



# Supplementary Estimates (A) 2016-17



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The mandate of the Parliamentary Budget Officer (PBO) is to provide independent analysis to Parliament on the state of the nation's finances, the Government's estimates and trends in the Canadian economy; and, upon request from a committee or parliamentarian, to estimate the financial cost of any proposal for matters over which Parliament has jurisdiction.

This note presents detailed analysis of the first supplement to the Government's Main Estimates for the 2016-17 fiscal year.

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# Table of Contents

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<b>Executive Summary</b>	<b>1</b>
<b>1. How Does the Government Get Money to Spend?</b>	<b>2</b>
<b>2. What's Notable in These Supplementary Estimates?</b>	<b>2</b>
2.1.    Aligning the Budget and the Estimates	2
2.2.    Largest Supplementary Estimates in over a decade	4
<b>3. New Spending by Policy Area</b>	<b>6</b>
3.1.    Economic Affairs	7
3.2.    Social Affairs	9
3.3.    International Affairs	11
3.4.    Government Affairs	11
<b>Notes</b>	<b>13</b>

# Executive Summary

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The first Supplementary Estimates for the 2016-17 fiscal year outline \$1.3 billion in additional net budgetary spending. The Estimates request \$7.0 billion from Parliament in “voted” authorities (the largest such amount in a decade), and partially offset that with a decrease of \$5.7 billion in “statutory” authorities related to the cessation of the Universal Child Care Benefit (UCCB).

These Supplementary Estimates are historically large because, for the first time since the 2007 renewal of the Expenditure Management System (EMS), the Government has incorporated a significant number of new measures from the recent Budget. As was originally intended almost one decade ago, presenting a “Budget implementation” supplementary estimates will ensure parliamentarians are more easily able to scrutinize major legislative aspects of Budget 2016 in concert (this includes Bills C-2 and C-15, currently before the Senate and House of Commons, respectively).

These Estimates have also returned to the practice of providing a reconciliation table between the Estimates and the Budget, granting Parliament with additional ability to provide scrutiny to the Government’s finances.

The PBO is encouraged by the Government’s continued progress on addressing the recommendations for Estimates renewal presented in the Seventh Report of the House of Commons Standing Committee on Government Operations and Estimates.

The majority of the new funds requested in these Supplementary Estimates relate to infrastructure pledges outlined in Budget 2016. Of the \$7.0 billion requested in voted authorities, \$3.9 billion is devoted to infrastructure spending. Largest among these is \$1.4 billion for the Office of Infrastructure of Canada to set up funds for public transit and wastewater infrastructure, and \$1.1 billion for Canada Mortgage and Housing Corporation to address indigenous and low-income housing needs. Both are classified under Economic Affairs in the Whole of Government framework.

Social Affairs will receive the largest decrease in spending, (9.2 per cent, \$4.8 billion), mostly as result of the cessation of the UCCB and its replacement with the new Child Care Benefit (CCB) as outlined in Budget 2016. As the CCB is administered through the tax system, this spending is not reflected in the Estimates.

# 1. How Does the Government Get Money to Spend?

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The Government presents five separate appropriation bills to Parliament each year to obtain annual spending authority. The first two are the largest and correspond to the Government's Main Estimates, which seek authority for roughly 95 per cent of the total spending in a given year. The other three appropriation bills correspond to the Supplementary Estimates, through which the Government seeks Parliament's approval to spend money on initiatives that were "either not sufficiently developed...at the time of the Main Estimates...or...have been further refined...".

Following the 2007 renewal of the Expenditure Management System (EMS), the Government has presented a separate appropriation bill to Parliament for each of the three parliamentary supply periods ending June 23, December 10, and March 26.

Supplementary Estimates (A) corresponds to the first supply period. In the past, the Government indicated that the primary purpose of the first supplementary estimates is to reflect many of the new spending measures included in its recent budget. However, in practice, legislative authority to spend on new budget proposals is sought throughout the year with the second and third supplementary estimates, or even in subsequent years.

