



May 19, 2010

The Honourable Stockwell Day, P.C., M.P.
President of the Treasury Board
Treasury Board of Canada Secretariat
President's Office
140 O'Connor Street
Ottawa, ON K1A 0R5

Dear Mr. Day:

Thank you for taking the time to meet with me and my officials. As discussed, I wanted to provide you with some background on the motivation behind my original request to the Treasury Board Secretariat (TBS) that I reiterated at our meeting. As described in detail below, the information requested would be used to provide an independent projection of federal direct program spending (DPS). In addition to improving the independence of the Parliamentary Budget Office's (PBO) fiscal projection, a transparent PBO DPS projection will increase the amount of expenditure information available to parliamentarians when assessing the Estimates. This information would likely be useful, for example, when assessing additional funding requests or in understanding the impact of proposed reductions in appropriations. Further, it will improve the general understanding of how approved budgets and appropriations translate into fiscal projections and final expenses.

As you know, PBO is mandated to provide independent analysis to the Senate and House of Commons on the state of the nation's finances, government estimates and trends in the national economy. One of the key ways in which my office strives to fulfill this mandate is to provide Parliamentarians with a fiscal planning framework that is as complete and transparent as possible. A key element of this framework is the five-year fiscal projection, which my office provided most recently on March 11, 2010, as part of its assessment of the Budget 2010 economic and fiscal outlook.

As in earlier reports, the fiscal projection in our March report includes detailed projections of federal revenues (including income taxes, indirect taxes, Employment Insurance (EI) and other revenues) and expenses. The revenue projection is largely arrived at by applying PBO assumptions regarding income components and effective tax rates to an economic forecast that is based on the average of a survey of private sector forecasts. PBO's income base and effective rate assumptions are published and independent of the Government's assumptions. On the expense side, major transfer programs such as elderly and EI benefits, Equalization, the Canada Health Transfer and Canada Social Transfer are projected consistent with the details described in their respective enabling legislation and economic and demographic assumptions arising from either the survey of private sector economic forecasters or independent PBO assumptions. To date, however, PBO has used the Government's estimate of DPS – with relatively straightforward adjustments – as part of its fiscal projections. At \$99.8 billion in 2008-09, DPS represents nearly half of federal program spending and is the only significant component of PBO's fiscal projections that is not independent of the Government's projections.

Due to its size, I believe it is important that PBO develop an independent DPS projection. Towards achieving this, in June of last year I sent a request to the then Secretary of the Treasury Board of Canada (see Annex 1) requesting information on the future approved spending plans of the Government, specifically:

- A summary report detailing opening departmental reference levels and adjustments made through the most recent Annual Reference Level Update (ARLU) for 2009-10 through 2013-14; and,

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- A summary of items that have received Cabinet and/or Budget approval or, in the case of reprofiling decisions, approval by the Department of Finance Canada, but which have yet to be briefed into departmental reference levels and included in the Estimates – so called “approvals not briefed”.

Summary reports of this type are routinely forwarded to the Department of Finance to be used as a basis for forecasting DPS. Our request, however, was denied as Treasury Board, in consultation with Privy Council Office and Justice, determined that the requested information constituted “confidential Cabinet documents and may not be disclosed” (see Annex 2). No reason was given for this determination.

Although I do respect the Government’s right to deem information to be “Cabinet confidence”, it is difficult to understand how approved reference levels and spending plans – which do not include those still under consideration by Cabinet – could fall under this category. Further, the response pointed out that “important information regarding the two data sets is available in 2009-10 Part II – Main Estimates and 2009-10 Part III – Reports on Plans and Priorities...” The Reports on Plans and Priorities (RPPs) for example contain, on an individual department and agency basis, planned expenditures, for three years that included: departmental reference levels from the most recent ARLU as well as items that have received Government approval but have yet to be briefed into reference levels. That is, the information that was the subject of my original request amounts simply to further detail regarding, and a final summation of, information that has largely been made publicly available but in a form that is disaggregate and somewhat incomplete (as not all federal entities produce RPPs).

For additional clarity, I have attached (Annex 3) an example table of what I would intend to publish in the near term, which would eventually, once non-appropriated expenses have been added and adjustments to convert it to the Government’s accounting basis have been made, underlie PBO’s independent DPS forecast. This moderately-informed attempt at an expenditure forecast relies solely on information currently published in Main and Supplementary Estimates, RPPs, Departmental Performance Reports (DPRs) and is informed somewhat by the Public Accounts of Canada. The table includes a first pass at assembling information from the sources listed above for the first three (alphabetically) federal ministries – notably the Ministry of Agriculture and Agri-food, the Atlantic Canada Opportunities Agency (ACOA) and the Canada Revenue Agency (CRA).

