

OFFICE OF THE
PARLIAMENTARY BUDGET OFFICER




BUREAU DU
DIRECTEUR PARLEMENTAIRE DU BUDGET

Supplementary Estimates (A) 2012-13

Original: May 28, 2012
Updated: June 1, 2012^{*}

^{*} Footnote 3 includes another reference to the Government's commitment to renew the Expenditure Management System through better alignment of the Budget and Estimates.



Key Points of this Note:

- Supplementary Estimates (A) proposes to add approximately \$2.1 billion of budgetary authorities to the Government of Canada (Government's) spending plan. Combined with \$0.2 billion in upward revisions to forecast budgetary statutory expenditures, this would result in an increase in total budgetary authorities of \$2.3 billion.
 - Overall, total budgetary authorities for 2012-13 would be approximately \$254 billion. This is 1 per cent higher than the same period last year.
 - None of the Budget 2012 spending reductions are included in this package.
- In the five appended tables, the Office of the Parliamentary Budget Officer (OPBO):
 - Identifies the largest changes in authorities outlined in these Supplementary Estimates (A), 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 five fiscal years.
- The OPBO intended to provide parliamentarians with an update of budgetary authorities by Program Activity. However, less than two-thirds of the federal organizations have responded to our request for information.
- The Integrated Monitoring Database has been updated with 2012-13 Supplementary Estimates (A) data: www.pbo-dpb.gc.ca.

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* Thanks to Darren Roberts for his help in preparing this note. Contact Jason Jacques (jason.jacques@parl.gc.ca) for further information.

1. Context

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

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

2. Supplementary Estimates (A)

Supplementary Estimates (A) proposes to add approximately \$2.1 billion of budgetary authorities to the Government's spending plan. Combined with upward revisions of \$0.2 billion to forecast budgetary statutory expenditures, this would result in a net increase in total budgetary authorities of \$2.3 billion (Figure 2-1).

Figure 2-1

Supplementary Estimates (A): Budgetary Authorities

Voted	\$2.1 B
Statutory	\$0.2 B
Net Change	\$2.3 B

Sources: *Supplementary Estimates (A) 2012-13*.

Overall, the proposed changes in Supplementary Estimates (A) would bring total budgetary authorities for 2012-13 to approximately \$254 billion (Figure 2-2). This is 1 per cent higher than the same period last year.²

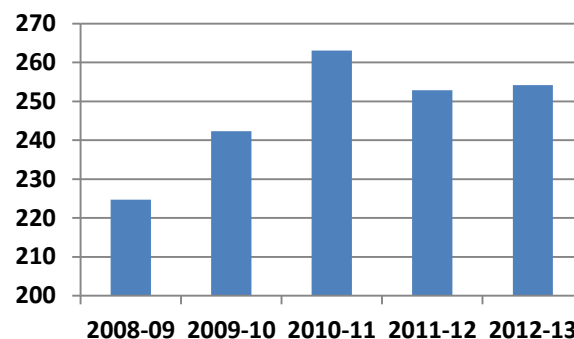
¹ <http://laws-lois.justice.gc.ca/eng/acts/P-1/FullText.html?term=79.2>. Accessed May 2012.

² Budget 2012 also projected total spending to grow approximately 1 per cent year-over-year. While the basis of accounting differs

Figure 2-2

Total Budgetary Authorities: Main and Supplementary Estimates (A)

\$ Billions



Sources: *Main and Supplementary Estimates: 2008-09 to 2012-13*.

The current Supplementary Estimates do not include any new expenditures or planned reductions set out in Budget 2012. This is despite the Government's 2007 commitment to better align the Budget and Estimates as part of Expenditure Management System renewal.³ Notwithstanding this, the OPBO has built a monitoring framework to track implementation of the Budget 2012 spending reductions and will begin reporting over the coming months (Box 2-1).

