%)	(2.4) (4.7%)
Canadian Museum of Civilization	65.3	71.1	63.4	(1.9) (2.9%)	(7.7) (10.8%)
Canadian Museum for Human Rights	55.9	55.9	31.7	(24.2) (43.3%)	(24.2) (43.3%)
Canadian Museum of Immigration at Pier 21	-	-	10.0	NA	NA
Canadian Museum of Nature	30.4	33.2	28.6	(1.8) (5.9%)	(4.6) (13.9%)
National Museum of Science and Technology	30.7	34.4	29.0	(1.7) (5.5%)	(5.4) (15.7%)
National Film Board of Canada	67.2	67.7	66.8	(0.4) (0.6%)	(0.9) (1.3%)
Telefilm Canada	105.4	105.4	105.7	0.3 0.3%	0.3 0.3%

<b>TOTAL</b>	<b>2,978.2</b>	<b>3,232.5</b>	<b>3,106.7</b>	<b>(46.5)</b> <b>(1.6%)</b>	<b>(125.8)</b> <b>(3.9%)</b>
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**Note:** Figures may not add to totals due to rounding.

<sup>1</sup>These organizations also generate annual revenues.

<sup>2</sup>The only funding change to the cultural sector in Supplementary Estimates A was the creation of the Canadian Museum of Immigration at Pier 21 (\$9.97 million).

<sup>3</sup>Budget 2011 announced an additional \$15 million per year to the Canada Periodical Fund in 2011/12 and 2012/13 and renewal on an ongoing basis of \$100 million per year to the Canada Media Fund.

<sup>4</sup>Budget 2011 announced renewal of the CBC's \$60 million top-up for 2011/12.

**Sources:** Government of Canada, *2011-2012 Estimates, Parts I and II: The Government Expenditure Plan and The Main Estimates*; Government of Canada, *Supplementary Estimates (A) 2011-2012 for the Fiscal Year ending March 31, 2012*; Government of Canada, *2010-2011 Estimates, Parts I and II: The Government Expense Plan and The Main Estimates*; Government of Canada, *Supplementary Estimates (A) 2010-2011 for the Fiscal Year ending March 31, 2011*; Government of Canada, *Supplementary Estimates (B) 2010-2011 for the Fiscal Year ending March 31, 2011*; Government of Canada, *The Next Phase of Canada's Economic Action Plan: A Low-Tax Plan for Jobs and Growth*.

***Strategic Reviews and Arts and Culture Funding***

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As explained in the Introduction, the government is putting federal organizations through their paces with the Strategic and Operating Review announced in Budget 2011 which, as mentioned previously, is now referred to as the “deficit reduction action plan”. This comes on top of Strategic Reviews, which the government put in place in 2007 as a means of ongoing expenditure review. Strategic Reviews evaluate whether programs are achieving their objectives, are effectively administered and are in line with Canadians’ priorities and federal responsibilities. Federal organizations going through the process had to identify five percent of their ‘lowest performing’ expenditures, which would then be reallocated to higher priority areas, either within the organization itself or to others within the government structure.

Virtually all cultural organizations have passed once through the Strategic Review process since 2007, with some cultural funding redirected to other purposes in the process – many will recall the first Strategic Review of the Department of Canadian Heritage, in which a number of cultural expenditures were redirected to other departmental activities, specifically, sport and official languages. Other cultural organizations, for their part, did not experience any funding reductions as a result of their Strategic Reviews (e.g., the CBC, Canada Council, NFB and Telefilm as a result of the fall of 2009 exercise).

In Budget 2010, the government announced that Strategic Reviews would henceforth result in hard cuts, i.e., funds will not be reallocated, but rather, cut completely from government spending. The Department of Canadian Heritage was scheduled to undergo its second Strategic Review in 2010/2011, but this has been superseded by the Strategic and Operating Review process described in the introduction – the results of which will be announced in Budget 2012.

Budget 2010 also announced that government organizations would have to absorb the 1.5% increase in annual wages for the federal public service, i.e., fund these increases by reallocating money from their operating budgets. For the Department of Canadian Heritage, this meant finding \$2.0 million to defray these costs. This process will hit the Department again in 2011/12, with presumably a similar amount to absorb this fiscal year (the CCA is awaiting word back from the Department of Canadian Heritage to confirm this figure).

All in all, then, as noted in the introduction, the Department is being hit on two fronts: through the Strategic and Operating Review, for which it has to identify scenarios for a five and ten percent funding cut and through the spending freeze, where it must absorb the cost of wage increases. This is a significant financial challenge for the organization. Where will the axe fall? If government priorities are in areas other than culture, will the sector have to shoulder more than its fair share of the burden (i.e., ten percent rather than five percent)?

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***THE DEPARTMENT OF CANADIAN HERITAGE***

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This section of the Budget Analysis focuses on the Department of Canadian Heritage, specifically its organizational and reporting structure and expenditures across its strategic outcomes. The next section examines funding levels to key departmental programs.

