



Supplementary Estimates (A) 2013-14

Ottawa, Canada

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www.pbo-dpb.gc.ca

Key Points of this Note:

- This note highlights items in Supplementary Estimates (A) that may warrant more detailed scrutiny by parliamentarians, owing to their fiscal materiality or risk.
- These Supplementary Estimates are seeking approval of a further \$1.1 billion in expenditures for the current fiscal year, which would increase total budgetary authorities to approximately \$253.6 billion.
- Over 90 per cent of the proposed increase pertains to increased transfer payments and subsidies to Crown Corporations (e.g. VIA Rail pension shortfall), other levels of government (e.g. reimbursement of costs related to natural disasters) or individuals (e.g. farm income support).
- There is only one item that is directly identified as relating to Economic Action Plan 2013 (Atomic Energy of Canada Limited funding). Combined with the measures proposed in Bill C-60 (*An Act to implement certain provisions of the budget tabled in Parliament on March 21, 2013 and other measures*), it appears that about half of the budget measures will be deferred until later in the year.
- The Integrated Monitoring Database is updated with Supplementary Estimates (A) data: www.pbo-dpb.gc.ca.

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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 PBO reviews the Estimates and highlights proposed adjustments that warrant detailed scrutiny, including:

- i. Proposed changes to programs that are financially material to adjustments in the federal budget balance; and,
- ii. Proposed changes to programs that represent significant growth compared to the status quo.

PBO's Estimates analysis focusses on authorities delineated by program. While Parliament will continue to only appropriate on inputs (e.g. operating or capital expenditures), parliamentarians have been clear that a program lens provides greater insight into proposed spending.

2. Supplementary Estimates (A)

Supplementary Estimates (A) proposes to add approximately \$1.1 billion of budgetary authorities to the Government's spending plan. Combined with a marginal upward revision to forecasted budgetary statutory expenditures (\$8 million), this would result in a \$1.1 billion net increase in total planned authorities (Figure 2-1).

Overall, the proposed changes in Supplementary Estimates (A) would bring total budgetary authorities for 2013-14 to approximately \$253.6 billion. This level of budgetary authorities is 2.1 per cent lower than the total budgetary authorities granted in the previous year (\$5.4 billion). As noted in earlier PBO analysis, virtually all of this decrease stems from the fiscal strategy to balance the budget through constraining direct program spending, in

particular operating spending by departments and agencies.²

Figure 2-1

Supplementary Estimates (A): Budgetary Authorities

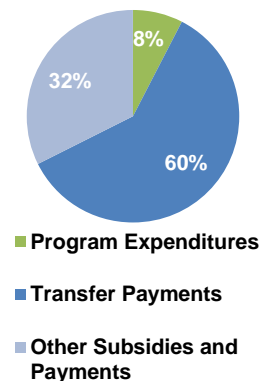
Voted	\$1.1 B
Statutory	\$0.0 B
Net Change	\$1.1 B

Sources: *Supplementary Estimates (A) 2013-14.*

Consistent with this fiscal strategy, only 8 per cent of the proposed spending relates to program expenditures (Figure 2-2). Most of the new authorities proposed in these Supplementary Estimates pertain to increased transfer payments and subsidies to Crown Corporations (e.g. VIA Rail pension fund deficit), other levels of government (e.g. reimbursement of costs related to natural disasters) or individuals (e.g. farm income support).

Figure 2-2

Supplementary Estimates (A): Delineation of Proposed Authorities



Sources: *Supplementary Estimates (A) 2013-14.*

¹ <http://laws-lois.justice.gc.ca/eng/acts/P-1/FullText.html?term=79.2>. Accessed May 2013.

² http://www.pbo-dpb.gc.ca/files/files/Main_Estimates_2013-14_EN.pdf. Accessed May 2013.

Overall, the proposed adjustments to spending do not represent a material change from the comprehensive expenditure plan outlined in the 2013-14 Main Estimates. As well, only one item relates to the 2013 Economic Action Plan (Box 2-3).

Box 2-3

Implementing Economic Action Plan 2013

The Government's 2007 Renewal of the Expenditure Management System included a new effort to incorporate Budget measures as part of Supplementary Estimates (A).³

While the 2013 Economic Action Plan (Budget 2013) contained close to 100 discrete measures, only one item is identified in these Supplementary Estimates (funding for Atomic Energy of Canada Limited).