The eventual completion of the attached table described above would be, I believe, the best version of an estimate of total federal government planned expenditures over the next three years that could be assembled with information that is currently available to the public and therefore the PBO. Although certainly helpful, there are at least a couple of obvious shortcomings to this method, including:

- i) There are 97 individual RPPs and numerous agencies that do not produce them. As a result, this method is not only time consuming, but will leave questions as to the completeness of the collective total;
- ii) Without actual detail on “approvals not briefed” it would not be possible to determine exactly which items, arising from the most recent budget for example, have been included in a given department’s expenditure plan and which have not. This may cause a problem of either double-counting the planned expenditure associated with a new initiative or mistakenly excluding it; and,
- iii) Significant detail on planned operating expenditures in future years needs be assumed.

In short, an agreement to provide the information requested in PBO’s June 4, 2009 letter would result in an independent federal expenditure projection that would be more accurate, transparent, complete and reliable than one produced using information currently available to the public and the PBO.

Finally, I wish to assure you that the sole intended use of the requested data is to permit PBO to provide a fully independent fiscal projection. PBO has no intention, nor the capacity, to audit the information in any way. Any help that you or your officials could provide toward the completion of an independent and transparent PBO fiscal projection would be very welcome.

Thank you for your time.

Yours truly,

[Signature]

Kevin Page
Parliamentary Budget Officer

Encls. (3)

Annex 3

Information on planned departmental expenditures for 2009-10 through 2012-13 is taken from individual RPPs (for those departments/agencies that produce them), while the 2008-09 actual and planned spending amounts, as well as the additional detail on authorities and expenditures by vote are largely taken from individual DPRs.

The detail on 2009-10 authorities by vote (and statutory cost estimates) is the sum of amounts included in the 2009-10 Main Estimates and each of the Supplementary Estimates (A, B and C).

Detailed authorities and statutory estimates in 2010-11 are from the Main Estimates of that year, while details on the remaining years are available in supplemental tables to the RPPs available on TBS's website for transfers over \$5 million and capital vote expenditures.

For other categories (transfers of less than \$5 million and operating expenditures) PBO has assumed them to remain constant in 2011-12 and 2012-13 for simplicity and in keeping with the Government's announced freeze on operating expenses.

As can be seen in the table, an estimate of approvals not briefed can then be arrived at by subtracting planned expenditures from known (and assumed) briefed authorities.

Annex 3 cont'd
Expenditure Projection - (\$M)

Agriculture and Agri-food Canada

Department	v	2008-09			2009-10	2010-11	2011-12	2012-13
		Actual	Var.					
Total Planned Expenditures		3194.3	2585.8	608.5	3,554.5	3,331.3	2,997.1	1,947.1
Operating expenditures	1	734.2	694.5	39.7	764.3	742.4	742.4	742.4
Contributions to employee benefits plans	S	69.2	74.9	-5.7	63.7	83.3	83.3	83.3
Minister - Salary and motor car allowance	S	0.1	0.1	0.0	0.1	0.1	0.1	0.1
Capital expenditures	5	54.6	30.3	24.3	63.9	50.0	27.5	26.1
Grants and contributions	10	691.6	590.4	101.2	502.7	646.5	360.6	342.5
Possible Voted Items in 2010-11 ME less than \$5M							8.6	8.6
Contribution payments for the AgriInsurance Program	S	388.7	548.3	-159.6	565.6	452.0	452.0	227.3
Grant and contribution payments for the AgriStability Program	S	655.2	340.5	314.7	672.3	500.0	596.4	188.7
Payments - Agricultural Marketing Programs Act	S	152.1	37.0	115.1	165.0	184.0	106.0	94.0
Grant and contribution payments for the AgriInvest program	S	259.5	193.4	66.1	159.5	174.8	159.5	158.4
Grant and contribution payments for the Agriculture Disaster Relief Program	S	108.4	56.4	52.0	108.4	108.4	0.0	0.0
Canadian Cattlemen's Association Legacy Fund	S	7.0	7.0	0.0	10.0	5.0	5.0	5.0
Loan guarantees under the Farm Improvement and Marketing Cooperatives Loan Act	S	4.0	0.0	4.0	4.0	4.0	4.0	4.0
Grants to agencies established under the Farm Products Agencies Act	S	0.2	0.0	0.2	0.2	0.2	0.2	0.2
Canadian Pari-Mutuel Agency RF	S	0.0	0.0	0.0	0.5	0.3		
Contributions in support of the Assistance to the Pork Industry Initiative	S	12.0	12.0	0.0	443.4	39.1	0.4	0.4
Other Statutory	S		24.8	-24.8				
Reductions to Statutory Programs	S		-23.8	23.8				
Total - Estimates		3,136.7	2,585.7	550.9	3,523.6	2,990.1	2,546.0	1,881.0

Yet to be Reflected in Estimates (Estimate of app. not briefed)

Canadian Dairy Commission								
Program Expenditures	25	4.1	4.1	0.0	4.0	4.0	4.0	4.0

Canadian Food Inspection Agency								
Total Planned Expenditures		605.3	645.5	-40.2	685.6	689.1	667.8	658.9

