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CANADA

**FIRST INTERIM REPORT ON
*2010-2011 ESTIMATES***

**Standing Senate Committee on
National Finance**

THIRD REPORT

Chair

The Honourable Joseph A. Day

Deputy Chair

The Honourable Irving R. Gerstein

March 2010

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FIRST INTERIM REPORT ON THE 2010-2011 ESTIMATES

INTRODUCTION

The *Main Estimates 2010–2011* were tabled in the Senate on 4 March 2010 and subsequently referred for review to the Standing Senate Committee on National Finance. As is customary, the committee anticipates that several meetings will be required in order to complete a thorough review of the *Main Estimates 2010–2011*.

An initial examination of the Main Estimates was held on 23 March 2010. At this meeting, Alister Smith, Assistant Secretary, Expenditure Management Sector and Brian Pagan, Executive Director, Expenditure Operations and Estimates Division, Expenditure Management Sector of the Treasury Board Secretariat outlined the federal government's planned spending and explained the main features of these Estimates.

The committee also heard from the President of the Treasury Board, the Honourable Stockwell Day, on 23 March 2010 on the Main Estimates.

The Main Estimates are prepared well in advance of the beginning of a fiscal year and they do not generally include expenditures for initiatives announced in the Budget. However, while Budget 2010 items are not included in these Main Estimates, all of the items announced in earlier budgets or fiscal updates are included in these Estimates. Budget 2010 items will be included in future Supplementary Estimates documents which will likely be tabled in May and October 2010, and February 2011.

THE MAIN ESTIMATES, 2010-2011

As in the past, there are four components to the *Main Estimates 2010–2011*:

- **PART I – The Government Expense Plan**, which provides an overview of the government's requirements and highlights the key drivers influencing changes in expenditures from the previous year.
- **PART II – The Main Estimates**, directly supports the Appropriation Act, and lists the resources that individual federal departments and agencies require for the upcoming fiscal year.
- **PART III** – Since 1997, Part III has been divided into two sections.
 - **The Report on Plans and Priorities (RPP)** are individual expenditure plans for each department and agency that supplement the information contained in Part II

of the Main Estimates., including more detail regarding planned spending, planned priorities and expected results. The RPPs also provide details on human resource requirements, major capital projects, grants and contributions, and net program costs covering a three-year time horizon. The RPPs are normally tabled in Parliament in the spring.

- **The *Departmental Performance Report (DPR)*** focuses on results-based accountability by reporting on accomplishments achieved against the performance expectations and results commitments as set out in the Report on Plans and Priorities. The DPRs are normally tabled in Parliament in the fall of each year.

THE GOVERNMENT EXPENSE PLAN

As seen in Table 1, the *Main Estimates 2010–2011* are \$22.9 billion higher than the *Main Estimates 2009–2010* published in March 2009: an increase of \$10.6 billion in voted appropriations and an increase of \$12.3 billion in statutory spending. Altogether, this represents a 7.9% increase in the level of the Main Estimates over the previous fiscal period.

Table 1 – Summary of *Main Estimates 2010–2011*

			Change	
	2010-11	2009-10	\$	%
	(billions)			
Net expenditures				
Voted	96.3	85.7	10.6	12.4
Statutory forecasts	162.7	150.4	12.3	8.2
Total net expenditures	259.0	236.1	22.9	9.7
Adjustments ¹	19.4	12.3	7.1	58.1
Net expenses	278.4	248.4	30.0	12.1
Note: Totals may not add and may not agree with details presented later in this document due to rounding.				
1. This includes adjustments for: the impact of accrual accounting; expenses charged to previous years, expenses not yet allocated for initiatives that require further development or legislation; revisions to major transfers to other levels of government; and 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.				

Source: *Main Estimates 2010–2011*, Part I, p. 2.

Table 2 provides an overview of the distribution of spending in these Main Estimates by expenditure type.

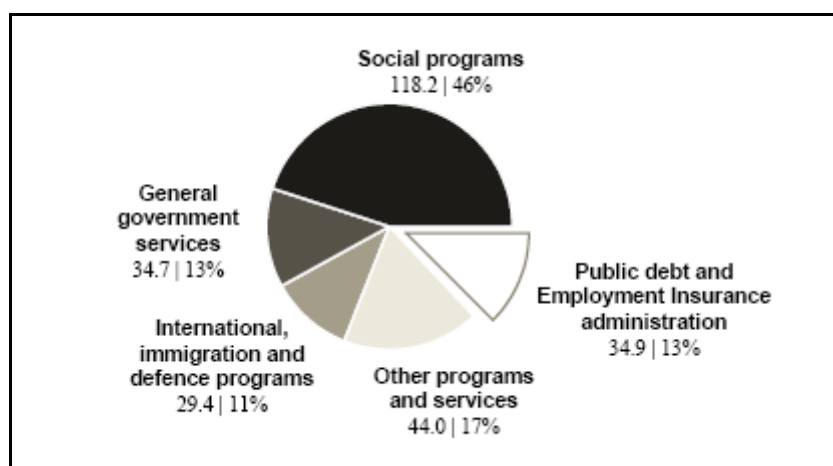
Table 2 – Main Estimates 2010–2011 by Expenditure Type (\$billions)

	2010–2011	2009–2010
Fiscal equalization	14.4	16.1
Canada Health Transfer	25.4	24.0
Canada Social Transfer	11.2	10.9
Implementation of Harmonized Sales Tax	3.0	=
Other transfers and subsidies (net)	(0.3)	(0.9)
Sub-total transfers to other levels of government	53.7	50.1
Elderly benefits	36.9	35.2
Employment Insurance	22.0	16.6
Universal Child Care benefits	2.6	2.5
Sub-total major transfers to persons	61.5	54.3
Other transfer payments to individuals and other organizations	43.7	34.7
Total transfer payments	158.8	139.1
Operating and capital expenditures	68.8	64.9
Public debt charges	33.7	31.9
Total budgetary Main Estimates	261.2	235.8

Source: Table prepared by the author using data obtained from *Main Estimates 2010–2011*, Part I, pp. 2–5.

