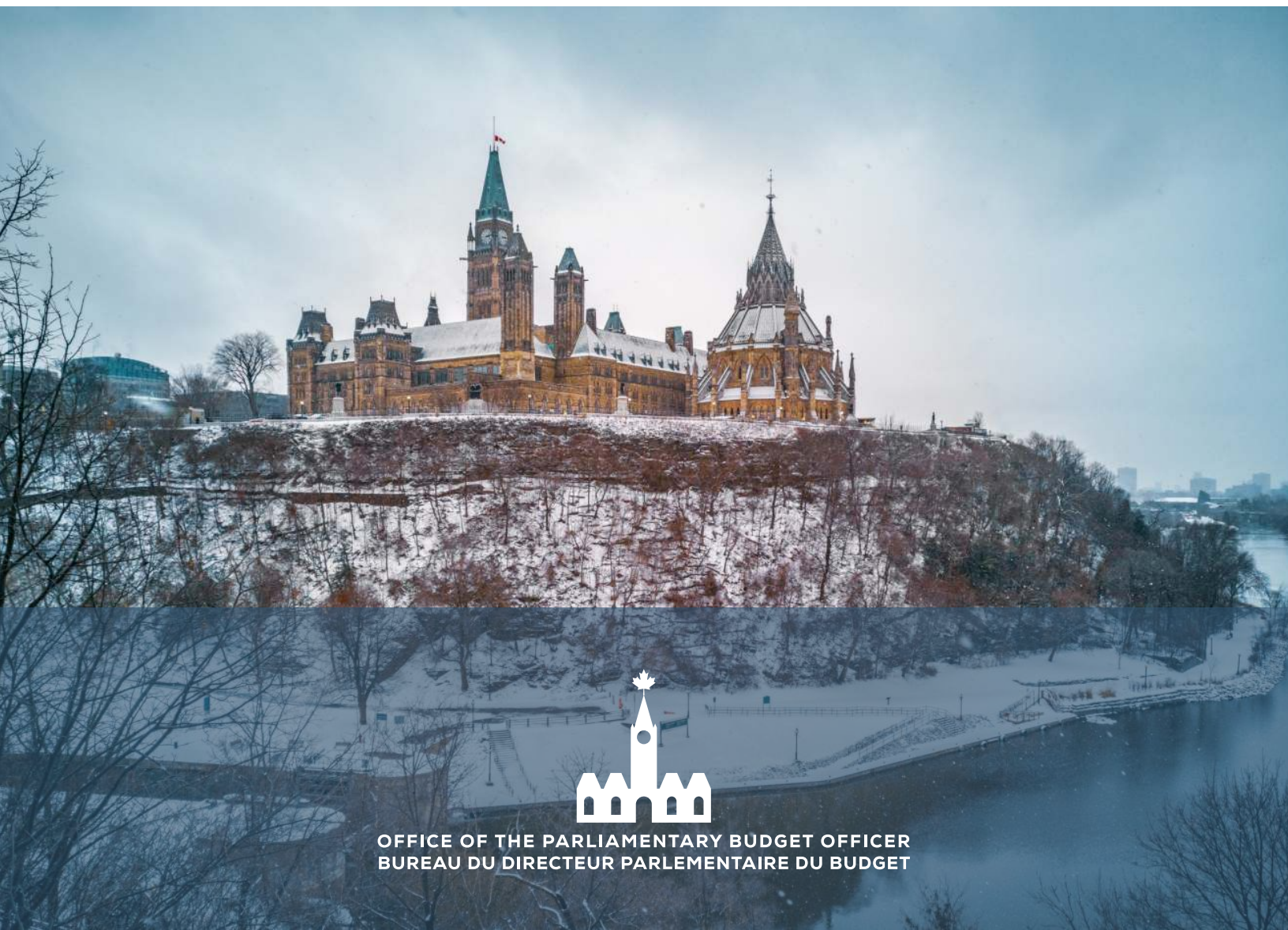


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SUPPLEMENTARY ESTIMATES (B) 2020-21



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

The Parliamentary Budget Officer (PBO) supports Parliament by providing economic and financial analysis for the purposes of raising the quality of parliamentary debate and promoting greater budget transparency and accountability.