***The Portfolio of Canadian Heritage.***

The Ministry of Canadian Heritage is headed by the Minister of Canadian Heritage and Official Languages, the Hon. James Moore (Port Moody-Westwood-Port Coquitlam, British Columbia), and also includes the Minister for Status of Women, the Hon. Rona Ambrose (Edmonton-Spruce Grove, Alberta) and the Minister of State for Sport, the Hon. Bal Gosal (Bramalea-Gore-Malton, Ontario).

The Canadian Heritage Portfolio comprises the Department of Canadian Heritage and more than a dozen other cultural organizations, including special operating agencies (the Canadian Conservation Institute and the Canadian Heritage Information Network), agencies (e.g., Library and Archives of Canada, the National Film Board, and the Canadian Radio-television and Telecommunications Commission), Crown Corporations (e.g., the Canada Council for the Arts, the Canada Science and Technology Museum, the Canadian Broadcasting Corporation) and the Canadian Cultural Property Export Review Board. In addition to its headquarters in Gatineau, Québec, the Department maintains five regional offices and more than a dozen points of service across the country.

***Departmental Reporting Structure and Expenditures Across Strategic Outcomes.***

Since 2009/2010, the Department has employed the same reporting structure for its activities. It groups arts, cultural industries and heritage under one Strategic Outcome, which facilitates tracking year-over-year spending changes in these cultural sub-sectors.

Table 2 illustrates the structure, which breaks the Department's activities into three Strategic Outcomes, seven Program Activities, and a number of Program Sub-Activities. The first Strategic Outcome focuses on the creation and accessibility of artistic expressions and cultural content and comprises all of the Department's programming in the arts, heritage and cultural industries sectors. The second Strategic Outcome focuses on Canadian identity (including some programs that touch on the cultural sector), while the third encompasses the Department's activities in sport.

The final five columns of the table show Forecast Spending and Planned Spending for the 2010/11 to 2013/14 period, as presented in the Department's 2011/12 *Report on Plans and Priorities*.<sup>3</sup>

The main observation emerging from Table 2 is that planned spending levels are set to hold very steady over this period, with increases in 2012/13 and 2013/14 owing to new expenditures for the Toronto 2015 Pan American and Parapan American Games.

Funding for the first Strategic Outcome, which covers arts, cultural industries and heritage, remains very level over this period, as does spending on the second Strategic Outcome. Spending on the third, as just noted, increases significantly over the coming two fiscal years for a major sporting event.

However, more than any previous year, these projected figures must be interpreted with extreme caution as they do not include the outcome of the Department's Strategic and Operating Review. As explained in the previous section, these processes will result in major cuts to departmental spending.

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<sup>3</sup> Planned Spending figures for 2011/12 are roughly \$40 million higher than the 2011/12 expenditures to date in Table 1. The CCA has asked the Department what accounts for this discrepancy and will forward this information along once received.

Table 2: Department of Canadian Heritage: Program Activity Architecture and Expenditures, 2010/11-2013/14<sup>1</sup>

Strategic Outcomes	Program Activities	Program Sub-Activities	Forecast and Planned Spending \$ millions			Planned Spending \$ millions	
			Forecast Spending 2010/11	Planned Spending 2011/12	Increase/ Decrease in Spending	2012/13	2013/14
<b>Strategic Outcome 1:</b>  <b>Canadian artistic expressions and cultural content are created and accessible at home and abroad</b>	Arts	Canada Arts Presentation Program, Canada Cultural Spaces Fund, Canada Arts Training Fund, Canada Cultural Investment Fund, Fathers of Confederation Building Trust	125.4	121.3	(4.1) (3.3%)	121.7	121.7
	Cultural Industries	Broadcasting and Digital Communications Policy, Canada Media Fund, Canada Interactive Fund, Film and Video Policy, Film or Video Production Tax Credits, Canada Music Fund, Canada Book Fund, Canada Periodical Fund, Copyright Policy, Cultural Sector Investment Review, TV5, UNESCO	318.6	318.4 <sup>1</sup>	(0.2) (0.1%)	314.0 <sup>1</sup>	298.0 <sup>1</sup>
	Heritage	Museums Assistance Program, Canada Travelling Exhibition Indemnification Program, Canadian Heritage Information Network, Canadian Conservation Institute, Movable Cultural Property	45.5	36.2	(9.3) (20.4%)	36.2	36.2
<b>Total Strategic Outcome 1</b>			<b>489.5</b>	<b>475.9</b>	<b>(13.6)</b> <b>(2.8%)</b>	<b>471.9</b>	<b>455.9</b>
<b>Strategic Outcome 2:</b>  <b>Canadians share, express and appreciate their Canadian identity</b>	Promotion and attachment to Canada	Celebration and Commemoration Program, State Ceremonial and Protocol, International Expositions, Canadian Studies Program, Exchanges Canada Program, Katimavik Program, Youth Take Charge	76.7	71.4	(5.3) (6.9%)	69.5	69.5
	Engagement and Community Participation	Human Rights Program, Building Communities through Arts and Heritage, Aboriginal Peoples' Program	92.5	88.7	(3.8) (4.1%)	88.7	88.7
	Official Languages	Development of Official-Languages Communities Program, Enhancement of Official Languages Program, Official Languages Coordination Program	359.5	353.1	(6.4) (1.8%)	353.1	348.0
<b>Total Strategic Outcome 2</b>			<b>528.7</b>	<b>513.2</b>	<b>(15.5)</b> <b>(2.9%)</b>	<b>511.3</b>	<b>506.2</b>