## 2. What's Notable in These Supplementary Estimates?

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### 2.1. Aligning the Budget and the Estimates

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Building on the Government's commitment to rectify "the lack of alignment between the Budget and Estimates...and [address] the resulting effect on transparency<sup>1</sup>", these Supplementary Estimates (A) contain two important improvements.

First, for the first time since the 2007 renewal of the EMS, the Government has incorporated a significant number of new measures from the recent Budget. As was originally intended almost one decade ago, presenting a “Budget implementation” supplementary estimates will ensure parliamentarians are more easily able to scrutinize major legislative aspects of Budget 2016 in concert (this includes Bills C-2 and C-15, currently before the Senate and House of Commons, respectively).<sup>2,3</sup>

Second, the Government has returned to its previous practice of publishing a reconciliation table between the Budget and Estimates documents. As noted by the Parliamentary Budget Officer in the past, there is a growing gap between planned spending in the Budget and Estimates, owing to large components of Government spending that are not funded from the Consolidated Revenue Fund (for example, Employment Insurance is funded through a separate account, and the new Canada Child Benefit is administered through the tax system).<sup>4</sup> While not a panacea, a reconciliation of the Government’s two principle spending documents should enhance parliamentary financial scrutiny.

As noted by the PBO in its recent analysis of the Main Estimates for 2016-17, the Government continues to make progress on addressing the recommendations for Estimates renewal presented in the Seventh Report of the House of Commons Standing Committee on Government Operations and Estimates presented to the 41st Parliament (Box 2-1).<sup>5,6</sup>

### **Box 2-1      The long road to estimates reform**

The Seventh Report of the House of Commons Government Operations and Estimates Committee examined the process of reviewing and scrutinizing the Government’s spending plans. It also issued a series of recommendations to enhance Parliament’s ability to scrutinize how the Government proposed to spend taxpayer money.

The recommendations were balanced between changes Parliament needed to make to its own processes, as well as changes that the Government was to have made regarding the content and form of documents presented to parliamentarians.

Most of the procedural recommendations pertaining to Parliament’s financial scrutiny processes have been implemented (for example, dedicating meetings to background briefings on the estimates process). As well, the Government made efforts to address many of the recommendations pertaining to its work.

One notable exception was the Government’s rejection of a recommendation for a fixed Budget date in early winter, which would therefore allow new spending measures to be incorporated in the Main Estimates for the coming fiscal year.

**Box 2-1** continued

At the time, the Government argued that it required discretion regarding the timing of the Budget to accommodate economic developments. This was certainly the case with *Budget 2016*, where the economic forecast was presented a month prior to the actual Budget document.

The President of the Treasury Board maintains the position that the Government will not move to a fixed Budget date. As an alternative, he has proposed that the Main Estimates be deferred until after the start of the fiscal year, to ensure that new Budget items will be accommodated. As noted in the President's February 2016 presentation to his colleagues, a key success factor in ensuring new Budget measures are able to be incorporated in the Main Estimates will be reforming internal Treasury Board approval processes, which can currently take up to 12 months to approve the terms and conditions of a new program announced in the Budget.

## 2.2. Largest Supplementary Estimates in over a decade

Owing to the Government's unprecedented ability to expedite internal scrutiny and approval procedures, new Budget 2016 measures make this the largest Supplementary Estimates in over a decade (Box 2-2).

Overall, there is \$1.3 billion in net additional spending. Of this net total, these estimates request \$7.0 billion in "voted" spending, which are amounts that require the approval of Parliament. These voted authorities are offset by a decrease of \$5.7 billion in "statutory" spending (Table 2-1).

**Table 2-1** Supplementary Estimates (A) 2016-17: Total authorities

\$ millions	<b>Budgetary</b>	<b>Non-budgetary</b>
<b>Voted</b>	6,984	30
<b>Statutory</b>	-5,719	0
<b>Total</b>	1,265	30

Source: Treasury Board of Canada Secretariat.