This note presents a detailed analysis of the Government's second supplementary estimates for the 2020-21 fiscal year, which seeks Parliament's approval of \$20.9 billion.

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Executive Summary

The *Supplementary Estimates (B) 2020-21* is the second planned Supplementary Estimates in 2020-21 and supports the fifth appropriation bill for the current fiscal year. It outlines an additional \$79.2 billion in budgetary authorities. Voted authorities, which require approval by Parliament, total \$20.9 billion. Statutory authorities, for which the Government already has Parliament's permission to spend, total \$58.3 billion.

While these Supplementary Estimates are part of the usual business of supply process, there have been significant changes to the way in which Parliament has provided authority to organizations this fiscal year. First off, temporary changes were made to Standing Order 81 which extended the study period of the Main Estimates to December 2020. This resulted in the need for an additional Appropriation Bill to ensure the Government had enough funds until Full Supply receives Royal Assent.

Another key difference is that the Government introduced several Bills to authorize spending for COVID-19 related measures and therefore did not need to seek authorities from the usual Supplementary Estimates process. These changes have made it more challenging to determine where the source of authority has been provided, especially since some of these Bills only provided temporary authority.

In these Supplementary Estimates, most budgetary authorities (\$72.4 billion or 91.5 per cent) are related to COVID-19 measures.¹ \$15.5 billion of the \$20.9 billion in voted authorities are related to COVID-19 measures, while \$56.9 billion of the \$58.3 billion in statutory authorities are for COVID-19 measures.

While the sum of these measures is significant, the amount of information that is publicly available to track this spending is lacking, thus making it more challenging for parliamentarians to perform their critical role in overseeing Government spending and holding it to account.

As of the publication of this report, there is currently no public document published by the Government which provides a complete list of all measures announced to date, or updated cost estimates. There is also no consistency to which organizations publicly report on the implementation of these measures. Some organizations have proactively published this data, while others have not.

This lack of data is not a result of it not being available. The Department of Finance had been providing bi-weekly updates to the Standing Committee on Finance (FINA), but stopped when Parliament was prorogued in August

2020. Federal departments and agencies are also required to update the Government's Central Financial Management and Reporting System with actual spending data on a monthly basis.

Given these challenges tracking COVID-19 spending, PBO developed a monitoring framework to assist parliamentarians in keeping track of all the Government's announcements related to COVID-19. This tracking document enumerates the COVID-19 measures announced by the Government and indicates whether they were included in Supplementary Estimates A or B.²

PBO will continue to update this document with subsequent announcements made by the Government. As well, PBO will look to incorporate performance data the PBO is currently collecting from numerous federal departments and agencies.

PBO is also available to offer briefings or answer questions on any items included in these Supplementary Estimates.

1. Introduction

The Government cannot spend public money without Parliament's permission. This can be done in two ways.

Parliament can provide its permission through approval of appropriation bills, which generally provide permission to spend certain amounts of money within a given year. Alternatively, Parliament can also provide ongoing permission to spend through continuing legislation (such as Old Age Security benefits paid under the authority of the *Old Age Security Act*).³

The *Supplementary Estimates (B) 2020-21* is the second planned Supplementary Estimates in 2020-21 and supports the fifth appropriation bill for the current fiscal year.

The Supplementary Estimates reflect "additional spending requirements which were either not sufficiently developed in time for inclusion in the Main Estimates, or have subsequently been refined to account for developments in particular programs and services."⁴

1.1. Overview – Total Authorities

Supplementary Estimates (B) 2020-21 outlines an additional \$79.2 billion in budgetary authorities (Table 1-1). Voted authorities, which require approval by Parliament, total \$20.9 billion. Statutory authorities, for which the Government already has Parliament's permission to spend, total \$58.3 billion.

Non-budgetary authorities, which include loans, investments and advances, are increasing by \$1.3 billion.