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

Table 1 presents the largest changes to authorities, measured by dollar value. While almost 40 per cent of the total value of the Supplementary Estimates (A) is due to an incremental \$850 million for cash-out of severance benefits in collective agreements (Figure 2-3), there are also substantial increases in funding for repairs to the Parliamentary Precinct and other transfer payments.

between the Estimates and Budget, the overall historical growth trends move in the same direction.

³ **ADDENDUM:** <http://www.tbs-sct.gc.ca/est-pre/20092010/sups/A/intro-eng.asp>
<http://www.parl.gc.ca/Content/SEN/Committee/402/fina/rep/rep02feb09-e.htm>. Accessed May 2012.

Box 2-1**Monitoring Implementation of the Budget 2012 Spending Reductions**

Budget 2012 announced a package of spending cuts totalling approximately \$5.2 billion ongoing. These cuts are comprised of 70 per cent “efficiencies” and 30 per cent “reductions”. Given this composition, the current restraint exercise has more in common with the 2005 Expenditure Review Committee initiative, rather than Program Review of the 1990s.

Over the intervening two months, the Government has released few details regarding which programs would be affected by the reductions and the consequential service-level impacts.

To address this information gap, the OPBO has embarked on a two-tier strategy to track implementation of the reductions and support parliamentary deliberations.

First, the OPBO has adopted a “bottom-up” approach that seeks details from each organization affected in Budget 2012 and reconciles the total with the overall savings target (\$5.2 billion ongoing; or \$1.1 billion in grants and contributions, \$1.8 billion in personnel savings, and \$2.3 billion in “other operating” savings).⁴ This would allow parliamentarians to assess the reasonableness and risk of proposed savings initiatives.

Second, the OPBO also plans to use a “top-down” approach that tracks expenditures by program activity and compares it to the previous year. This provides parliamentarians with insight regarding actual implementation of the reductions.

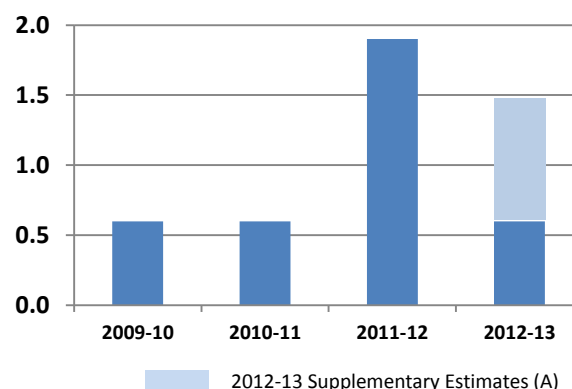
Sources: *Budget 2012*.
PBO Information Requests 080, 081.

Table 2 highlights the top 10 percentage changes in authorities. Many of the items exhibiting the largest dollar increase also have the largest

percentage increases (e.g. Payments to Atomic Energy Canada Ltd., Figure 2-4). However, there are also items with significant growth due to replacement of funding that sunset in the previous fiscal year (e.g. Canadian Grain Commission), and new capital projects (e.g. construction of an arctic training centre by Natural Resources Canada).

Figure 2-3**Playlist Requirements: Total Authorities**

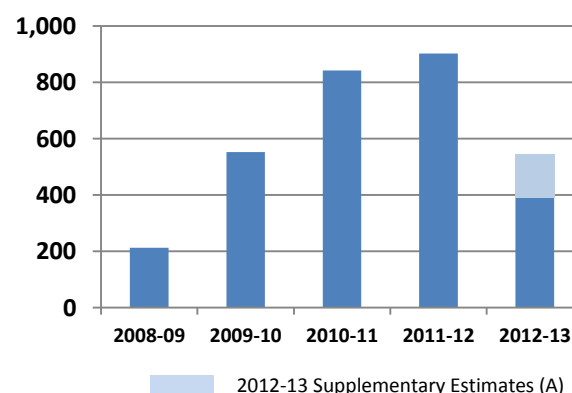
\$ Millions



Sources: *Main and Supplementary Estimates: 2011-12 and 2012-13*.
Public Accounts of Canada: 2009-10 and 2010-11.