Statutory amounts relate to spending for which legislative authority already exists and their inclusion in the Estimates documents is for information only. Most of the decrease in these Supplementary Estimates relates to the cancellation of the Universal Child Care Benefit (UCCB). As the UCCB will be replaced by a new Canada Child Benefit administered through the tax system, federal spending on childcare will now largely be excluded from the Estimates.

### Box 2-2 Most *Budget 2016* measures now before Parliament

These Supplementary Estimates contain 33 policy measures from *Budget 2016* totalling \$5.9 billion, including most of the planned increase for infrastructure spending.

Combined with Bills C-2 and C-15 that are currently being considered by Parliament, this means that over half of all Budget 2016 measures and most new spending is on track to be approved before the summer parliamentary recess.

Previous PBO reports have noted that most new spending measures from the Budget are typically deferred until the fall or later before they are brought before Parliament for approval. Presenting Budget items in a more timely manner should reduce the likelihood of lapsed funding, as departments will have more time in the fiscal year to spend money.

In addition, it should also be of benefit to parliamentarians, as they are able to review the Budget items in a cohesive package. The President of the Treasury Board has identified this as a “good practice” in other parliaments, including Australia, which tables the Budget and Estimates as a single comprehensive package prior to the beginning of the relevant fiscal year.

The net increase in proposed spending would bring total budgetary authorities to \$251.4 billion in 2016-17. Based on the reconciliation table published in the Supplementary Estimates, this is consistent with the spending plan outlined in *Budget 2016*, assuming a lapse of \$6.1 billion.

The Budget 2016 measures outlined in these Supplementary Estimates (A) total \$5.9 billion, with a further \$2.0 billion likely to appear in future Estimates documents (Table 2-2).

Table 2-2 *Budget 2016* cash measures provided with funding in these Supplementary Estimates (A) for 2016-17

	\$ millions	<b>Budget 2016</b>	<b>SEA 2016-17</b>
<b>Housing Investment</b>		1,359	1,387
<b>Infrastructure investment</b>		3,967	3,765
<b>Other measures</b>		2,578	770
<b>Total</b>		<b>7,904</b>	<b>5,922</b>
<b>Measures not in the Estimates<sup>7</sup></b>		3,665	0

Sources: Budget 2016 and Supplementary Estimates (A) 2016-17.

Legend: SEA = Supplementary Estimates (A) 2016-17.



## 3. New Spending by Policy Area

Figure 3-1 Whole of Government spending authorities

Thematic Spending Area	Estimates to date (2016-17) (\$ millions)	Supplementary Estimates (A) (\$ millions)	Revised Total (\$ millions)	Change (per cent)	
<b>Economic Affairs</b>	<b>168,320</b>	<b>5,068</b>	<b>173,387</b>		<b>3.0%</b>
Strong economic growth	104,845	3,744	108,589		3.6%
Income security and employment for Canadians	54,648	24	54,672		0.0%
An innovative and knowledge-based economy	6,606	891	7,497		13.5%
A clean and healthy environment	1,692	399	2,091		23.6%
A fair and secure marketplace	528	11	538		2.0%
<b>Social Affairs</b>	<b>52,104</b>	<b>-4,791</b>	<b>47,314</b>		<b>-9.2%</b>
A diverse society that promotes linguistic duality and social inclusion	15,530	-5,491	10,039		-35.4%
A safe and secure Canada	28,167	268	28,435		1.0%
Healthy Canadians	6,416	195	6,611		3.0%
A vibrant Canadian culture and heritage	1,991	238	2,229		12.0%
<b>International Affairs</b>	<b>6,860</b>	<b>78</b>	<b>6,938</b>		<b>1.1%</b>
Global poverty reduction through international sustainable development	3,264	0	3,264		0.0%
A safe and secure world through international engagement	3,349	76	3,425		2.3%
A prosperous Canada through global commerce	240	2	242		0.8%
A strong and mutually beneficial North American partnership	7	0	7		0.0%
<b>Government Affairs</b>	<b>22,852</b>	<b>910</b>	<b>23,762</b>		<b>4.0%</b>
Well-managed and efficient government operations	20,465	903	21,368		4.4%
A transparent, accountable and responsive federal government	1,574	0	1,574		0.0%
Strong and independent democratic institutions	813	7	820		0.9%

Source: Treasury Board of Canada Secretariat.