Table 1-1 Supplementary Estimates (B), 2020–21: Total authorities

	Budgetary (\$ millions)	Non-budgetary (\$ millions)
Voted	20,874	0
Statutory	58,312	1,274
Total	79,186	1,274

Source: Treasury Board of Canada Secretariat, *Supplementary Estimates (B), 2020-21*.

Including these Supplementary Estimates, the total proposed year-to-date budgetary authorities are \$471.5 billion, which represents a \$161.4 billion (52.0 per cent) increase over the 2019-20 estimates to date. This unprecedented increase in authorities stems primarily from the measures announced by the Government in response to the COVID-19 global pandemic.

Of the \$79.2 billion in budgetary authorities included in these Supplementary Estimates, \$72.4 billion (91.5 per cent) are related to COVID-19 measures.⁵ \$15.5 billion of the \$20.9 billion in voted authorities are related to COVID-19 measures, while \$56.9 billion of the \$58.3 billion in statutory authorities are for COVID-19 measures.

2. Business of Supply

The business of supply is “the process by which the government asks Parliament to appropriate the funds required to meet its financial obligations and to implement programs already approved by Parliament.”⁶

The business of supply for the current fiscal year is significantly different from previous years, or what would be considered the normal supply process. The changes to the process are a direct result of the global COVID-19 pandemic.

In a normal fiscal year, there are five appropriation bills that are presented to Parliament. The first two bills relate to the funds sought in the Main Estimates. Appropriation Bill #1 (Interim Supply) is to provide authorities for the beginning of the fiscal year to ensure that the government has funds to spend up to the point in which Appropriation Bill #2 (Full Supply) receives royal assent in June.

The final three appropriation bills support the Supplementary Estimates, which are usually tabled in the Spring, Fall and Winter periods. These appropriation bills seek Parliament’s approval to authorize additional expenditures or reallocations not foreseen in the Main Estimates.

Due to the global pandemic, the business of supply has deviated from the normal process this fiscal year. One important difference was that the House of Commons approved temporary changes to Standing Order 81, which allowed the Main Estimates to be considered until December 2020.

This resulted in the Government splitting up the Full Supply into three appropriation bills, of which the third has yet to be tabled. Therefore, organizations have still not received their full authorities included in the 2020-21 Main Estimates. If all else remains the same, the remainder of the Full Supply will be voted on later this fall with the Supplementary Estimates B. The Supplementary Estimates C will most likely be tabled in 2021.

Another key difference is that the Government introduced several Bills to authorize spending for COVID-19 related measures. Once they received Royal Assent, many of these Bills provided organizations with additional statutory authority to spend funds from the Consolidated Revenue Fund, and therefore did not seek authorities from the usual Supplementary Estimates

process. Table 2-1 provides a summary of all the Bills which provide authorities to the Government in the current fiscal year.

Table 2-1 Bills which have received Royal Assent

Bill Name	Date of Royal Assent
Appropriation Act No. 1, 2020-21 (Main Estimates, C-11)	2020-03-13
An Act to amend the Financial Administration Act (special warrant) (C-12)	2020-03-13
COVID-19 Emergency Response Act (C-13)	2020-03-25
COVID-19 Emergency Response Act, No. 2 (C-14)	2020-04-11
Canada Emergency Student Benefit Act (C-15)	2020-05-01
An Act to amend the Canadian Dairy Commission Act (C-16)	2020-05-15
Appropriation Act No. 2, 2020-21 (Main Estimates, C-18)	2020-06-26
Appropriation Act No. 3, 2020-21 (Supplementary Estimates A, C-19)	2020-06-26
An Act respecting further COVID-19 measures (C-20)	2020-07-27
COVID-19 Response Measures Act (C-4)	2020-10-02

Source: LEGISinfo.

Given the additional legislation, it has become more challenging to determine where the source of authority has been provided, especially since some of these Bills only provided temporary spending authority.