Figure 2-4**Payments to AECL: Total Authorities***

\$ Millions



*Includes separate authorities in 2011-12 and 2012-13 related to divestiture of AECL assets. SNC-Lavalin acquired the CANDU Rector Division from AECL Ltd.; announced in June 2011.

Sources: *Main and Supplementary Estimates: 2011-12 and 2012-13*.
Public Accounts of Canada: 2009-10 and 2010-11.

3. Year-to-Date

In general, the proposed adjustments to expenditure authorities contained in Supplementary Estimates (A) do not materially affect the Government's overall expenditure plan outlined in the 2012-13 Main Estimates.⁵

(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 2011-12.⁶

The most significant changes in planned authorities arise from legislated increases for major transfer programs (e.g. Canada Health Transfer, Old Age Security). This growth is offset by the planned sunset of grants and contributions related to the Economic Action Plan (e.g. Natural Resources Canada, Figure 3-1), as well as reductions to National Defence.

(ii) Largest Changes by Per Cent

Table 4 lists the 10 largest changes to items, as measured by per cent, compared to the total authorities provided in 2011-12.⁷

The two items with the largest percentage increase in authorities relate to Additional Fiscal Equalization for Nova Scotia and an Additional Fiscal Equalization Offset Payment for Nova Scotia. Both items arise from agreements reached in 2005 regarding the inclusion of offshore energy revenues in the federal Equalization program, as well as further updates made in 2007.

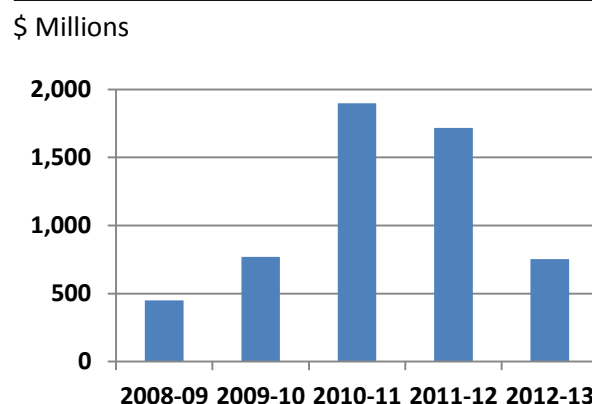
⁵ http://www.parl.gc.ca/PBO-DPB/documents/ME_2012_13_EN.pdf. Accessed May 2012.

⁶ The change in value is calculated as the proposed level of annual spending in the 2012-13 Main and Supplementary Estimates less total spending authorities granted in the previous fiscal year (2011-12; Main and Supplementary Estimates).

⁷ The growth rate is calculated as the proposed level of annual spending in the 2012-13 Main and Supplementary Estimates divided by total spending authorities granted in the previous fiscal year.

Figure 3-1

Natural Resources Canada: Voted Authorities for Grants and Contributions



Sources: Main and Supplementary Estimates: 2011-12 and 2012-13.
Public Accounts of Canada: 2008-09 to 2010-11.

(iii) Personnel and Capital Spending⁸

Table 5 presents planned spending by Standard Object presented in the 2012-13 Main and Supplementary Estimates, compared to the total authorities provided in 2011-12.

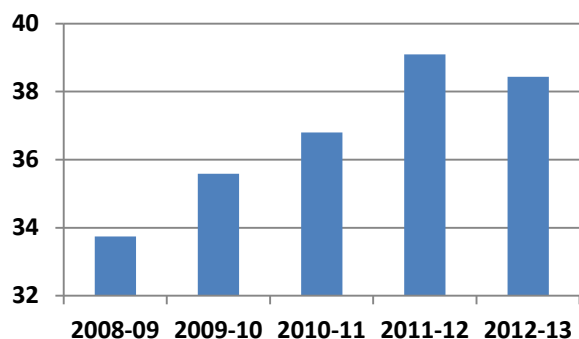
Proposed adjustments in Supplementary Estimates (A) would increase personnel spending by a further \$932 million. As discussed earlier, most of this increase is attributable to estimated cash-outs of accrued severance payments (\$850 million).