Roughly half of the Budget items pertain to tax system changes and will be implemented through separate legislation. As well, the Government has also chosen to include Budget spending measures in Bill C-60 (*An Act to implement certain provisions of the budget tabled in Parliament on March 21, 2013 and other measures*).

Overall, it means that parliamentarians can expect to see a minority of Budget 2013 measures in the Supplementary Estimates, and these measures will appear later in the year.

i. Top Changes By Dollar Value

Table 1 highlights items with the largest change in proposed spending, compared to the total amounts budgeted in the Main Estimates.⁴

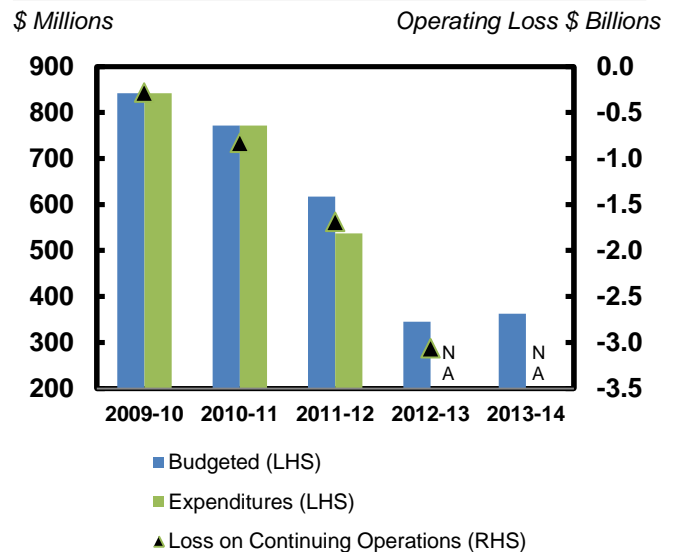
³ <http://www.tbs-sct.gc.ca/est-pre/20092010/sups/A/intro-eng.asp>. Accessed May 2013.

⁴ The change in value is calculated as the proposed level of incremental authorities in Supplementary Estimates (A), compared to the level of spending authorities originally outlined in the 2013-14 Main Estimates.

The largest proposed adjustment relates to a \$236 million increase in Atomic Energy of Canada Limited's (AECL's) Research and Development program, which would bring the total support provided by the Government of Canada in 2013-14 for operating and capital spending to \$362 million (Figure 2-4).

Figure 2-4

AECL: Operating and Capital Expenditures



Sources: *Budgeted and Expenditures*: Public Accounts of Canada 2009-10 to 2011-12, Main Estimates 2013-14; Supplementary Estimates (A) 2013-14. *Loss on Continuing Operations*: AECL Annual Reports; AECL Quarterly Reports.

Notes: 2012-13 Figure for AECL operating loss is for first three quarters, but includes revised waste decommissioning liability.

While federal support for AECL's operating and capital provided through parliamentary appropriations has decreased by almost 60 per cent over the past 4 years, its operating loss (*i.e.* net loss before federal subsidies) has also deteriorated, from approximately \$300 million in 2009-10 to approximately \$3 billion in the first three quarters of 2012-13. As a wholly owned Crown Corporation, the Government of Canada is ultimately responsible for AECL's liabilities.

Over half of the top 10 changes in program spending relate to increases in spending for Agriculture and Agri-food Canada (AAFC)

