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Basic Facts on Federal Spending

January 1994

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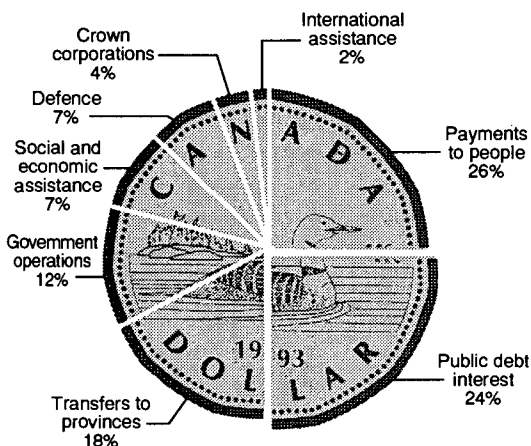
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SPENDING SUMMARY

- The federal government spent \$161.9 billion last year (April 1, 1992 – March 31, 1993). This was equal to nearly 24 per cent of Canada's annual economic output.
- Spending exceeded revenues by \$40.5 billion – the annual *deficit*. Most of this money was borrowed from financial markets.
- The *federal debt* – the sum of past federal deficits – reached over \$465 billion at the end of 1992-93 (equal to 68 per cent of Canada's annual economic output). Foreign holdings of Government of Canada debt were \$98 billion at the end of 1992-93.
- Interest payments on the debt cost the government \$39.4 billion last year – or 24 cents of every dollar spent. This was the government's second biggest expense category (exceeded only by payments to people, which includes old age security and unemployment insurance).
- Federal spending, excluding interest payments, is called *program spending* – as it supports the programs and services government provides. Last year, program spending was \$122.5 billion, in seven major categories:
 - Payments to people;
 - Transfers to other levels of government;
 - Other social and economic assistance;
 - Defence;
 - Subsidies to Crown corporations;
 - International assistance; and
 - Government operations.

Budgetary expenditures – \$161.9 billion



- More than half of all program spending (\$70.7 billion) involves cash payments that go directly to people, or to other levels of government.
- The following sections give highlights of each program spending category. They also indicate areas where payments linked to the tax system – including credits and refunds – further help assist Canadians, even though these are not considered budgetary spending.

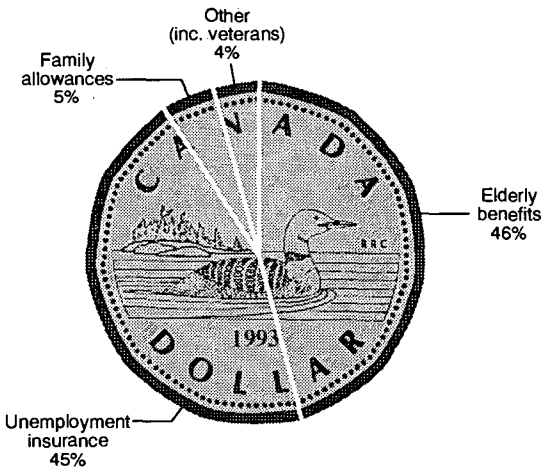
PAYMENTS TO PEOPLE

The federal government spent \$41.9 billion on direct income support for individuals last year. These payments account for more than a quarter of all federal spending – the single largest category – and fall under a range of programs.

The elderly: Nearly half of all payments to individuals go towards income support for elderly Canadians, one of the fastest growing areas of program spending.

Last year, over three million seniors received \$19.1 billion through three programs: old age security (OAS) payments – \$14.4 billion;

Payments to people – \$41.9 billion



the guaranteed income supplement (GIS) – \$4.3 billion; and spouses' allowances. About 75 per cent of these funds went to individuals with yearly family incomes under \$30,000.

Veterans' benefits: Direct spending on veterans' disability pensions and other veterans' allowances and benefits exceeded \$1.4 billion.

The unemployed: Unemployment insurance payments exceeded \$19 billion in 1992-93. This was an increase of 5.2 per cent over 1991-92.

Child benefits: The government made direct cash payments of \$2.2 billion under the family allowance program in 1992-93. These went to some 3.7 million families with dependent children under 18 years.