Operating expenditures and contributions	30	550.2	524.6	25.6	606.7	534.3	534.3	534.3
Contributions to employee benefits plans	S	67.5	73.5	-6.0	67.3	73.3	73.3	73.3
Capital Expenditures	35	44.4	26.1	18.3	39.7	36.4	20.9	14.6
Compensation payments in accordance with HHA and PPA	S	1.5	20.5	-19.0	1.5	1.5	1.5	1.5
Other statutory	S		0.8	-0.8				
Total - Estimates		663.6	645.5	18.1	715.2	645.4	629.9	623.6
Yet to be Reflected in Estimates (Estimate of app. not briefed)		-58			-30	44	38	35

Canadian Grain Commission								
Total Planned Expenditures		87.2	73.7		78.8	42.6	42.6	42.6
Expected Responsible Revenues		41.3	37.8		41.8	37.2	37.2	37.2
Total Net Planned Spending		45.9	35.9	10.0	37.0	5.4	5.4	5.4

Program expenditures	40	32.8	32.7	0.1	40.0	4.9	4.9	4.9
Contributions to employee benefits plans	S	0.6	0.6	0.0	0.6	0.6	0.6	0.6
CGC revolving fund	S	-0.1	-0.1	0.0	-0.1	-0.1	-0.1	-0.1
Total - Estimates		33.3	33.2	0.1	40.4	5.4	5.4	5.4
Yet to be Reflected in Estimates (Estimate of app. not briefed)		54	-2.7		-3.4	0.0	0.0	0.0

Total Ministry								
Total Planned Expenditures					4,281.1	4,029.8	3,674.3	2,615.4
Total "ARLU" Estimates - Ministry		3,837.6	3,268.5	569.1	4,283.2	3,644.9	3,185.3	2,514.0
Yet to be Reflected in Estimates (Estimate of ANB)		53.3			-2.1	384.8	489.0	101.4

Atlantic Canada Opportunities Agency

Department	v	2008-09			2009-10	2010-11	2011-12	2012-13
		Actual	Var.					
Total Planned Expenditures		328.6	341.4	-12.8	410	382.1	298.1	296
Operating expenditures	1	89.5	85.6	3.9	92.7	84.8	84.8	84.8
Contributions to employee benefits plans	S	8.0	8.9	-0.9	7.6	8.5	8.5	8.5
Minister of State - Car allowance	S				0.0			
Grants and contributions	5	248.4	246.9	1.5	263.7	288.9	204.8	202.8
Community Adjustment Fund (stat in 2009-10 only)	S				49.1	0.0		
Total - Estimates		345.9	341.4	4.5	413.1	382.1	298.1	296.1
Yet to be Reflected in Estimates (Estimate of app. not briefed)		-17.3			-3.3	0.0	0.0	-0.1

Enterprise Cape Breton Corporation								
Payments to the Enterprise Cape Breton Corp.	10	8.7	8.7	0.0	10.1	83.1	83.1	83.1

Total - Estimates

Canada Revenue Agency

Department	v	2008-09			2009-10	2010-11	2011-12	2012-13
		Actual	Var.					
Total Planned Expenditures		3,875.2	4,198.7	###	4,758.5	4,520.3	4,020.6	4,022.2
Operating expenditures	1	3,291.2	3,154.5	136.7	3,439.3	2,992.7	2,992.7	2,992.7
Contributions to employee benefits plans	S	400.6	419.9	-19.3	413.4	416.7	416.7	416.7
Minister - Salary and motor car allowance	S	0.1	0.1	0.0	0.1	0.1	0.1	0.1
Capital expenditures	5					136.1	136.1	136.1
Payments to provinces - Softwood Lumber Products Export Charge Act	S	419.0	180.5	238.5	429.0	479.0	0.0	0.0
Children's special allowance	S	219.0	211.8	7.2	221.0	225.0	230.0	234.0
Spending of revenues - section 60 of the CRA act	S	161.3	219.6	-58.3	204.8	226.9	224.7	222.6
Payments to private collection agencies	S	17.3	9.1	8.2	5.3	0.0	0.0	0.0
Other statutory	S	1.2	3.2	-2.0				
Total - Estimates		4,509.7	4,198.7		4,712.9	4,476.4	4,000.2	4,002.1
Yet to be Reflected in Estimates (Estimate of app. not briefed)		-634.5			45.6	43.8	20.4	20.1

Assumed flat (Info not available in RPP)

Details in RPP supplemental tables

Assumed flat (info on transfers of less than \$5M not available in RPP supplemental tables)

Assumed flat (No RPP)

Assumed flat (Info not available in RPP)

Details in RPP supplemental tables

Details in RPP supplemental tables

Assumed flat (Info not available in RPP)

Assumed flat (Info not available in RPP)

Details in RPP supplemental tables

Assumed flat (No RPP)

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Details in RPP supplemental tables