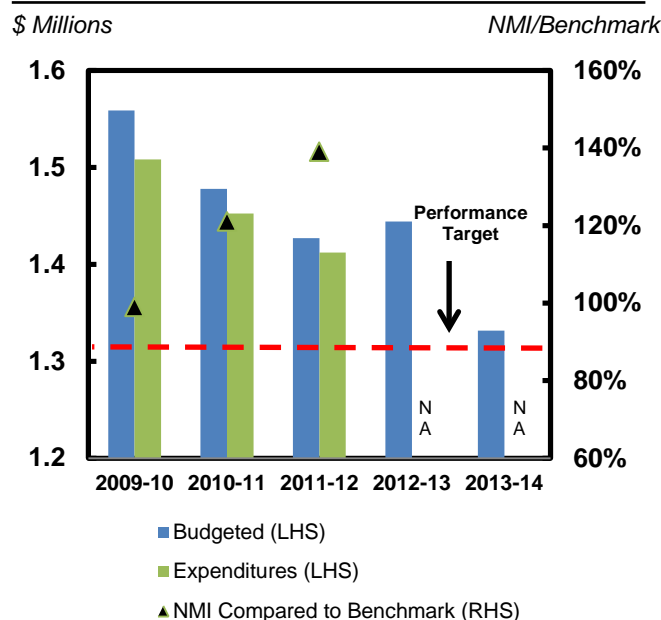
programs. AAFC is seeking the largest increase among all federal departments and agencies as part of the Government's agricultural policy framework renewal, Growing Forward 2. While Growing Forward 2 will focus on "innovation, competitiveness and market development", it also includes the Business Risk Management (BRM) program to help farmers in managing risk and reduce income losses.⁵

This program has set a performance target of ensuring that current producer net market income (NMI), plus BRM payments, is at 85% of the five-year moving average.

As presented in Figure 2-5, while planned expenditures on the BRM have decreased over the past five years, its results have consistently exceeded its performance target.

Figure 2-5

AAFC: Business Risk Management Program



Sources: *Budgeted and Expenditures*: Public Accounts of Canada 2009-10 to 2011-12; Main Estimates 2013-14; Supplementary Estimates (A) 2013-14; Integrated Monitoring Database. *NMI*: AAFC Departmental Performance Reports 2009-10 to 2011-12.

⁵ <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1294780620963&lang=eng>. Accessed May 2013.

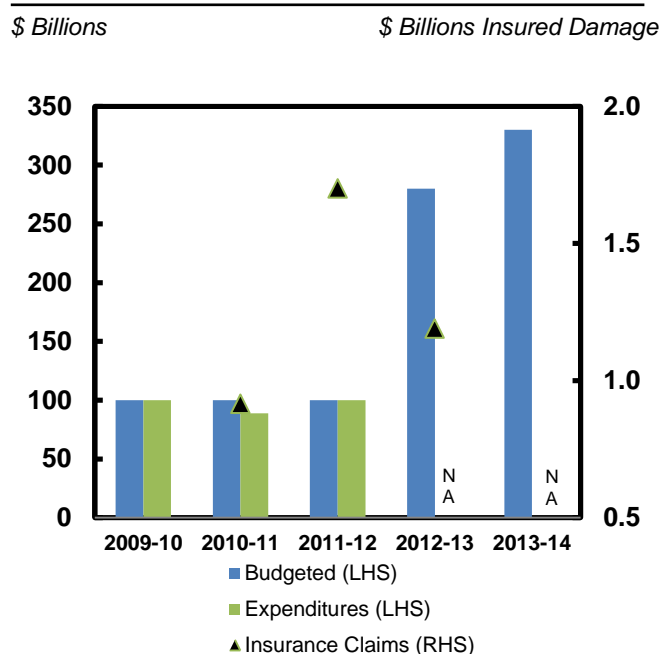
ii. *Top Changes By Per Cent*

Table 2 lists the greatest proposed changes in program expenditures, as measured in per cent.

The largest percentage change in proposed program spending relates to AECL's Research and Development program. Following this is a 138 per cent increase in Public Safety and Emergency Preparedness Canada's (PSEPC's) Emergency Management program, which relates to a \$230 million increase for the Disaster Financial Assistance Arrangements (DFAA) contribution program (Figure 2-6).

Figure 2-6

DFAA Contribution Program



Sources: *Budgeted* and *Expenditures*: Public Accounts of Canada 2009-10 to 2011-12; Main Estimates 2013-14; Supplementary Estimates (A) 2013-14. *Insurance Claims*: Insurance Bureau of Canada.

Note: Insurance Claims presented on calendar year basis.