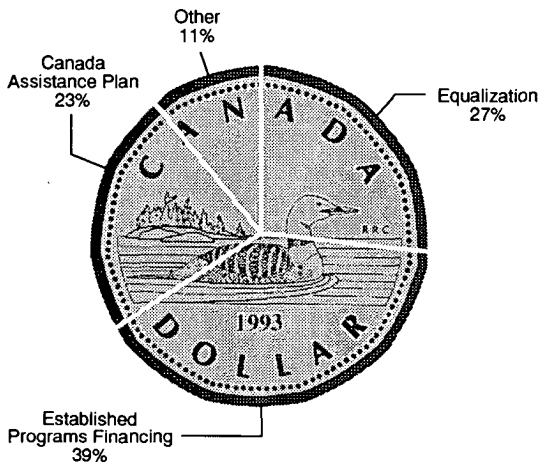
Further assistance to families was provided through the dependent Child Credit and refundable Child Tax Credit. These benefits were subtracted from income tax revenues and were not included in budgetary spending.

Starting January 1, 1993, all three programs – family allowance, and the two tax credits – were replaced by a new program, the Child Tax Benefit. This new tax credit enriches assistance to low- and modest-income families. Maximum benefits are available only to families with net incomes under \$21,000; over that amount, benefits begin to be taxed back.

Under both the new and old programs, benefits for children totalled over \$5 billion in 1992-93.

Additional federal support for many families came through the GST Credit. These were cash payments of \$2.5 billion to assist low- and modest-income Canadians. Since these payments are subtracted from GST revenues, they are not included in budgetary spending.

Transfers to other levels of government (cash portion) – \$28.8 billion



TRANSFERS TO OTHER LEVELS OF GOVERNMENT

In 1992-93, the federal government provided \$40.5 billion in both cash and tax transfers to provincial, territorial and municipal governments.

- Direct cash payments were \$28.8 billion – or 18 cents of every spending dollar.
- A further \$11.7 billion took the form of “tax point transfers”. These provide provincial governments with a portion of taxes that would otherwise go to the federal government.

Most transfers to provinces fall under three major programs: Established Programs Financing, Equalization and the Canada Assistance Plan.

Established Programs Financing (EPF):

Under EPF, the government provides equal per-person amounts to the provinces to assist them in providing health care and post-secondary education services according to provincial priorities. Nearly \$11.2 billion in cash payments were made last year. Tax point transfers gave provinces another \$11.1 billion.

Equalization: Equalization funding helps ensure that all provinces, regardless of economic capacity, can provide similar levels of public services at reasonably comparable levels of taxation. A long-established formula is used to determine which provinces need equalization funding and how much they will receive.

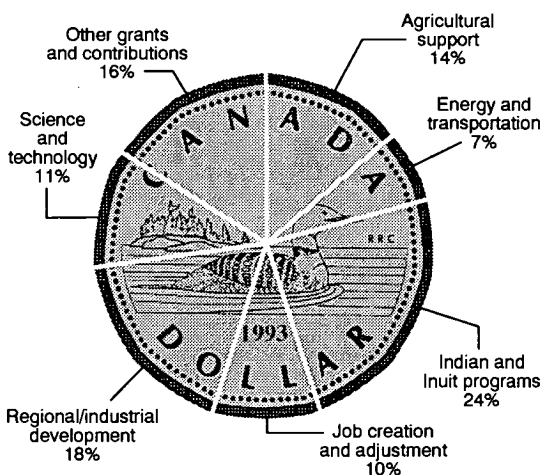
In 1992-93, a total of \$7.4 billion in equalization support was paid to all provinces except the three with above-average incomes – Alberta, British Columbia and Ontario.

Canada Assistance Plan (CAP): Federal CAP contributions help all provinces provide social assistance and social services to needy Canadians. Total cash payments in 1992-93 amounted to nearly \$6.7 billion.

In 1990, spending-control legislation limited the increase in federal CAP payments to the three higher-income provinces – Alberta, British Columbia and Ontario – to no more than 5 per cent yearly. For all other provinces, the federal government has continued to match provincial social assistance spending dollar for dollar.

Other transfers to governments: Other cash transfers include payments to territorial governments to help them provide services and grants; to municipal governments, in place of property taxes; and for shared-cost programs such as legal aid, young offenders, and agriculture. Last year, such payments totalled about \$3.2 billion.