The proposed increase would result in overall personnel spending of \$38.4 billion in 2012-13, which is approximately \$700 million lower than total authorities in 2011-12, or approximately 2 per cent (Figure 3-2).

⁸ 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 higher or lower, depending on how these offsets are allocated.

Figure 3-2**Personnel Expenditures**

\$ Billions

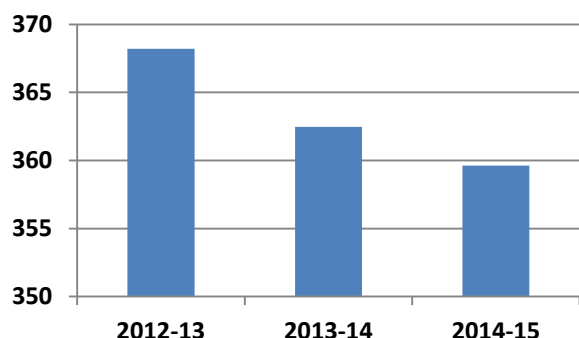


Sources: Main and Supplementary Estimates: 2008-09 to 2012-13.

Growth in personnel expenditures is expected to be restrained given the forecast 8,600 decrease in full-time equivalents set out in the Government's Report on Plans and Priorities (Figure 3-3). As highlighted in an earlier OPBO note, this decrease is likely linked to previous spending restraint efforts implemented through Budget 2010 and Budget 2011.⁹ The 19,200 positions eliminated through Budget 2012 will further reduce employment.

Figure 3-3**Government's Medium-term Employment Forecast**

'000s of FTEs



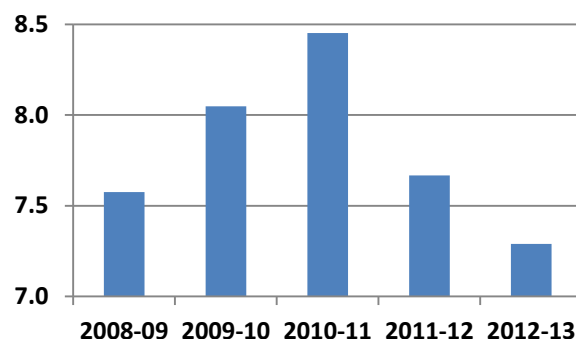
⁹ http://www.parl.gc.ca/PBO-DPB/documents/Expenditure_Monitor_2011Q3_EN.pdf. Accessed May 2012.

Source: Reports on Plans and Priorities 2012-13

Proposed adjustments in Supplementary Estimates (A) would increase capital expenditures by approximately \$56 million. This marginally offsets the planned 5 per cent decrease in spending set out in the Main Estimates. As mentioned earlier, the year-over-year decrease is primarily driven by decreased capital authorities for National Defence. Budget 2012 announced that the spending profile for defence-related capital acquisitions would be extended over a longer period (Figure 3-4).

Figure 3-4**Expenditures on Land, Machinery and Equipment**

\$ Billions



Source: Main and Supplementary Estimates: 2008-09 to 2012-13.

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 and 2012-13 contain the new capital budget carry-forward vote.

(iv) Expenditures by Program Activity

Last year, the OPBO requested and the Government agreed to begin sharing details of adjustments in the Supplementary Estimates delineated by Program Activity.¹⁰ The Treasury Board Secretariat also began tracking this information as part of its production process for Supplementary Estimates.

¹⁰ http://www.parl.gc.ca/PBO-DPB/documents/InformationRequests/Requests/IR0046_PAA_Template_Aug_4.pdf. Accessed May 2012.