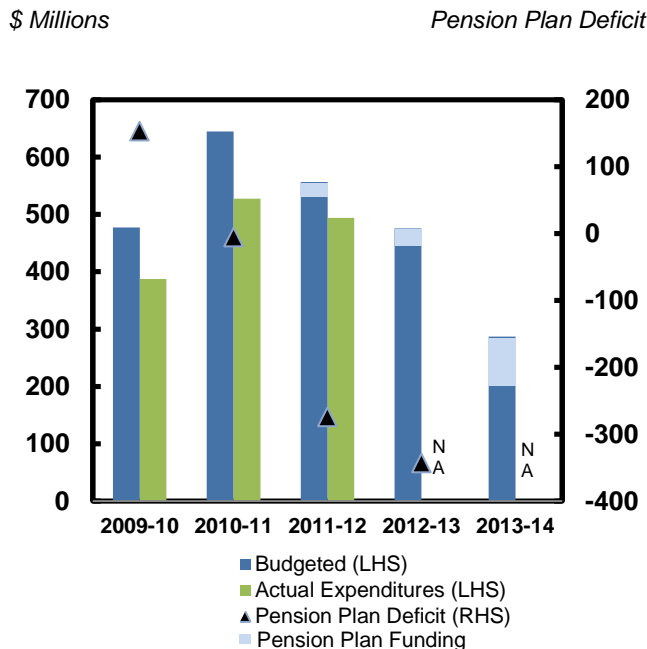
The DFAA partially reimburses provincial and territorial expenses in the event of a national disaster.⁶ DFAA funding was stable at

⁶ <http://www.publicsafety.gc.ca/prg/em/dfaa/>. Accessed May 2013.

\$100 million from 2009-10 to 2011-12, jumping to almost \$280 million last year and \$330 million this year. At the same time, the Insurance Bureau of Canada (IBC) indicated that insurance claims for natural disasters reached \$1.7 billion in 2011-12, before receding to \$1.2 billion last year. The IBC notes that insurance claims from natural disasters have doubled every 5 to 10 years since the 1950s.⁷

Figure 2-7

VIA Rail: Passenger Rail Services Program



Sources: *Budgeted* and *Expenditures*: Public Accounts of Canada 2009-10 to 2011-12; Main Estimates 2013-14; Supplementary Estimates (A) 2013-14. *Pension Plan Deficit*: VIA Annual Reports.

Note: Pension Plan Deficit figures presented on a calendar year basis.

The \$99 million proposed increase in support to VIA Rail's Passenger Rail Services program is also one of the largest increases. Federal subsidies to this program have fallen almost 40 per cent over the past five years to \$287 million in 2013-14 (Figure 2-7). At the same time, an increasing share of this funding relates to addressing VIA's pension plan deficit: \$48 million

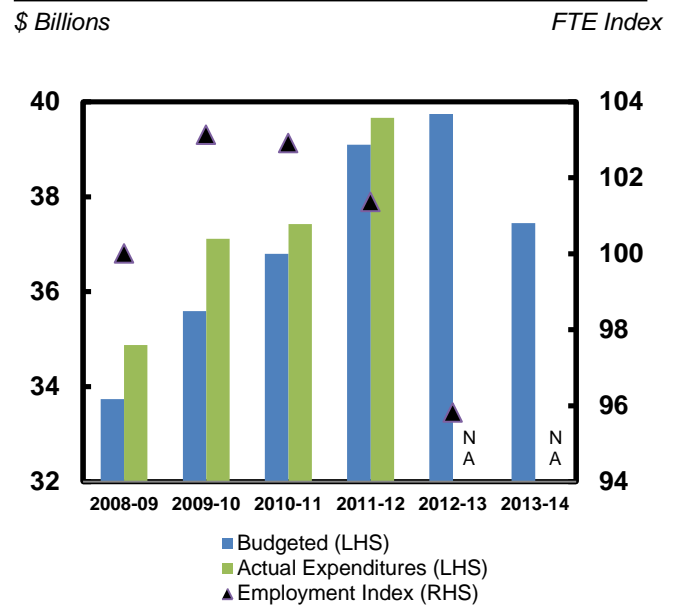
in 2011-12, to \$99 million in 2013-14 (*i.e.* all of the proposed increase in these Supplementary Estimates).

iii. Major Components of Expenditures

These Supplementary Estimates seek a \$46 million increase in personnel spending. Nevertheless, overall spending is expected to decline \$2.3 billion (5.8 per cent) in 2013-14, compared to 2012-13 (Figure 2-8).