<b>Strategic Outcome 3:</b> <b>Canadians participate and excel in sport</b>	Sport	Hosting Program, Sport Support Program, Athlete Assistance Program	209.9	220.2	10.3 4.9%	306.6	318.6
<b>Total Strategic Outcome 3</b>			<b>209.9</b>	<b>220.2</b>	<b>10.3</b> <b>4.9%</b>	<b>306.6</b>	<b>318.6</b>
<b>Internal Services</b>		Governance and Management Support, Resource Management Services, Asset Management Services	101.3	92.3	(9.0) (8.9%)	94.2	91.0
<b>TOTAL DEPARTMENT</b>			<b>1,329.4</b>	<b>1,301.6</b>	<b>(27.8)</b> <b>(2.1%)</b>	<b>1,384.0</b>	<b>1,371.7</b>

<sup>1</sup>Includes Budget 2011 announcements: \$100 million to the Canada Media Fund on an ongoing basis and \$15 million to the Canada Periodical Fund in each of 2011/12 and 2012/13.

**Sources:** Department of Canadian Heritage, *2011-2012 Estimates, Part III: Report on Plans and Priorities*; Government of Canada, *The Next Phase of Canada's Economic Action Plan: A Low-Tax Plan for Jobs and Growth*.

**Note:** Figures may not add to totals due to rounding

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**DEVELOPMENTS ACROSS CULTURAL SUB-SECTORS**

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This section examines expenditures and highlights key developments across the arts, heritage, and cultural industries. Expenditures by the Department of Canadian Heritage in the areas of official languages, aboriginal programs, and sport are also examined to keep a watch on trends across these other areas of departmental programming.

Table 3 shows funding in fiscal years 2010/11 and 2011/12 across key grants and contributions at the Department of Canadian Heritage. It shows total expenditures for 2010/11 (Main and Supplementary Estimates) and expenditures in the 2011/12 Main Estimates, Supplementary Estimates A and new spending announcements in Budget 2011. *It must be noted that additional increases may accrue to some programs through further supplementary estimates later this year.*

**-----ARTS-----**

The ***Building Communities Through Arts and Heritage*** aims to expand opportunities, through festivals, other events and projects, for local artists and artisans to be involved in their communities (the Local Festivals component<sup>4</sup>) and for local groups to commemorate community history and heritage (the Community Anniversaries component and the Legacy Fund). As shown in Table 3, total funding to this program dipped slightly from 2010/11 to 2011/12 from \$19,155,000 to \$17,655,000. The CCA has asked the Department what accounts for the decrease in funding and is awaiting word back from the organization.

Funding to the ***Canada Arts Presentation Fund*** (formerly Arts Presentation Canada) grew slightly in 2011/12, from \$27,878,855 in the 2009/10 Main Estimates to \$28,528,682 in 2010/11. The objective of the program is to give Canadians “access to a variety of professional artistic experiences in their communities ... by providing financial assistance to organizations that professionally present arts festivals or performing arts series, as well as their support organizations”<sup>5</sup>. The program was renewed in 2009 for five years at an annual funding level of \$33.4 million, \$28.5 million of which represents funding for grants and contributions in 2011/12 (the remainder is for salaries and other administrative costs).

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<sup>4</sup> The Department of Canadian Heritage uses the term ‘component’ to refer to the various parts or elements of a program.

<sup>5</sup> Department of Canadian Heritage website.