Social and economic programs – \$12 billion



OTHER SOCIAL AND ECONOMIC PROGRAMS

The government spent \$12 billion last year on other social and economic programs. The largest shares of this spending went for Indian and Inuit programs, and regional/industrial development.

Programs for Indian and Inuit peoples:

Direct spending by the Department of Indian Affairs and Northern Development (DIAND) on services and programs for aboriginal peoples was about \$2.8 billion.

This includes funding for education, social assistance and welfare services, economic development, land claim negotiations and settlements, and for physical capital improvements to reserves.

Beyond this direct spending, many other federal departments have programs that assist aboriginal Canadians. For example, Health Canada provided services totalling about \$600 million.

As a result, total federal spending related to aboriginal Canadians last year – including administrative costs and activities by Crown corporations – was about \$5 billion.

Industrial and regional development:

Funding in 1992-93 was \$2.2 billion. This covers spending by Industry Canada and other departments, and by the Atlantic Canada Opportunities Agency, the Department

of Western Economic Diversification, and the Federal Office of Regional Development – Quebec.

Federal support for **job creation and training** in 1992-93 was \$1.3 billion, primarily through the Canadian Jobs Strategy.

Further support for training is provided through the Unemployment Insurance Account. As a result, total spending on training and worker adjustment last year was about \$3.5 billion.

Agricultural support in 1992-93 was \$1.7 billion, including aid for grain farmers affected by depressed world markets.

Science and technology assistance came to \$1.3 billion, provided through the three major university research councils and other programs.

The government also supports technology and research through the work of government departments and agencies which are budgeted under Government Operations (see page 14). As well, further support (over \$1 billion) is provided through the Scientific Research and Experimental Development tax credit for businesses. This brings total federal spending related to science and technology to \$7 billion.

Energy and transportation transfers last year amounted to just under \$0.9 billion. A major element was rail subsidies under the *Western Grain Transport Act*.

Other spending under economic and social programs also includes a wide range of **grants and contributions** for individuals and organizations. It also contains financial accounting provisions covering items such as possible losses on loans to businesses or students. Last year, this spending totalled \$1.9 billion, including:

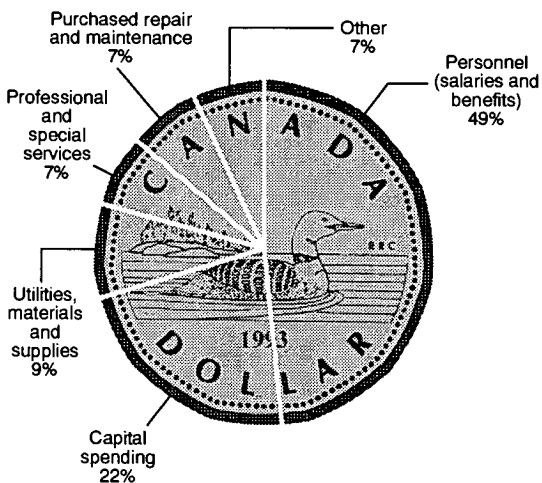
- assistance to students of \$500 million;
- payments regarding international affairs – such as Canada's contribution to the United Nations and other agencies – at \$400 million;
- spending related to Canada's two official languages of \$320 million; and
- fisheries programs – mostly support for East Coast fishermen affected by the cod fishing moratorium and other restrictions – at \$270 million.

Further social spending also includes: support for immigration, citizenship and multicultural programs; community cultural programs and institutions; and support for athletic and fitness related programs.

DEFENCE

- Defence spending in 1992-93 amounted to \$11 billion. Of this, about half went to wages and salaries and related employment costs.
- The second largest category was capital spending, including the frigate construction program and air defence development.
- Professional and special services includes architectural services; technical, project management and other consultants; and commissionaires.