Notwithstanding this, less than two-thirds of the organizations seeking funding through the Supplementary Estimates have met their original commitment (Table 6). As such, the OPBO is unable to provide parliamentarians with an assessment of proposed changes to spending across Program Activities and Strategic Outcomes.

4. 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

per cent. Members may also wish to consider requesting the Program Activity information directly from the Government.

Members could consider providing direction to the Treasury Board Secretariat regarding the presentation of Budget 2012 measures in subsequent Supplementary Estimates. Of particular interest would be the format of clearly identifying Budget 2012 reductions. The approach used by the Government for the 2006-07 Supplementary Estimates (A) could be a useful starting point.¹¹

¹¹ http://www.collectionscanada.gc.ca/webarchives/20071206135644/http://www.tbs-sct.gc.ca/est-pre/20062007/sups/a/pub/me-001_e.pdf. (pp.66) Accessed May 2012.

APPENDIX

Table 1. Largest \$ Changes in Authorities: Supplementary Estimates (A) compared to Year-to-Date¹			
Organization	Authorities	\$ Δ (000s)	Explanation from Estimates
Treasury Board Secretariat	Paylist Requirements	850,000	<i>Cash-out of accumulated severance</i>
Public Works and Government Services	Capital Expenditures	208,113	<i>Parliamentary Precinct repairs</i>
Natural Resources Canada	Payments to AECL for Operations	166,200	<i>Operating requirements and workforce transition</i>
Canadian International Development Agency	Grants and Contributions	161,632	<i>Implementation of Copenhagen Accord on climate change adaptation</i>
Aboriginal Affairs	Grants and Contributions	156,471	<i>Specific claim settlements; other transfer payments</i>
Agriculture and Agri-food	Agricultural Disaster Relief Program (S)²	110,800	<i>Adjusted forecast for statutory authorities</i>
Transport	Payments to VIA Rail	89,500	<i>Funding for pension obligations; capital investments</i>
Natural Resources Canada	Grants and Contributions	-80,358	<i>Reallocation of authorities from Clean Energy Fund</i>
Natural Resources Canada	Operating Expenditures	79,295	<i>Funding for Port Hope Area Initiative</i>
Industry	Grants and Contributions	49,419	<i>Contributions under the Strategic Aerospace and Defence Initiative; others</i>

1. All Authorities listed in the 2012-13 Supplementary Estimates (A) with total authorities above \$5 million in current document and Main Estimates; 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 (A) compared to Year-to-Date¹

Organization	Authorities	$\Delta\%$ ²	Explanation from Estimates
Canadian Grain Commission	Program Expenditures	555%	<i>Replacement of core funding from Budget 2010 that sunset in 2011-12</i>
Natural Resources	Payments to AECL for Operations	163%	<i>Operating requirements and workforce transition</i>
Natural Resources	Capital Expenditures	143%	<i>Construction of Arctic Training Centre for Canadian Forces</i>
Treasury Board Secretariat	Paylist Requirements	142%	<i>Cash-out of accumulated severance</i>
Canadian Environmental Assessment Agency	Program Expenditures	83%	<i>Modernization of review process for major resource projects</i>
Canadian Food Inspection Agency	Capital Expenditures	80%	<i>Food and Consumer Safety Action Plan; traceability information sharing solution</i>
Public Works and Government Services	Capital Expenditures	72%	<i>Parliamentary Precinct repairs</i>
Transport	Payments to Via Rail	29%	<i>Funding for pension obligations; capital investments</i>
Environment	Grants and Contributions	21%	<i>Implementation of Copenhagen Accord on climate change adaptation</i>
Finance	Operating Expenditures	13%	<i>Government advertising programs</i>

1. All authorities listed in the 2012-13 Supplementary Estimates (A) with total authorities above \$5 million in current document and Main Estimates; excluding non-budgetary items.
2. The growth rate is calculated as the proposed change to authorities in Supplementary Estimates (A) divided by total spending authorities granted in the current fiscal year.