Table 3: Department of Canadian Heritage: Selected Grants and Contributions, 2010/11 to 2011/12 (dollars)

Grant/Contribution	2010/11			2011/12
	Main Estimates	Supplementary Estimates A and B	Total	Main Estimates, Supplementary Estimates A and Budget 2011 Announcements <sup>1</sup>
<b>Arts</b>				
Building Communities through Arts & Heritage	19,155,000	-	19,155,000	17,655,000
Canada Arts Presentation Fund	27,878,855	-	27,878,855	28,528,682
Canada Arts Training Fund	22,742,440	-	22,742,440	22,779,440
Canada Cultural Investment Fund	25,182,705	-	25,182,705	25,182,705
Canada Cultural Spaces Fund	26,949,850	-	26,949,850	25,508,613
Canada Interactive Fund	.....	8,835,130	8,835,130	10,770,684
<b>Heritage</b>				
Museums Assistance Program	14,576,284	-	14,576,284	15,739,964
<b>Cultural Industries</b>				
Canada Book Fund	36,666,301	-	36,666,301	36,666,301
Canada Media Fund				134,596,077
(formerly Canada New Media Fund and Canadian Television Fund)	6,625,000	7,571,077	14,196,077	.....
	20,400,000	99,550,000	119,950,000	.....
Canada Music Fund	25,828,331	-	25,828,331	25,828,331
Canada Periodical Fund	74,774,598	-	74,774,598	75,014,598
<b>Other Grants and Contributions</b>				
Celebration and Commemoration Program	11,829,553	-	11,829,553	10,494,367
Sport Grants & Contributions				
Athlete Assistance Program	27,000,000	-	27,000,000	27,000,000
Sport Support Program	117,000,972	30,198,092	147,199,064	146,814,464
Games' Hosting Program	16,315,575	-	16,315,575	19,865,000

Official Languages				
Enhancement of Official Languages Program	111,523,131	-	111,523,131	111,523,131
Development of Official Language Communities Program	226,031,984	-	226,031,984	225,120,890
Aboriginal Peoples' Program	33,324,907	22,890,000	56,214,907	29,050,771

<sup>1</sup>Budget 2011 announced an additional \$15 million per year to the Canada Periodical Fund in 2011/12 and 2012/13 renewal on an ongoing basis of \$100 million per year to the Canada Media Fund. These announcements are included in the expenditures listed above.

**Sources:** Government of Canada, *2011-2012 Estimates, Parts I and II: The Government Expenditure Plan and The Main Estimates*; Government of Canada, *Supplementary Estimates (A) 2011-2012 for the Fiscal Year ending March 31, 2012*; Government of Canada, *2010-2011 Estimates, Parts I and II: The Government Expense Plan and The Main Estimates*; Government of Canada, *Supplementary Estimates (A) 2010-2011 for the Fiscal Year ending March 31, 2011*; Government of Canada, *Supplementary Estimates (B) 2010-2011 for the Fiscal Year ending March 31, 2011*; Government of Canada, *The Next Phase of Canada's Economic Action Plan: A Low-Tax Plan for Jobs and Growth*.

The **Canada Arts Training Fund** (formerly the National Arts Training Contribution Program) “contributes to the development of Canadian creators and future cultural leaders of the Canadian arts sector by supporting the training of artists with high potential through institutions that offer training of the highest calibre” (Department of Canadian Heritage website). The program was renewed in 2009 for five years at an annual funding level of \$24.1 million, \$22.8 million of which represents the funding for grants and contributions this year (the remainder is for salaries and other administrative costs).

The **Canada Cultural Investment Fund** aims to ‘contribute to the organizational, administrative and financial health of arts and heritage organizations’ (Department of Canadian Heritage website). It is comprised of four components. The *Endowment Incentives* component encourages Canadians to contribute to arts endowment funds by providing matching donations. The *Limited Support to Endangered Arts Organizations* component, for its part, exists “for those rare instances where a professional arts organization faces the prospect of closure but there is a high degree of support for its continuation and a viable business/restructuring plan” (Department of Canadian Heritage website). *Strategic Initiatives* funds initiatives to help multiple organizations ‘build and diversify their revenue streams, strengthen their management capacities/business competencies and generally help them become better rooted in their communities’ (Department of Canadian Heritage website). Finally, the *Cultural Capitals of Canada* component aims to “recognize and support Canadian municipalities for special activities that harness the many benefits of arts and culture in community life” (Department of Canadian Heritage website). The 2011 Cultural Capitals of Canada winners were Vancouver, Lévis and Charlottetown. The government has committed to fund the Canada Cultural Investment Fund at the level of \$33.8 million annually from 2010/11 to 2014/15, with \$25.2 million for grants and contributions and the remainder accounted for by administrative expenses.

Funding to the **Canada Cultural Spaces Fund** (formerly Cultural Spaces Canada) dipped slightly in 2011/12, from \$26.9 million in 2010/11 to \$25.5 million. The program aims to ‘improve physical conditions for artistic creativity and innovation’ and to “increase access for Canadians to performing arts, visual arts, media arts, and to museum collections and heritage displays” (Department of Canadian Heritage website). The program was renewed for five years in 2009, receiving \$30 million in annual funding, \$25.5 million of which represents grants and contributions for this fiscal year (the remainder is accounted for by administrative expenses).