Defence – \$11 billion

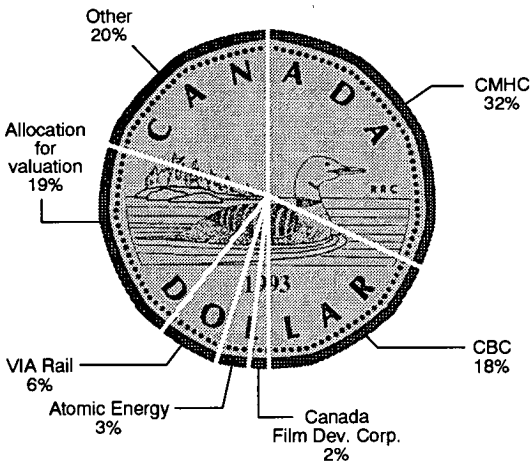


CROWN CORPORATIONS

Budgetary funding of Crown corporations last year came to nearly \$6.2 billion. However, this included accounting adjustments recommended by the Auditor General, to better reflect the "realizable value" of the government's investment in its corporations.

- About \$2 billion in direct funding went to the Canada Mortgage & Housing Corporation (CMHC). In addition to assisting the housing industry and providing mortgage insurance, CMHC provides housing and shelters for low-income Canadians, natives on reserves, the disabled and the victims of family violence.

Crown corporations – \$6.2 billion



- Another \$1.1 billion was for the CBC.
- The remaining \$3 billion represents support for other cultural agencies, such as the National Film Board and Film Development Corporation, and national museums; funding for Crown corporations in the commercial sector, such as VIA Rail (\$366 million) and Atomic Energy of Canada (\$180 million); and the valuation adjustment.

INTERNATIONAL ASSISTANCE

Last year, direct federal government support for international aid was \$2.8 billion. This covered bilateral and multilateral aid, food, special development programs and emergency relief. However, this figure does not include salaries and administration costs of the Canadian International Development Agency (CIDA), which fall under Government Operations.

GOVERNMENT OPERATIONS

Spending on government operations (excluding Defence) reached \$19.8 billion in 1992-93. This amount – essentially the net cost of running the government itself and delivering programs to Canadians – represents just about 12 per cent of total federal budgetary spending.

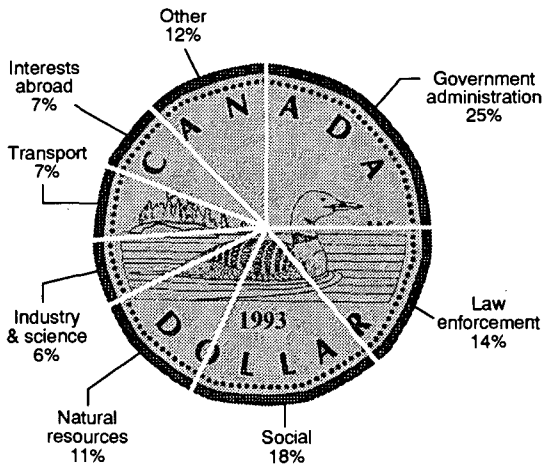
This spending is in support of a wide range of federal programs and services, such as:

Social programs (\$3.6 billion): Includes spending to operate unemployment insurance; to deliver training and education programs; and for health services to Indian and Inuit peoples.

Law enforcement (\$2.8 billion): Includes spending on the RCMP and correctional services, and operations of the federal justice system (courts, judges and parole system).

Natural resources (\$2.2 billion): Includes operations in support of farm income programs; for agricultural research and inspections; and for fisheries and forestry programs.

Government operations – \$19.8 billion



Transport (\$1.3 billion): Includes government activities for regulating the transportation industry (rail and marine transport) and for managing federal airports.

Interests abroad (\$1.3 billion): Includes the cost of operating embassies and consulates, and for administration of foreign aid and assistance programs.

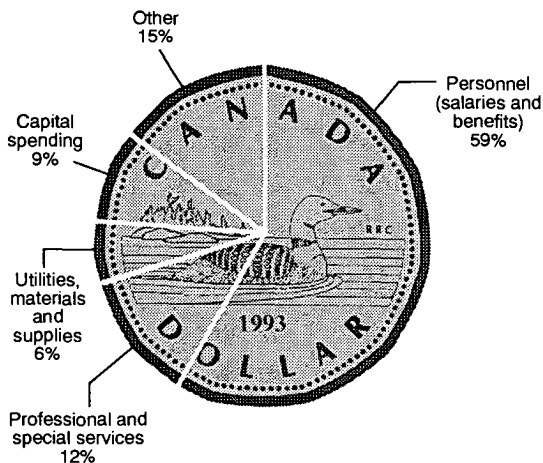
Industry and science (\$1.2 billion): Includes operating spending in support of science and technology activities, and administration of broadcasting regulation.