3. COVID-19 Measures

As described in the overview section, the majority (91.5 per cent) of the budgetary authorities included in these Supplementary Estimates are for COVID-19 measures. However, the way in which these measures receive Parliament's approval varies, as it can be provided through voted or statutory authorities, or in some cases, both.

Provisions in the *Financial Administration Act*, which authorized payments to provinces and territories (or organizations which were identified by those jurisdictions) were repealed on September 30, 2020. Any additional payments after that date must seek Parliament's approval through voted authorities.

As part of Bill C-4 (*An Act relating to certain measures in response to COVID-19*), authority to make payments from the *Public Health Events of National Concern Payments Act* will be repealed at the end of 2020. Payments which are expected to be made in 2021 must seek Parliament's approval, and also have been included as part of voted authorities.

For the increase in forecasted statutory spending for COVID-19 measures, the majority relates to the following areas:

- \$28.5 billion to the Department of Employment and Social Development for the Canada (ESDC) Emergency Response Benefit (CERB);
- \$12.3 billion to the Department of Finance for payments to provinces and territories as part of the Safe Restart Agreement (SRA);
- \$3.8 billion to the Public Health Agency of Canada (PHAC) for medical research and vaccine development; and,
- \$3.3 billion to the Public Health Agency of Canada for the acquisition of protective gear and medical equipment.

In addition to these statutory authorities, the Government is also seeking Parliament's approval for \$15.5 billion in spending for COVID-19 related measures. Some of these major items include:

- \$5.4 billion to the Public Health Agency of Canada for funding medical research and vaccine developments;
- \$2.2 billion to the Public Health Agency of Canada to acquire protective gear and medical equipment;
- \$1.0 billion to the Department of Finance for the Safe Return to Class Fund;
- \$1.0 billion to the Department of Finance which will be paid to the Government of Alberta to clean up inactive oil and gas wells;
- \$782.8 million to the Public Health Agency of Canada to fund medical countermeasures; and,
- \$700.0 million to the Department of Finance for the Safe Restart Agreement.

3.1. Tracking COVID-19 Measures

Since the COVID-19 Economic Response Plan was launched on March 13, 2020, the Government has announced numerous measures and programs to help respond to the public health, social and economic impacts caused by the global pandemic.

Given the number of programs and associated costs are significant, the amount of public information that is currently available is lacking. As of the publication of this report, there is currently no public document published by the Government which provides a complete list of all the measures that have been announced to date, as well as updated cost estimates. This makes it

challenging to keep track of all the different measures that the Government has announced.

The Department of Finance had been providing bi-weekly updates to the Standing Committee on Finance (FINA), but stopped when Parliament was prorogued on August 18, 2020. Therefore, the most recent list of measures and costs is from the 10th report to FINA, which was published on August 6, 2020.

While these Supplementary Estimates include a significant amount of the spending announced by the Government in response to the global pandemic, it does not include all the planned spending. The Estimates documents only provide details on authorities of appropriated organizations which make payments from the Consolidated Revenue Fund. Thus, it does not provide parliamentarians with a complete picture of how much the Government will spend on COVID-19 response measures. Some of the measures not included are:

- The Canada Emergency Wage Subsidy (CEWS);
- The Business Credit Availability Program (BCAP) and the Canada Emergency Business Account (CEBA);
- Enhanced benefits provided through the Employment Insurance Operating Account; and,
- New benefits enacted in October 2020 through the Canada Recovery Benefits Act.