Table 3. Largest \$ Changes in Authorities: Total Authorities in 2012-13 versus 2011-12¹

Organization	Authorities	\$ Δ (000s)	Explanation from Estimates	
Human Resources and Skills Development	Old Age Security (S)²	1,822,427	<i>Increase in average rates of payment and number of beneficiaries</i>	6%
Finance	Canada Health Transfer (S)	1,617,112	<i>Planned legislative increase</i>	6%
National Defence	Operating Expenditures	-1,532,392	<i>Spending review reductions; creation of Communications Security Establishment</i>	-10%
Natural Resources	Grants and Contributions	-964,569	<i>Sunset of Pulp and Paper Green Transformation Program, as well as other transfer payment programs</i>	-56%
Office of Infrastructure of Canada	Contributions	-910,996	<i>Decrease in Green Infrastructure Fund; Provincial-Territorial Base Funding</i>	-15%
Finance	Fiscal Equalization (S)	763,933	<i>Planned legislative increase</i>	5%
Royal Canadian Mounted Police	Operating Expenditures	-481,149	<i>Timing of new policing agreements with provinces and territories; transfer to</i>	-21%
Transport	Grants and Contributions	480,596	<i>Increase in planned spending for Gateways and Borders Crossings Fund</i>	67%
Finance	Public Debt Interest³ (S)	469,000	<i>Increase in stock of debt</i>	2%
National Defence	Capital Expenditures	-426,200	<i>Adjusted timelines for major capital procurements</i>	-9%

1. All authorities listed in the 2012-13 Estimates with total authorities above \$100 million in 2011-12 and 2012-13; excluding non-budgetary items.

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

3. This item is a combination of two authorities: *Interest on Unmatured Debt* and *Other Interest Costs*.

Table 4. Largest % Changes in Authorities: Total Authorities in 2012-13 versus 2011-12¹

Organization	Authorities	Δ % ²	Explanation from Estimates	2012-13 (\$000s)
Finance	Additional Fiscal Equalization to Nova Scotia (S) ³	1711%	<i>2005 Offshore Accord and 2007 Equalization formula ensures no reduction in equalization payments</i>	325,779
Finance	Additional Fiscal Equalization Offset Payment to Nova Scotia (S)	333%	<i>2005 Offshore Accord ensures no reduction in Equalization arising from offshore revenues</i>	146,059
Industry	Grant to Genome Canada (S)	102%	<i>None</i>	49,500
Canada Revenue Agency	Payments to provinces - Softwood Lumber Products Export Charge Act (S)	100%	<i>None</i>	280,000
Library and Archives of Canada	Capital Expenditures	87%	<i>New high-density shelving facility for collection</i>	19,353
Industry	Contributions under the Knowledge Infrastructure Program (S)	-78%	<i>Planned wind-down of Economic Action Program</i>	52,460
Federal Bridge Corporation Limited	Program Expenditures	-77%	<i>Change in planned spending for replacement of North Channel Bridge</i>	14,983
Chief Electoral Officer	Election Expenses (S)	-71%	<i>Decreased planned expenditures following 41st General Election held in previous year</i>	94,362
Canadian Museum for Human Rights	Payments to the Canadian Museum of Human Rights	-68%	<i>Completion of construction phase</i>	10,000
Transport	Grants and Contributions	67%	<i>Increase in planned spending for Gateways and Borders Crossings Fund</i>	1,201,818

1. All authorities listed in the 2012-13 Estimates with total authorities above \$10 million in 2011-12 and/or 2012-13; excluding non-budgetary items.
2. The growth rate is calculated as the proposed level of annual spending in the 2012-13 Main and Supplementary Estimates divided by total spending authorities granted in the previous fiscal year.
3. S = Statutory vote, for which pre-existing expenditure authority is provided by Parliament under separate statute.