Government administration (\$5 billion): Includes tax collection and customs; operating Parliament (House of Commons and the Senate); managing federal office facilities and other realty; and recruiting and training of public servants.

Other (\$2.4 billion): As well, government administration costs support management of parks and historical sites; environmental protection and weather services; services to aboriginal Canadians; and regional development.

There are specific types of spending that take place in each of these categories: personnel costs (wages, salaries and benefits); capital spending on buildings, equipment and other material costs; and other operating costs – including travel, supplies, communications, training, maintenance, and professional and technical consultants.

Government operating spending



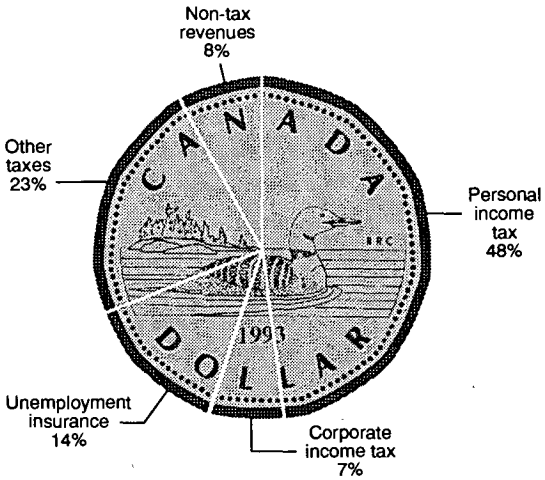
At more than \$13 billion last year, personnel costs represent the largest single area of operating spending. After deducting offsetting cost-recovery revenues, they totalled over half of operations costs.

WHERE THE MONEY COMES FROM

Federal revenues for the 1992-93 fiscal year were \$121.5 billion.

- **Personal income tax** payments were \$58.3 billion.
- **Corporate income tax** payments were \$8.3 billion.
- **Unemployment insurance contributions** by working Canadians and employers totalled \$17.5 billion. Workers paid about 40 per cent of the total.
- **Sales and excise taxes and duties** totalled \$26 billion last year. These tax revenues included:
 - Goods and Service Tax: \$14.9 billion
 - Customs import duties: \$3.8 billion
 - Excise taxes and duties: \$7.5 billion (cigarettes, alcohol)
- **Other tax revenue** of \$1.5 billion (consisting mostly of the non-resident tax).
- **Non-tax revenue** of \$9.8 billion. This consists of return on investments, various user fees, and profits on the government's foreign exchange fund account.

Budgetary revenues – \$121.5 billion



Budgetary expenditures – 1992-93

	Billions of dollars
Payment to people	41.9
of which:	
Elderly benefits	19.1
Veterans' benefits	1.4
Unemployment insurance	19.0
Family allowances	2.2
Transfers to other levels of government	28.8
of which:	
Established Programs Financing	11.2
Equalization	7.4
Canada Assistance Plan	6.7
Other transfers to governments	3.2
Other social and economic programs	12.0
of which:	
Programs for Indian and Inuit peoples	2.8
Industrial and regional development	2.2
Job creation and training	1.2
Agricultural support	1.7
Science and technology	1.3
Energy and transport	0.9
Other	1.9
Defence	11.0
Crown corporations	6.2
International assistance	2.8
Government operations	19.8
of which:	
Personnel costs	13.2
Total program expenditures	122.5
Public debt charges	39.4
Total budgetary expenditures	161.9

Budgetary revenues – 1992-93

	Billions of dollars
A. Personal income tax	58.3
B. Corporate income tax	8.3
C. Unemployment insurance contributions	17.5
D. Sales and excise taxes and duties	
1. Goods and Services Tax	14.9
2. Customs import duties	3.8
3. Excise taxes and duties	7.5
4. Manufacturers' sales tax	-0.1
5. Total	26.1
E. Other tax revenue	1.4
F. Non-tax revenue	9.8
G. Total budgetary revenues	121.4

For further documents on federal spending and revenues, please write:

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