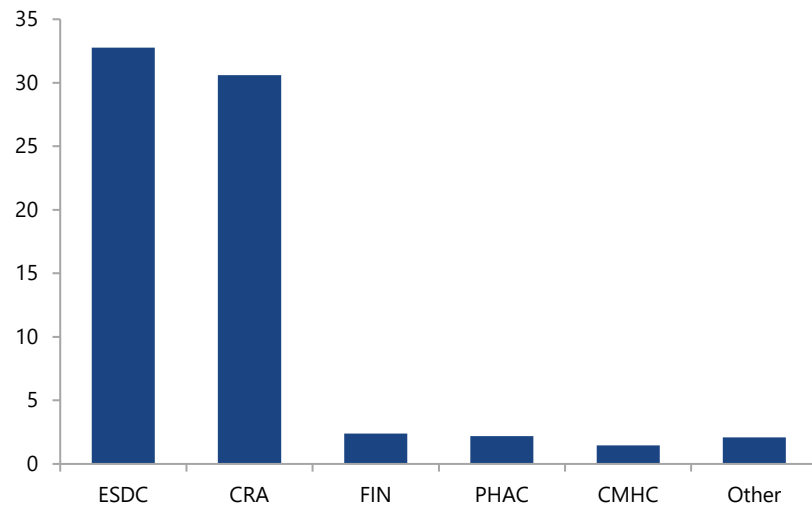
Another area which could be improved to assist parliamentarians would be to improve the consistency with which actual program implementation data is made publicly available. Some programs, such as the CERB and CEWS, provide ongoing updates online; however, this is not consistent and required for all COVID-19 measures. This makes it more challenging for parliamentarians to perform their critical role in overseeing Government spending and holding it to account.

While not all COVID spending is made public, federal departments and agencies are required to update the Government's Central Financial Management and Reporting System with actual spending data on a monthly basis. This data is then shared by the Receiver General of Canada with PBO.

The Government has created several codes in its Chart of Accounts to track COVID-19 spending.⁷ At the end of July 2020, which is the most recent month of data available, \$71.4 billion in spending has been identified as being related to COVID-19, as shown in Figure 3-1.

Figure 3-1 COVID-19 Spending by Organization

\$ billions



Sources: Receiver General of Canada and PBO.

Notes: This data is as of July 2020.

PBO reviewed the Financial Report Accounts, Authority Codes and Program Codes in the 2020-21 Chart of Accounts to determine if any were created for COVID-19. This figure only includes the data for which PBO was able to identify as being specifically for COVID-19. Any additional spending that was not tagged with these codes (see Note 7 for the list) is not included in this figure.

Given these challenges tracking COVID-19 spending, PBO has developed a monitoring framework to assist parliamentarians in keeping track of all the Government's announcements related to COVID-19. This tracking document enumerates the COVID-19 measures announced by the Government and indicates whether they were included in Supplementary Estimates A or B.⁸

PBO will continue to update this document with subsequent announcements made by the Government. As well, PBO will look to incorporate performance data the PBO is currently collecting from numerous federal departments and agencies.

4. Non-COVID-19 Measures

While most of the authorities in these Supplementary Estimates relate to COVID-19 measures, \$6.8 billion of the \$79.2 billion in budgetary authorities are for items not related to the Government's pandemic response.

Some major statutory items that are not part of the COVID-19 pandemic response include:

- \$1.6 billion to the Department of Employment and Social Development for Canada Student Grants; and
- \$1.2 billion to the Canada Revenue Agency for Climate Action Incentive Payments.

In addition to those statutory items, the Government is also seeking Parliament's approval for voted items that do not relate to COVID-19. Notable items include:

- \$760.1 million to the Department of Crown-Indigenous Relations and Northern Affairs for the Specific Claims Settlement Fund; and
- \$585.2 million to the Treasury Board Secretariat for the Public Service Insurance plans and programs