The **Canada Cultural Spaces Fund** received additional funding through Canada’s Economic Action Plan (an additional \$30 million in 2009/10). For fiscal years 2009/10 and 2010/11, the program website stipulated that priority would be given to applications that would stimulate the economy in both the short and long terms. The CCA notes that this funding criterion has been dropped now that the Economic Action Plan is concluded. This is welcome news as it reduces the possibility that worthy projects from an arts, cultural or heritage perspective will be cut due to insufficient economic impacts.

As noted in last year’s budget analysis, the Canadian Culture On-line program was replaced by the **Canada Interactive Fund** to ‘support the creation of online Canadian interactive content and applications developed by Official Language Minority

Communities (OLMC), Aboriginal, ethno cultural and other not-for-profit cultural organizations' (Department of Canadian Heritage website). Canadian educational institutions and provincial/territorial or municipal government organizations (e.g., museums and cultural organizations) can also apply for funding. Funding to this new program, which will total \$37.5 million over five years, commenced in the 2010/11 Supplementary Estimates A, with \$8.8 million. Funding for 2011/12 is \$10.8 million.

**Canada Council for the Arts.** As shown in Table 1, funding to the Canada Council for the Arts remained unchanged in 2011/12. The Council received \$181.7 million in the 2011/12 Main Estimates – the same as in the 2010/11 Main Estimates. This level of funding follows through on the government's commitment to continue the \$25 million top-up to the Canada Council for the 2010/11 to 2014/15 period.

While this welcome commitment represents the largest annual funding the Council has ever received through Parliamentary appropriations, it must not be forgotten that the Canada Council also derives funding from its endowment fund, which is no doubt under strain given ongoing financial market volatility and downturns. Fortunately, to date, this has not reduced the Council's funding capacity. The organization maintains a reserve from excess investment income earned in previous years and, in circumstances like the present, can transfer from that reserve to compensate for reductions in investment income. The Council uses a three-year rolling average of market values to budget for net investment income returns that support grants and other expenses. Nonetheless, it remains the case that a substantial and lengthy decline in investment values would impact granting levels. Fortunately, to date, the recent turmoil has not resulted in a major decline in the value of the Council's endowment nor, for the moment, is the decline persistent or prolonged.

In 2010/11, the Council also received a transfer of \$127,000 from the Department of Canadian Heritage via the supplementary estimates 'to support multilateral cooperation projects in French language, as well as to ensure Canada's participation in meetings of the Commission internationale du théâtre francophone'.

Table 1 shows that funding to the **National Arts Centre** increased slightly over last year, from \$35.2 million to \$35.6 million in the Main Estimates. The NAC also received a transfer of \$500,000 in the 2010/11 Supplementary Estimates B: \$250,000 each from Western Economic Diversification and the Department of Canadian Heritage for the Prairie Scene Festival.

Funding to the **National Gallery** dropped slightly this year, from \$49.3 million in 2010/11 to \$48.6 million in the current fiscal year. In 2010/11, the Gallery also received \$2.0 million as part of the April 2010 announcement by the government of an additional \$15 million in support for national museums to address operating pressures. However, as reported in the CCA's December 20, 2010 Bulletin (CCA Bulletin 32/10), over three hundred thousand dollars of this total was ultimately sourced from the organization itself as part of the cost containment measures announced in Budget 2010.

Finally, as many will recall, in Budget 2009 the government committed \$25 million to an endowment for the **Canada Prizes for the Arts and Creativity**, an international talent competition intended to ferret out the best and the brightest young talent from around the world, with Canadian artists also eligible to compete in the fields of dance, music, visual art and dramatic arts. Coming as a total surprise on the heels of cuts of the programs

dedicated to promoting Canadian artists and cultural institutions abroad, the announcement created a backlash within the cultural community all over the country and the Heritage Minister quickly sent the idea back to the drawing board. The commitment was repeated in Budget 2010 with a recast concept of the Prizes and the decision that they would be administered by the Canada Council. The Minister set up an Advisory panel of experts tasked with generating a series of recommendations and options regarding the parameters of the Canada Prizes. Their report was tabled at the end of summer 2010 and nobody has heard about the Prizes since.

### -----HERITAGE-----

There was a 7% increase in funding to the **Museums Assistance Program** (MAP) in this year's Main Estimates: \$15.7 million in 2011/12 from \$14.6 in 2010/11. The program funds Canadian museums and related organizations 'to ensure that Canadians have access to and experience Canada's diverse cultural heritage' (Department of Canadian Heritage website).

In 2009/10 and 2010/11 the government made significant contributions to the private sector-led **Canadian Museum for Human Rights**, the first national museum to be located outside of the National Capital Region (in Winnipeg). The Museum's mandate is "to explore the subject of human rights, with special but not exclusive reference to Canada, in order to enhance the public's understanding of human rights, to promote respect for others and to encourage reflection and dialogue" (2011/12 Main Estimates). In 2011/12, capital funding contributions from the government decreased significantly, which accounts for the reduction in the level of funding to the Museum: from over \$55 million in 2010/11 to \$31.7 million in 2011/12. The 2011/12 funding is distributed as follows: \$10 million in capital funding and the remainder on operating funding (\$3.9 for accommodation operations, \$10.96 for museum content and programming and \$6.8 for stewardship and corporate management. In September 2009, Stuart A. Murray was appointed the Museum's inaugural Chief Executive Officer. The Museum operates a website ([www.humanrightsmuseum.ca](http://www.humanrightsmuseum.ca)) which indicates a projected opening for the institution of 2012.