Figure 2-8

Personnel Expenditures



Sources: *Budgeted* and *Expenditures*: Public Accounts of Canada 2008-09 to 2011-12; Main Estimates and Supplementary Estimates 2012-13 and 2013-14. *Index of Full-time Equivalents*: Treasury Board Secretariat of Canada.

Notes: Full-Time Equivalent figures are as of March 2010, 2011 and 2012, respectively. 2013 figure is as of December 31, 2012.

While total "Full-time Equivalents" decreased between 2009-10 and 2011-12, Budget 2012 announced that the Government would further reduce its workforce by 19,200 positions between 2012-13 and 2014-15. In addition, personnel spending in 2011-12 and 2012-13 was

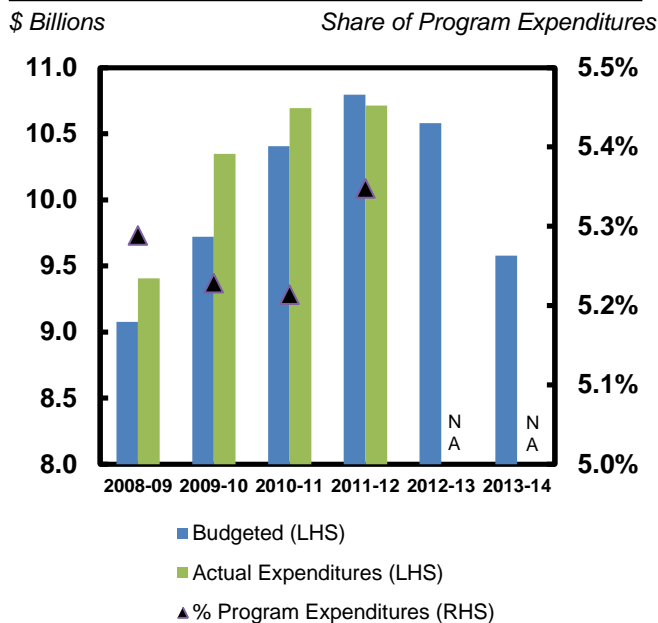
⁷ http://www.ibc.ca/en/natural_disasters/. Accessed May 2013.

temporarily boosted by non-recurring costs arising from benefit payouts linked to some amended collective agreements.

Similar to personnel spending, these Supplementary Estimates also propose to increase spending on professional and special services by \$21 million, which partially offsets the planned year-over-year decline of \$1.0 billion (9.5 per cent, Figure 2-9).

Figure 2-9

Professional and Special Services



Sources: *Budgeted* and *Expenditures*: Public Accounts of Canada 2008-09 to 2011-12; Main Estimates and Supplementary Estimates 2012-13 and 2013-14.

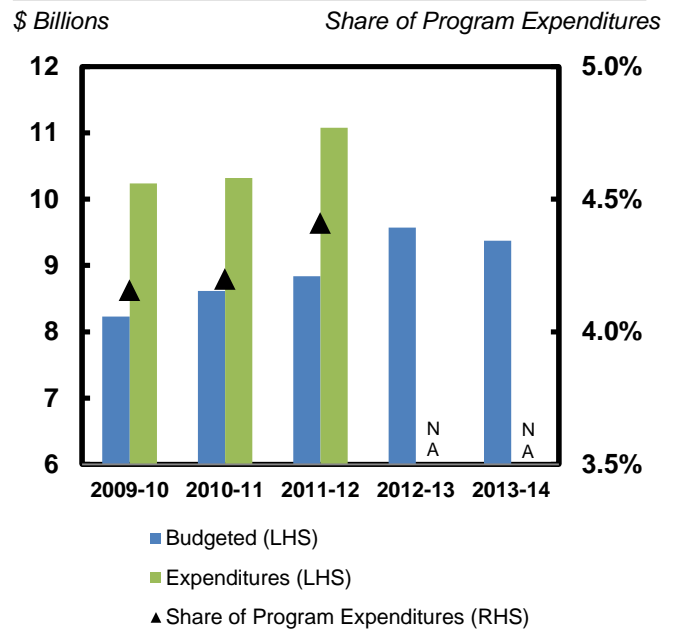
Nominal planned spending on professional and special services has almost returned to levels prior to the 2009 economic stimulus package. If trends continue, expenditures on professional and special services could also return to a similar share of overall budgetary expenditures.