The Government classifies each dollar it spends by policy category (Figure 3-1). There are four principal themes, and sixteen sub-themes. The main headings (economic, social, international and government) aim to capture the essence of the Government's spending.<sup>8</sup> Tracking appropriations and spending within this framework allows parliamentarians to focus on the policy aims and priorities of the Government.

### 3.1. Economic Affairs

The **Economic Affairs** heading has received the largest allocation of the new funds found within these Supplementary Estimates (A), an increase of \$5.1 billion (3.0 per cent) over pre-Budget estimates. The majority of these appropriations relate to infrastructure spending under the sub-heading "*Strong economic growth*" (up \$3.7 billion, or 3.6 per cent). The bulk of these funds (\$3.2 billion) are directed toward three programs (Table 3-1).

**Table 3-1** Three largest spending increases within "*Strong economic growth*"

<b>Department</b>	<b>Program</b>	<b>New funds</b> (\$ millions)	<b>Increase</b> (%)
INFC	Investments in National Infrastructure Priorities	1,370	786
CMHC	Funding for New Commitments of Affordable Housing	1,070	374
INAC	Infrastructure and Capacity	740	61

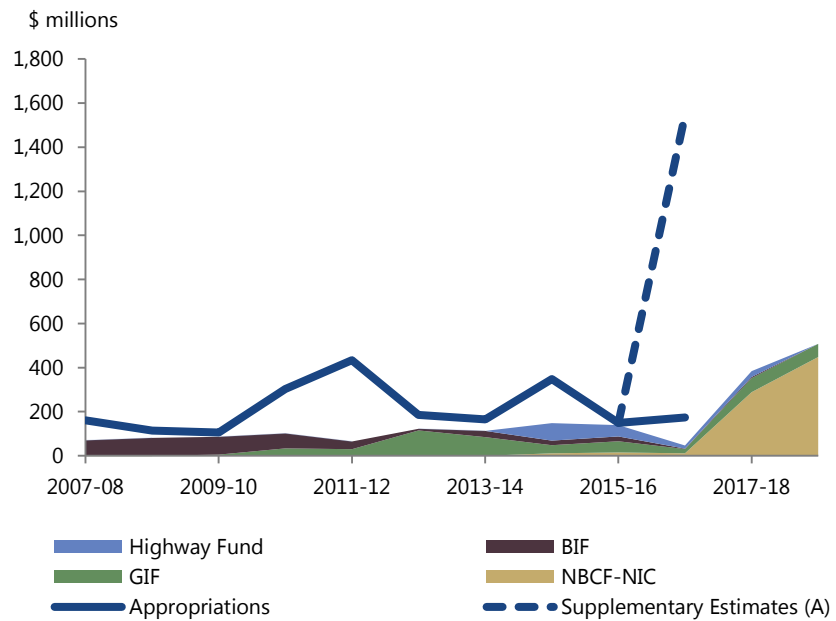
Source: Supplementary Estimates (A) 2016-17.

Legend: INAC = Indigenous and Northern Affairs Canada, CMHC = Canada Mortgage and Housing Corporation, INFC = Office of Infrastructure of Canada

The Office of Infrastructure of Canada (INFC) is set to receive \$1.37 billion in additional funds mostly to set up two new funds pledged in Budget 2016: the Public Transit Infrastructure Fund (\$844 million) and the Clean Water and Wastewater Fund (\$497 million). These funds will join four other funds existing within the program: the Border Infrastructure Fund (BIF), the Green Infrastructure Fund (GIF), the National Infrastructure component of the New Building Canada Fund (NBCF-NIC), and a fund to build a highway from Inuvik to Tuktoyaktuk.