4.1. Personnel Spending

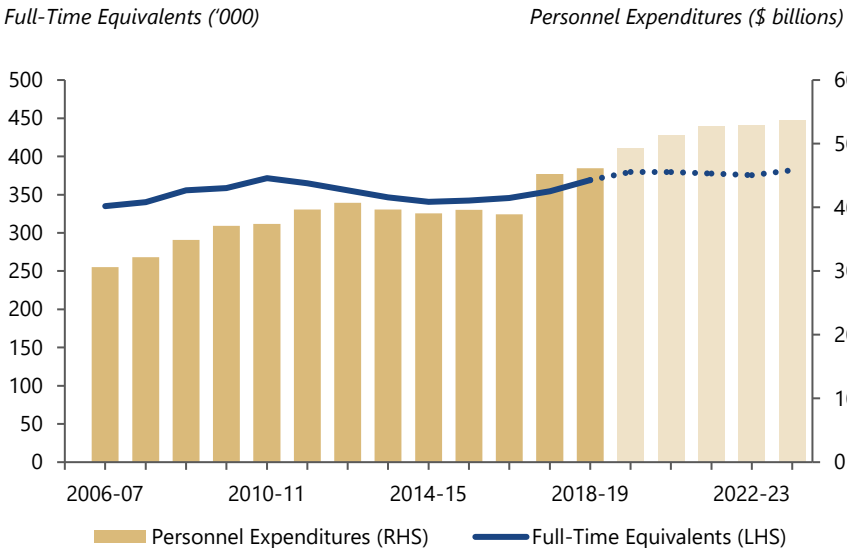
In these Supplementary Estimates, personnel accounts for approximately \$1.4 billion in budgetary authorities. A large portion of this relates to the \$585.2 million proposed allocation to the Treasury Board Secretariat for the Public Service Insurance plans and programs outlined above.

The growth in cost in the Public Service Insurance plans and programs is primarily driven by price inflation and population growth. The most important cost drivers of personnel spending in general are the number of personnel (represented by full-time equivalents, or FTEs), and their level of compensation.

From 2006-07 to 2018-19, the number of FTEs grew by an average of 0.8 per cent annually, from roughly 335,000 to 369,000 (Figure 4-1). Over the same period, personnel spending, on average, grew by 3.5 per cent annually, from \$30.6 billion to \$46.1 billion.

PBO projects that over the next five years, the number of FTEs will continue to increase, reaching nearly 382,000 by 2023-24. By that time, PBO projects personnel expenditures to reach \$53.7 billion.

Figure 4-1 Personnel Expenditures and Full-Time Equivalents



Sources: Departmental Results Plans, Public Accounts of Canada, and Parliamentary Budget Officer’s September 2020 Economic and Fiscal Outlook dataset.

Note: Data up until and including 2018-19 are actuals. Data from 2019-20 are projections.

To assist in parliamentarians’ scrutiny, the PBO developed the Personnel Expenditure Analysis Tool (PEAT), available on the PBO website.⁹ This interactive online tool allows users to explore overall government spending on personnel or focus on single departments. Additional information on PEAT and key insights regarding personnel spending can also be found in the PBO’s Personnel Expenditure Analysis Tool Report.¹⁰

Notes

1. PBO has included the funding to provide essential air services to remote communities through the Department of Transport in its total COVID-related spending in these Supplementary Estimates.
2. https://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/RP-2021-034-S/data_en.xlsx
3. *Old Age Security Act*. <http://laws-lois.justice.gc.ca/eng/acts/O-9/>.
4. Treasury Board of Canada Secretariat, *Supplementary Estimates (B) 2020-21*. <https://www.canada.ca/en/treasury-board-secretariat/services/planned-government-spending/supplementary-estimates/supplementary-estimates-b-2020-21.html>.
5. PBO has included the funding to provide essential air services to remote communities through the Department of Transport in its total COVID-related spending in these Supplementary Estimates.
6. House of Commons Procedure and Practice, Third Edition, 2017. Chapter 18, Financial Procedures. https://www.ourcommons.ca/about/procedureandpractice3rdedition/ch_18_1-e.html
7. Chart of accounts for 2020 to 2021. <https://www.tpsgc-pwgsc.gc.ca/recgen/pceaf-gwcoa/2021/tdm-toc-eng.html>
PBO has identified the following authority codes as being related to COVID-19 spending: A27A, A396, A993, A994, A995 and D315.
8. https://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/RP-2021-034-S/data_en.xlsx
9. PBO's Personnel Expenditure Analysis Tool. <https://peat-oedp.pbo-dpb.ca/#/en>
10. PBO's Personnel Expenditure Analysis Tool – Key Insights Report. https://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/RP-2021-021-S/RP-2021-021-S_en.pdf