Net budgetary expenses by government sector is discussed on page 7 of Part I of the *Main Estimates 2010–2011*. The section is set out by sector and, within each sector, by federal department and agency. Figure 1 and Table 3 summarize the net budgetary expenditures by government sector.

Figure 1 – Net Budgetary Expenditures by Sector



Source: *Main Estimates 2010–2011*, Part I, p. 7.

Table 3 – Net Budgetary Expenditures by Sector

Sectors	2010-11	2009-10	Change		% of Total
			\$	%	
			(thousands)		
Social programs ¹	118,244,728	106,494,160	11,750,568	11.0	45.3
General government services ²	34,688,202	35,107,027	(418,825)	(1.2)	13.3
International, immigration and defence programs	29,369,960	26,739,370	2,630,590	9.8	11.2
Industrial, regional, and scientific-technological support programs	15,702,871	9,164,547	6,538,324	71.3	6.0
Environment and resource-based programs	11,481,416	9,837,816	1,643,600	16.7	4.4
Security and public safety programs	7,901,049	7,311,730	589,319	8.1	3.0
Cultural programs	3,976,576	3,790,124	186,451	4.9	1.5
Transportation programs	2,917,460	2,307,776	609,685	26.4	1.1
Justice and legal programs	1,461,160	1,415,698	45,462	3.2	0.6
Parliament and Governor General	603,284	584,312	18,971	3.2	0.2
Sub-total sectors	226,346,706	202,752,907	23,593,798	11.6	86.6
Other items not allocated to a specific sector					
Public debt charges	33,693,000	31,868,000	1,825,000	5.7	12.9
Employment insurance administration ³	1,195,163	1,164,038	31,125	2.7	0.5
Sub-total other items	34,888,163	33,032,038	1,856,125	5.6	13.4
Total net budgetary expenditures	261,234,868	235,784,945	25,449,924	10.8	100.0

Note: Totals may not add due to rounding.

1. Includes transfer payments for Employment Insurance, Elderly Benefits, the Canada Health Transfer, and the Canada Social Transfer.

2. Includes transfer payments to territorial governments and equalization payments.

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

Source: *Main Estimates 2010–2011*, Part I, p. 7.

The largest portion of expenditures is devoted to social programs, which accounts for \$118.2 billion of the total estimated expenditures for 2010–2011. An additional \$33.7 billion are accounted for by public debt charges. This represents 58% of total net budgetary expenditures.

There is an increase of \$1.8 billion, or 5.7%, in public debt charges as a result of an increase in projected debt levels from higher projected budgetary deficits and higher projected interest rates.

PRELIMINARY EXAMINATION OF THE MAIN ESTIMATES, 2010-2011

During the committee's introductory hearings on the *Main Estimates, 2010-2011*, some senators raised a variety of questions related to the planned spending as outlined above. Some of these issues are highlighted below.

- Funding for Department of National Defence programs, especially the \$822 million related to Canada's mission in Afghanistan and the department's projected \$2.7 billion amount to be spent on professional and special services;
- The \$649.8 million Pulp and Paper Green Transformation Program;
- Funding to the Communities Futures Program across regional development agencies (\$85 million total);
- Funding to regional development agencies;
- The \$48.1 million extension of funding to the Renovation Rehabilitation Assistance Program;
- Transfers to the provinces and territories, especially related to Fiscal Equalization;
- The \$5.4 billion, or 13.2%, increase in the Employment Insurance program over last year's Main Estimates;
- The relationship between the fiscal framework and these Main Estimates; and
- The Canada Health Infoway program.

The committee also heard from the President of the Treasury Board, the Honourable Stockwell Day, on 23 March 2010 on these Main Estimates. There was much discussion by some senators about the government's fiscal plan, as was laid out in Budget 2010 and will be carried out through this and future fiscal years. The Minister explained that the review of government operations would be a very important factor in managing the deficit. Minister Day explained that this review would contain the following elements:

- The continuation of departmental strategic reviews, through which departments assess all their programs and identify 5% of the low-priority and lowest-performing programs;
- There will be a review of government administrative functions and overhead costs; and
- The continuation of the Corporate Asset Management Review, under the leadership of the Minister of Finance.

In addition, the following topics were raised that the committee may wish to explore throughout the 2010-2011 fiscal year:

- Funding for cultural programs;
- The calculation of Fiscal equalization;
- The size and management of the federal public service; and
- Departmental strategic reviews.

CONCLUSION

During its introductory hearings on the *Main Estimates, 2010-2011*, the committee deliberated on these and other matters. In the coming months the committee intends to return to some of these topics and other items in the current Estimates in order to more fully examine the

government's spending plans for the 2010-2011 fiscal year and to report on this work at a future date.

The Standing Senate Committee on National Finance respectfully submits its first Interim Report on the 2010-2011 Estimates.