Large infrastructure projects can be complicated, and maintaining strict timelines can be difficult.<sup>9</sup> Correspondingly, the INFC program has traditionally not disbursed all of their appropriated funds in the given year, particularly for newly created Funds (Figure 3-2).<sup>10</sup> Parliamentarians may wish to enquire as to the feasibility of the program successfully disbursing the planned budget in the current fiscal year.

**Figure 3-2 Historical and planned spending for funds within the “Investments in National Infrastructure Priorities” program**



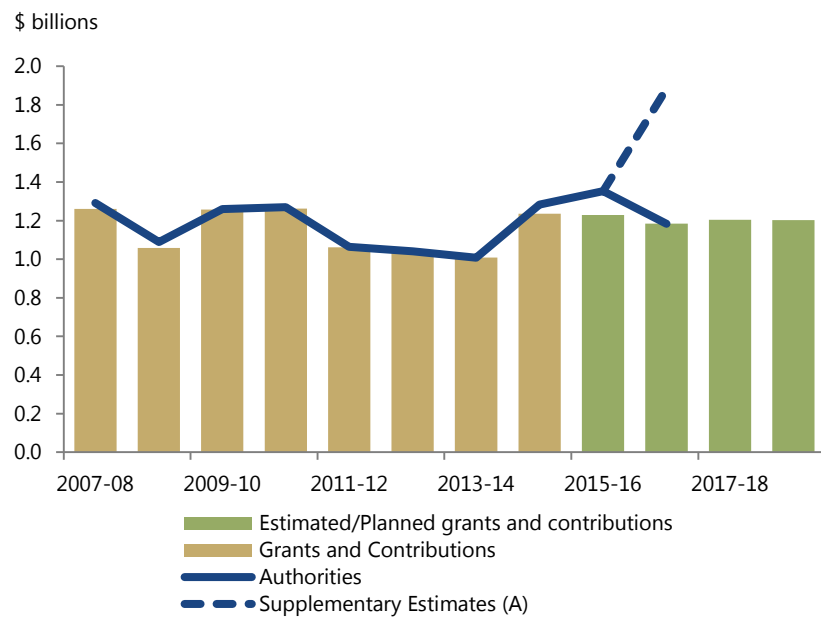
Sources: Office of Infrastructure of Canada and Supplementary Estimates (A) 2016-17.

Note: The Office of Infrastructure of Canada has not yet published planned spending figures related to the Public Transit Infrastructure Fund and Clean Water and Wastewater Fund.

The Indigenous and Northern Affairs Canada (INAC) Infrastructure and Capacity program has historically been more successful in spending all of its allotted funds in a given fiscal year (Figure 3-3). The new funds in these Supplementary Estimates (A) are for a variety of projects relating to First Nations reserve infrastructure, including additional funds for on-reserve housing, cultural infrastructure, as well as wastewater and waste management infrastructure.

The ability of INAC to successfully distribute funds is partly due to the smaller scale of the projects and partly due to a proposal system whereby First Nations submit proposals for funding.<sup>11</sup> As demand for First Nations infrastructure on reserves is high, funds are quickly provided to First Nations. However, First Nations must then implement the project successfully, often a difficult endeavour.<sup>12</sup> In contrast, the INFC funds are cost-sharing programs that share expenses proportionally with partner governments and organizations.<sup>13</sup> These two disbursement methods vary in the timing of the flow of funds, and in the level of control exercised by the Government.

**Figure 3-3** Historical and planned spending for the “Infrastructure and Capacity” program



Sources: Indigenous and Northern Affairs Canada and Supplementary Estimates (A) 2016-17.

Also within **Economic Affairs**, the Government has provided funding to continue the Contaminated Sites Action Plan (CSAP). The CSAP is a 15-year, three-phase, program established in 2005.<sup>14</sup> Funding to renew this program was absent in the 2016-17 Main Estimates, and these Supplementary Estimates (A) provide \$254.2 million for departments to continue their work under the CSAP.