**Table 5. Comparison of Standard Objects:
Total Authorities (\$000s) (2009-10 to 2012-13) ¹**

Standard Object	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	y/y Δ %
Personnel	35,589,778	36,801,189	39,093,807	38,438,048	-2%
Transportation & Communications	3,584,874	3,514,314	3,531,689	3,268,990	-7%
Information	475,166	415,537	387,926	312,505	-19%
Professional & Special Services	9,721,237	10,406,553	10,796,248	9,964,509	-8%
Rentals	2,769,230	2,730,785	2,706,569	2,542,332	-6%
Purchased Repair & Maintenance	3,918,384	4,038,740	3,841,288	3,509,846	-9%
Utilities, Materials and Supplies	4,045,190	3,902,555	3,441,137	2,926,824	-15%
Acquisition of Land, Buildings and Works	1,607,560	2,149,811	1,424,493	1,409,172	-1%
Acquisition of Machinery and Equipment	6,439,950	6,302,066	6,000,569	5,280,796	-12%
Transfer Payments	128,509,946	142,487,111	138,141,328	136,750,850	-1%
Public Debt Charges	30,659,000	28,432,000	28,393,087	28,862,000	2%
Other Subsidies and Payments	13,923,069	14,933,715	11,922,273	11,193,476	-6%

1. Figures for 2009-10 to 2011-12 reflect all authorities passed for the year (*i.e.* Main and Supplementary Estimates).

Table 6: Responses to Information Request for Program Activity Data	
Organization	Response (Y/N)
Aboriginal Affairs	Y
Agriculture and Agri-food	Y
Canada Border Services Agency	Y
Canada Council for the Arts	N
Canadian Environmental Assessment Agency	N
Canadian Food Inspection Agency	Y
Canadian Grain Commission	Y
Canadian Heritage	N
Canadian Institutes of Health Research	N
Canadian International Development Agency	Y
Canadian Radio-Television and Telecommunications Commission	Y
Canadian Space Agency	N
Chief Electoral Officer	N
Citizenship and Immigration	Y
Environment	N
Federal Economic Development Agency for Southern Ontario	N
Finance	Y
Financial Transactions and Reports Analysis Centre of Canada	N
Fisheries and Oceans	Y
Foreign Affairs	Y
Health	Y
Human Resources and Skills Development	Y
Industry	Y
Jacques Cartier and Champlain Bridges Incorporated	Y
Library and Archives	Y
National Capital Commission	Y
National Defence	Y
Natural Resources	Y
Natural Sciences and Engineering Research Council	N
Office of the Coordinator, Status of Women	N
Parks Canada	N
Privy Council Office	Y
Public Safety and Emergency Preparedness	Y
Public Works and Government Services	N
Royal Canadian Mounted Police	N
Royal Canadian Mounted Police External Review Committee	Y
Royal Canadian Mounted Police Public Complaints Commission	Y
Shared Services	N
Social Sciences and Humanities Research Council	N
Standards Council of Canada	N
Transport	Y
Treasury Board Secretariat	Y
VIA Rail	Y

Table 7. Budget 2012: Planned Reductions on Direct Program Expenses (\$M)¹

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	5-Year Total
Transfer Payments²	0	-411	-803	-1,073	-1,072	-1,072	-4,431
Capital Amortization	0	0	0	-1	-1	-1	-3
Operating Expenses (Salaries)³	0	-336	-865	-1,746	-1,758	-1,769	-6,474
Operating Expenses (Other)	0	-725	-1,393	-2,323	-2,345	-2,378	-9,164
Memorandum:							
<i>Workforce Adjustment</i>	900	-290	-420	-190	0	0	0
<i>Direct Program Spending (\$B)⁴</i>	118.5	116.5	114.7	113.7	113.0	115.1	691.5

1. Data provided by the Department of Finance and Treasury Board Secretariat.

2. Does not include major transfers to other levels of government or major transfers to persons.

3. Includes planned reductions on personnel and consequential reductions to employee benefit plans.

4. From Budget 2012.

Savings by Category