Funding to the **Canadian Museum of Civilization** held steady year over year in the Main Estimates at just over \$64 million (see Table 1). In 2010/11, the Museum received an additional \$6.3 million from the government to help offset operating costs during the economic downturn. As noted in the CCA's December 20, 2010 (CCA Bulletin 32/10), however, close to five hundred thousand dollars of this total was ultimately sourced from the organization itself as part of the Budget 2010 cost containment measures 2010. As such, the true 'new funding' to the organization was \$5.8 million.

Funding to the **National Museum of Science and Technology** dipped slightly in the 2011/12 Main Estimates as compared to the 2010/11 Main Estimates - \$29 million as opposed to \$30.7 million (see Table 1). The decline owes to a slight reduction in funding to the capital costs of accommodation. In 2010/11, the Museum also received an additional \$3.7 million as part of the April 2010 \$15 million in funding to support operating costs of national museums.

Funding to the **Canadian Museum of Nature** also dipped slightly year over year in the Main Estimates, dropping from \$30.4 million in 2010/11 to \$28.6 million in 2011/12. The decline is attributed to a decrease in the capital expenditures associated with accommodation. Along with other national museums, the Museum also received an additional \$3 million in 2010/11 to support its operating costs, although a little over \$200,000 was sourced from the organization itself through the cost containment measures in Budget 2010.

**Library and Archives Canada.** As Table 1 shows, expenditures to Library and Archives Canada declined this fiscal year, from \$120.3 million in the 2010/11 Main Estimates to \$113.0 million in the 2011/12 Mains. The drop owes primarily to capital expenditures in 2010/11 to construct a preservation facility for 'Canada's cellulose nitrate-based documentary heritage' (2011/12 Main Estimates). In 2010/11, Library and Archives also received two transfers from the Department of Canadian Heritage via the Supplementary Estimates: \$446,000 for 'film acquisition and preservation activities under the Canadian Feature Film Policy' and \$1 million 'to provide Canadians with continued online access to content on Canadian history and civics via an intellectual property licensing agreement for the Dictionary of Canadian Biography'.

## -----CULTURAL INDUSTRIES-----

### **Broadcasting, Audiovisual Production and New Media**

**Canada Media Fund.** As noted in last year's budget analysis, the Canada Media Fund brings together the former Canadian Television Fund (CTF) and the Canada New Media Fund (CNMF). Budget 2009 committed \$135 million for each of two years to the program, roughly the combined total of the two former funds (\$120 million for the CTF and \$14.2 million for the CNMF). The 2011/12 Main Estimates included only \$35 million for the Fund, but Budget 2011 provided the remaining \$100 million<sup>6</sup> and announced that the government would provide ongoing funding to the CMF. This continues the total of \$135 million for the fund from the government. Total funding to the Canada Media Fund is \$371 million in 2011/12: \$135 million from the Department of Canadian Heritage, and the remainder from broadcast distribution undertakings (BDUs) mandated by the CRTC to contribute to the fund (cable and satellite distributors).

**Canadian Broadcasting Corporation.** Budget 2011 continued the government's annual \$60 million top-up to the CBC, which brought total expenditures to date to \$1.1 billion, the same level as total expenditures in 2010/11.

As Table 1 shows, funding to the **National Film Board** and **Telefilm Canada** remained relatively unchanged in the Main Estimates over the last two fiscal years, from \$67.2 million to \$66.8 million (NFB) and from \$105.4 to \$105.7 million (Telefilm). Neither organization received funding via the 2010/11 Supplementary Estimates.

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<sup>6</sup> It is worth noting that the government's contribution has not changed since the creation of the Fund in the mid-1990s. The fund has grown exclusively through the increased contributions of the cable and satellite operators. This means that in deflated dollars, the value of the government's contribution is about \$87 million.

## Publishing

**Book Publishing.** The **Canada Book Fund** (formerly the Book Publishing Industry Development Program) seeks to 'ensure access to a diverse range of Canadian-authored books in Canada and abroad' (Department of Canadian Heritage website). The program consists of two components: Support for Publishers (funding to Canadian owned and controlled publishers to produce and promote Canadian authored books) and Support for Organizations (to support marketing and promotion of Canadian-authored books and to strengthen industry capacity). The program was renewed for five years in 2009. Funding to the Canada Book Fund remained at \$36.7 million.