## 3.2. Social Affairs

Overall spending on **Social Affairs** decreased 9.2 per cent (\$4.8 billion), mostly as a result of a 35.4 per cent fall in planned spending under the “A diverse society that promotes linguistic duality and social inclusion” sub-heading. This decrease is a result of revised plans for children’s benefits outlined in Budget 2016. These changes involve increasing spending on children by around \$4.5 billion per year by eliminating the Universal Child Care Benefit (UCCB), the National Child Benefit supplement (NCB), and the Canada Child Tax Benefit (CCTB) in favour of a new Child Care Benefit (CCB) to be administered through the income tax system.<sup>15</sup>

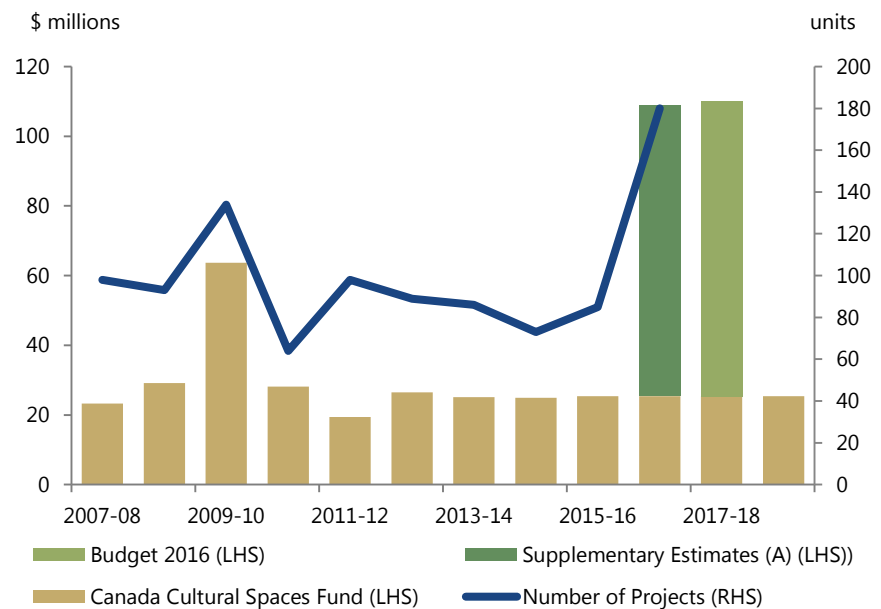
As a consequence of these changes, Supplementary Estimates (A) outlines a decrease of \$5.8 billion related to the removal of the UCCB. However, the savings associated with the NCB and the CCTB, as well as the new cost of the

CCB, are not outlined. This lack of detail reflects the different treatment of tax expenditures as compared to voted and statutory spending changes, which parliamentarians either approve (voted measures) or examine (statutory spending).

Another notable spending variation under the **Social Affairs** heading is a 12.0 per cent increase in funds for the sub-heading “A vibrant Canadian culture and heritage”. This increase stems from the Government’s emphasis on infrastructure, with Canadian Heritage receiving \$83.4 million (an increase of 72 per cent) for the Canada Cultural Spaces Fund, and the National Arts Centre Corporation (\$38.0 million, a 48 per cent increase) and the National Museum of Science and Technology \$46.6 million, a 76 per cent increase) both receiving funds for infrastructure renewal.

The Canada Cultural Spaces Fund provides grants and contributions towards the improvement of physical spaces devoted to artistic expression. Budget 2016 pledged \$168.2 million over two years to the fund to more than double the number of projects from 85 to 180 (Figure 3-4).

**Figure 3-4** More funds for cultural spaces than in recent history



Source: Canadian Heritage.

Note: Values for the fiscal year 2016-17 and beyond represent planned values.