Finally, these Supplementary Estimates include \$32 million in additional spending on the Internal Services program across various departments and agencies. Total spending on Internal

Services is still forecast to decrease by approximately 1.8 per cent year-over-year (Figure 2-10).

Figure 2-10

Internal Services



Sources: *Budgeted* and *Expenditures*: Public Accounts of Canada 2009-10 to 2011-12; Main Estimates 2012-13 and 2013-14; PBO Calculations.

Notes: Authorities and expenditures include total net spending by Shared Services Canada, which was established in 2011-12.

3. Conclusion

Parliamentarians may wish to seek further details on the items in the Government's expenditure plan exhibiting the greatest changes in value or per cent.

The Integrated Monitoring Database has been updated with proposed spending adjustments in Supplementary Estimates (A).

Table 1. Largest \$ Changes in Programs: Supplementary Estimates (A) compared to Total Budgeted to date¹

Organization	Program	\$ Δ (000s)	% Δ ²	Explanation from Estimates
Atomic Energy of Canada	Research and Development	236,300	673%	<i>Funding to meet operational requirements at Chalk River Laboratories</i>
Public Safety and Emergency Preparedness	Emergency Management	230,000	138%	<i>Financial assistance to provincial and territorial governments through the Disaster Financial Assistance Arrangements</i>
Indian Affairs and Northern Development	Cooperative Relationships	166,989	42%	<i>Grants to First Nations to settle specific claims</i>
VIA Rail	Passenger Rail Services	99,000	53%	<i>Employee pension fund top-up</i>
Agriculture and Agri-food	Science, Innovation and Adoption	63,719	21%	<i>Cost-Shared programming in Innovation, Competitiveness and Industry Capacity under Growing Forward 2</i>
Agriculture and Agri-food	Agri-Business Development	45,075	313%	
Agriculture and Agri-food	Food Safety and Biosecurity	44,894	70%	
Agriculture and Agri-food	Business Risk Management	40,488	3%	<i>Funding in support of Business Risk Management programming under Growing Forward 2</i>
Agriculture and Agri-food	On-Farm Action	37,006	129%	<i>Cost-Shared programming in Market Development, and Adaptability and Industry Capacity under Growing Forward 2</i>
Agriculture and Agri-food	Trade and Market Development	27,607	18%	

1. All programs listed in the 2013-14 Estimates with total authorities above \$10 million.

2. The growth rate is calculated as the percentage change relative to 2013-14 Total Cumulative Authorities.

Table 2. Largest % Changes in Programs: Supplementary Estimates A compared to Total Budgeted to date¹

Organization	Program	\$ Δ (\$000s)	% Δ ²	Explanation from Estimates
Atomic Energy of Canada	Research and Development	236,300	673%	Funding to meet operational requirements at Chalk River Laboratories
Agriculture and Agri-food	Agri-Business Development	45,075	313%	Growing Forward 2
Public Safety and Emergency Preparedness	Emergency Management	230,000	138%	Financial assistance to provincial and territorial governments through the Disaster Financial Assistance Arrangements
Agriculture and Agri-food	On-Farm Action	37,006	129%	Growing Forward 2
Canadian Grain Commission	Quality Assurance Program	6,270	75%	Funding for workforce adjustment costs as a result of changes to the Canada Grain Act
Agriculture and Agri-food	Food Safety and Biosecurity	44,894	70%	Growing Forward 2
VIA Rail	Passenger Rail Services	99,000	53%	Employee pension fund top-up
Atomic Energy of Canada	Facilities and Nuclear Operations	24,000	36%	Funding to meet operational requirements at Chalk River Laboratories
Canadian Institutes of Health Research	Health Research Commercialisation	11,227	26%	Grants for Centres of Excellence for Commercialization and Research
Agriculture and Agri-food	Science, Innovation and Adoption	63,719	21%	Growing Forward 2

1. All programs listed in the 2013-14 Estimates with total authorities above \$10 million.

2. The growth rate is calculated as the percentage change relative to 2013-14 Total Cumulative Authorities.