**Periodical Publishing.** The **Canada Periodical Fund** (formerly the Canada Magazine Fund and the Publications Assistance Program) supports 'Canadian print magazines, non-daily newspapers and digital periodicals to enable them to overcome market disadvantages and continue to provide Canadian readers with the content they choose to read' (Department of Canadian Heritage website). The Fund includes three components: Aid to Publishers, which supports Canadian print magazines and non-daily newspapers; Business Innovation, which funds small and mid-sized magazines and digital publishers to 'adapt to changing market condition and contribute to the diversity of content sought by Canadian readers,' and Collective Initiatives, which provides funding to organizations to strengthen the sustainability of the industry. Total funding to the Canada Periodical Fund in 2011/12 holds steady at \$75 million, \$15 million of which was announced in Budget 2011.

## Sound Recording

**Canada Music Fund.** The **Canada Music Fund** is the main program that pursues the three major objectives of the Canadian Sound Recording Policy: to build capacity among music artists and entrepreneurs, to enhance Canadians' access to Canadian music, and to broaden opportunities for music artists and entrepreneurs to contribute to Canadian cultural expression. The Fund is comprised of multiple components: the Creators' Assistance Component (to aid songwriters, composers and lyricists with their craft and business knowledge), the New Musical Works Component (to provide creators and entrepreneurs the chance to produce and promote Canadian recordings and develop their craft), the Collective Initiatives Component (to support development and marketing of Canadian talent), the Music Entrepreneur Component (to fund music entrepreneurs and National Service Organizations in the music industry to strengthen the industry), and the Canadian Music Memories Component (to support the preservation of musical works). In 2009, the Fund was renewed for five years at an annual level of \$28.1 million, \$25.8 million of which is for grants and contributions (the remainder is for salaries and other administrative expenses).

## -----OTHER EXPENDITURES-----

The **Celebration and Commemoration Program** provides financial assistance to eligible organizations (non-governmental, community, charitable and private organizations, as well as municipal governments, schools and school boards) to organize community events during the 'Celebrate Canada!' period, June 21<sup>st</sup> to July 1<sup>st</sup>. In previous budget analyses, the CCA has raised with concern that funding to this

program had risen progressively over the last number of years, from roughly \$2 million in 2005/06, to \$45.7 million in 2009/10 (including roughly \$20 million for the 2010 Olympic Games Torch Relay alone). In 2010/11, the program received \$11.8 million in the Main Estimates, with the decline owing largely to conclusion of the 2010 Olympic Games. This fiscal year, the program received \$10.5 million in the Main Estimates.

**Sport.** Funding to the **Athlete Assistance Program**, which provides support to athletes to improve their performance at international events, held steady at \$27 million. The **Sport Support Program**, which provides funding to national sport organizations, multisport service organizations and to organizations active in a number of priority areas, received \$146 million in this year's Main Estimates, a total on par with last year's total expenditures of \$147.2 million. In 2010/11, this program received \$30.2 million via the supplementary estimates, presumably to support the 2015 Pan American and Parapan American Games, to be held in Toronto (the CCA is awaiting confirmation from the Department of Canadian Heritage on this point). The **Games' Hosting Program**, which supports 'sport organizations to host the Canada Games and international sport events in Canada' (Department of Canadian Heritage website), received \$19.9 million in this year's Main Estimates. This is a roughly \$3.5 million increase over last year's expenditures on this program, with the growth likely owing to the hosting of the 2015 Pan American and Parapan American Games (the CCA has put this question to the Department and is awaiting word back on the request).

**Official Languages.** Expenditures promoting Canada's official languages and supporting official language minority communities remained unchanged in this year's Main Estimates. Funding to the **Enhancement of Official Languages Program**, which seeks 'to foster among Canadians a greater understanding and appreciation of the benefits of linguistic duality,' (Department of Canadian Heritage website), stands at \$111.5 million. The **Development of Official Language Communities Program**, which supports official-language minority communities to access 'services in their own language, as well as the infrastructure necessary to ensure their growth and development' (Department of Canadian Heritage website), received \$225 million in this year's Main Estimates.

**Aboriginal Programs.** The **Aboriginal Peoples' Program** supports the participation and culture of Aboriginal people in Canadian society. Total expenditures on this program in 2010/11 were \$56.2 million, while to date the program has only received \$29.1 million in the Main Estimates. The CCA has asked the Department of Canadian Heritage what accounts for the reduction and is awaiting word back from the organization.