### 3.3. International Affairs

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The **International Affairs** heading received an additional \$78 million in funds, and increase of 1.1 per cent. The majority of this increase arises from funds provided to Global Affairs Canada (GAC) to negotiate a new Softwood lumber agreement with the United States (\$29.5 million, a 3.1 per cent increase in the envelope for the Diplomacy, Advocacy, and International Agreements program), as well as additional funds associated with the Syrian refugee crisis, spread across various departments.

### 3.4. Government Affairs

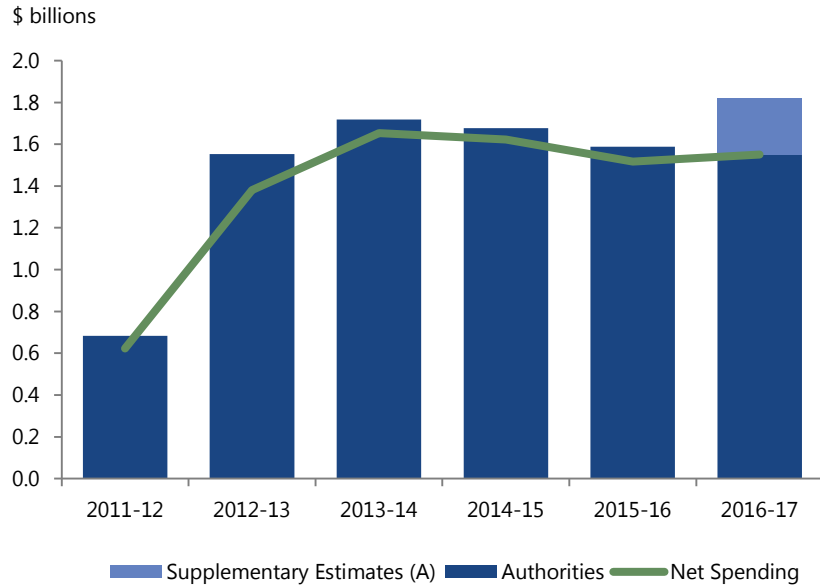
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Within **Government Affairs** the increases in authorities stem from increased investment in federal infrastructure. These Supplementary Estimates propose \$910 million in new funds for **Government Affairs** (a 4.0 per cent increase in authorities), almost entirely infrastructure related and within the sub-heading "Well-managed and efficient government operations".

The largest of the increases provides \$332 million to the Public Services and Procurement Canada (PSPC) program Accommodation and Real Property Assets Management, a 15.2 per cent increase over pre-Budget estimates. A further \$118 million (a 38 per cent increase in program-level funding) has been provided to Fisheries and Oceans to replace ageing infrastructure and improve federal property.

The bulk of the remaining funds, \$272 million, are directed toward Shared Services Canada (SSC) to maintain mission critical information technology infrastructure, as well as to improve cyber security and other projects. This increase represents a 19.6 per cent increase in to-date appropriations. This represents the largest ever level of appropriations for the department, which was created in 2011 to improve the efficiency of federal information technology spending (Figure 3-5).

**Figure 3-5 Historic Funding for Shared Services Canada**



Sources: Public Accounts of Canada, and Shared Services Canada.

A 2015 Auditor General report noted that there were management issues within Shared Services Canada when implementing IT infrastructure projects.<sup>16</sup> Specifically:

...Shared Services Canada (SSC) has made limited progress in implementing key elements of its transformation plan, and it has challenges in adequately demonstrating that it is able to meet its objectives of maintaining or improving IT services and generating savings. .... Furthermore, although SSC has reported that it is generating savings, it does not have consistent practices in place to demonstrate that government-wide savings are being achieved or to recognize that there are partner costs involved in all transformation projects.

*-2015 Fall Report of the Auditor General of Canada.  
Report 4 – Information Technology Shared Services.*

Consistent with the Government’s commitment in ministerial mandate letters to “develop effective measures that assess the impact of the organizations for which you are answerable”, parliamentarians may wish to ensure that SSC has concrete management plans for the projects involved with these new requested funds.