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**VARIA:**  
**OTHER DEVELOPMENTS**

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**Children's Arts Tax Credit.** Budget 2011 announced the creation of the Children's Arts Tax Credit, which enables parents to claim up to \$500 in eligible expenses for 'programs associated with children's artistic, cultural, recreational and developmental activities' (Budget 2011). In 2006 and 2007, the CCA had made representations to the government to extend to arts and cultural activities the Children's Fitness Tax Credit, announced five years ago in Budget 2006. While the multiplication of targeted tax credits is criticized by many, this decision can be seen as welcome news for the sector, if only because in doing so, the government recognizes that 'participation in artistic, cultural, recreational and developmental activities can positively contribute to a child's development.' This 15% non-refundable tax credit will apply on up to \$500 of eligible expenses per child and translates into a \$75 tax rebate for parents who can afford to send their children to such programs. Budget 2011 indicates that the Children's Arts Tax Credit is estimated to reduce federal revenues by \$25 million 2010/11 and by \$100 million in each of 2011/12 and 2012/13.<sup>7</sup>

**Digital Economy.** Budget 2011 announced that the government would commit \$60 million over three years to 'promote increased student enrollment in key disciplines related to the digital economy'. This funding will be sourced from a reallocation of funds within Human Resources and Skills Development. While this is positive news, the Budget lists the disciplines of 'science, technology, engineering and mathematics' as examples of areas for target. It is hoped that the eventual target areas could include disciplines beyond this (e.g., artistic creation, communications, commerce, political science, etc.) given that both arts and social sciences are also 'key' to the digital economy.

**Changes to rules governing charitable sector.** Budget 2011 announced a number of measures intended 'to ensure that organizations given the privilege of issuing official donation receipts operate in compliance with the law, to clarify existing legislation and to limit unintended or excessive benefits.' These measures include strengthening regulations to enhance transparency and accountability for organizations qualified to issue tax receipts, including the ability for the Canada Revenue Agency to suspend the privileges to issue tax receipts of qualified organizations and even to revoke their status as a qualified donee if they improperly issue receipts. The new measures will also enable the Minister of National Revenue to refuse or revoke the charitable registration of an organization, or to suspend its ability to issue tax receipts, where individuals involved in the control and management of the organization have a criminal past pertaining to financial dishonesty or other matters pertinent to the organization's operation, or where they were involved with another charity that had its charitable registration revoked. Budget 2011 also committed the government to ask the House of Commons Standing Committee on Finance to study 'charitable donation incentives' in the first session of the

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<sup>7</sup> See p.128 of the full Budget 2011 document.

new Parliament.

## Annex I

Expenditures for the Department of Canadian Heritage and Selected Agencies and Crown Corporations, Total of Main Estimates and Supplementary Estimates A and B<sup>1</sup> for Fiscal Year 2010/11 (millions of dollars)

Organization <sup>2</sup>	Main Estimates 2010/11	Supplementary Estimates A 2010/11		Supplementary Estimates B 2010/11		Total Expenditures 2010/11 <sup>3</sup>
		Transfers	Appropriations	Transfers	Appropriations	
Department of Canadian Heritage	1,145.9	(0.8)	144.9	(1.7)	31.8	1,332.8
Canada Council for the Arts	181.7	0.1	-	-	-	181.8
Canadian Broadcasting Corporation	1,090.9	-	-	-	46.2	1,137.1
Library and Archives of Canada	120.3	0.4	-	1.0	-	126.4
National Arts Centre	35.2	-	-	0.5	-	35.7
National Gallery of Canada	49.3	-	-	-	1.7	51.0
Canadian Museum of Civilization	65.3	-	-	-	5.8	71.1
Canadian Museum for Human Rights	55.9	-	-	-	-	55.9
Canadian Museum of Nature	30.4	-	-	-	2.8	33.2
National Museum of Science and Technology	30.7	-	-	-	3.7	34.4
National Film Board of Canada	67.2	-	-	-	-	67.7
Telefilm Canada	105.4	-	-	-	-	105.4
<b>TOTAL</b>	<b>2,978.2</b>	<b>-<sup>4</sup></b>	<b>144.9</b>	<b>-<sup>4</sup></b>	<b>92.0</b>	<b>3,232.5</b>

**Notes:**

<sup>1</sup>The government tabled Supplementary Estimates C on February 8, 2011 but they were not passed given the dissolution of Parliament on March 26, 2011 for the general election.

<sup>2</sup>These organizations also generate annual revenues.

<sup>3</sup>Totals for each organization may differ from the sum of the Main and Supplementary Estimates due to additional funding received in 'carry-forward' as well as the inclusion of funds received for eligible payroll expenditures and collective agreements.

<sup>4</sup>Totals for transfers not provided as some of these expenditures represent transfers from one agency to another within the Ministry or represent transfers in or out of the Department of Canadian Heritage for programming in areas other than those treated in this Budget Analysis (see discussion in Section II for details of the transfers).

**Sources:** Government of Canada, *2010-2011 Estimates, Parts I and II: The Government Expense Plan and The Main Estimates*; Government of Canada, *Supplementary Estimates (A) 2010-2011 for the Fiscal Year ending March 31, 2011*; Government of Canada, *Supplementary Estimates (B) 2010-2011 for the Fiscal Year ending March 31, 2011*.