# Notes

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- 1 President of the Treasury Board. Testimony to the Standing Senate Committee on National Finance. April 19, 2016.  
<http://www.parl.gc.ca/content/sen/committee/421/NFFN/52507-E.HTM> .
- 2 Bill C-2 (42nd Parliament, 1st Session) is an Act to amend the Income Tax Act and corresponds with the Middle Income Tax Cut. Available at:  
<http://www.parl.gc.ca/LegisInfo/BillDetails.aspx?Language=E&Mode=1&billId=8062279&View=4>
- 3 Bill C-15 (42nd Parliament, 1st Session) Budget Implementation Act, 2016, No.1. Available at:  
<http://www.parl.gc.ca/LegisInfo/BillDetails.aspx?Language=E&Mode=1&billId=8196581&View=4>
- 4 Parliamentary Budget Officer (2014). The Government's Expenditure Plan for 2014-15. Available at:  
[http://pbo-dpb.gc.ca/web/default/files/files/files/2014-15\\_Main\\_Estimates\\_Report\\_EN.pdf](http://pbo-dpb.gc.ca/web/default/files/files/files/2014-15_Main_Estimates_Report_EN.pdf)
- 5 Parliamentary Budget Officer. (2016). The Government's Expenditure Plan for 2016-17. Available at: [http://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/2016/Mains%202016-17/Main%20Estimates%202016-17\\_EN.pdf](http://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/2016/Mains%202016-17/Main%20Estimates%202016-17_EN.pdf)
- 6 Canada. Parliament. House of Commons. Standing Committee on Government Operations and Estimates. (2012, June). Strengthening Parliamentary scrutiny of Estimates and Supply. 7th report. 41st Parliament. 1st Session. Available at:  
<http://www.parl.gc.ca/content/hoc/Committee/411/OGGO/Reports/RP5690996/oggorp07/oggorp07-e.pdf>
- 7 Measures not in the Estimates include such item as the Middle Class Tax Cut, the Child Care Benefit, Employment Insurance measures, and other tax measures.
- 8 A good description of each heading and sub-heading can be found at the TBS InfoBase: <http://www.tbs-sct.gc.ca/ems-sgd/edb-bdd/index-eng.html#goco>
- 9 See Bent Flyvbjerg (2005). Policy and Planning for Large Infrastructure Projects: Problems, Causes, Cures. World Bank Policy Research working paper. Available at: <http://flyvbjerg.plan.aau.dk/0512DRWBPUBL.pdf>
- 10 As an example, in its first year of operation, 2014-15, the New Building Canada Fund-National Infrastructure Component received a \$115 million spending envelope, but only disbursed \$11 million.



- 11 Indigenous and Northern Affairs Canada - Evaluation of the First Nation Infrastructure Fund. Available at: <http://www.aadnc-aandc.gc.ca/eng/1414522582745/1414522638694#chp3>
- 12 Ibid. Some examples difficulties include issues with contractors overdesigning projects and difficulty managing funds when construction seasons do not match with funding disbursement timing.
- 13 Infrastructure Canada – Final Report: Joint Evaluation of Infrastructure Canada's Canada Strategic Infrastructure Fund and Border Infrastructure Fund. Available at: <http://www.infrastructure.gc.ca/pd-dp/eval/2014-csif-bif-fcis-fif-eng.html>
- 14 The Federal Contaminated Sites Action Plan:  
<http://www.federalcontaminatedsites.gc.ca/default.asp?lang=en>
- 15 Budget 2016: Annex 2 – Economic Impacts of Budget Measures. Available at: <http://www.budget.gc.ca/2016/docs/plan/toc-tdm-en.html>
- 16 2015 Fall Report of the Auditor General of Canada. Report 4 – Information Technology Shared Services: Audit at a Glance. Available at: [http://www.oag-bvg.gc.ca/internet/English/att\\_\\_e\\_41085.html](http://www.oag-bvg.gc.ca/internet/English/att__e_41085.html)