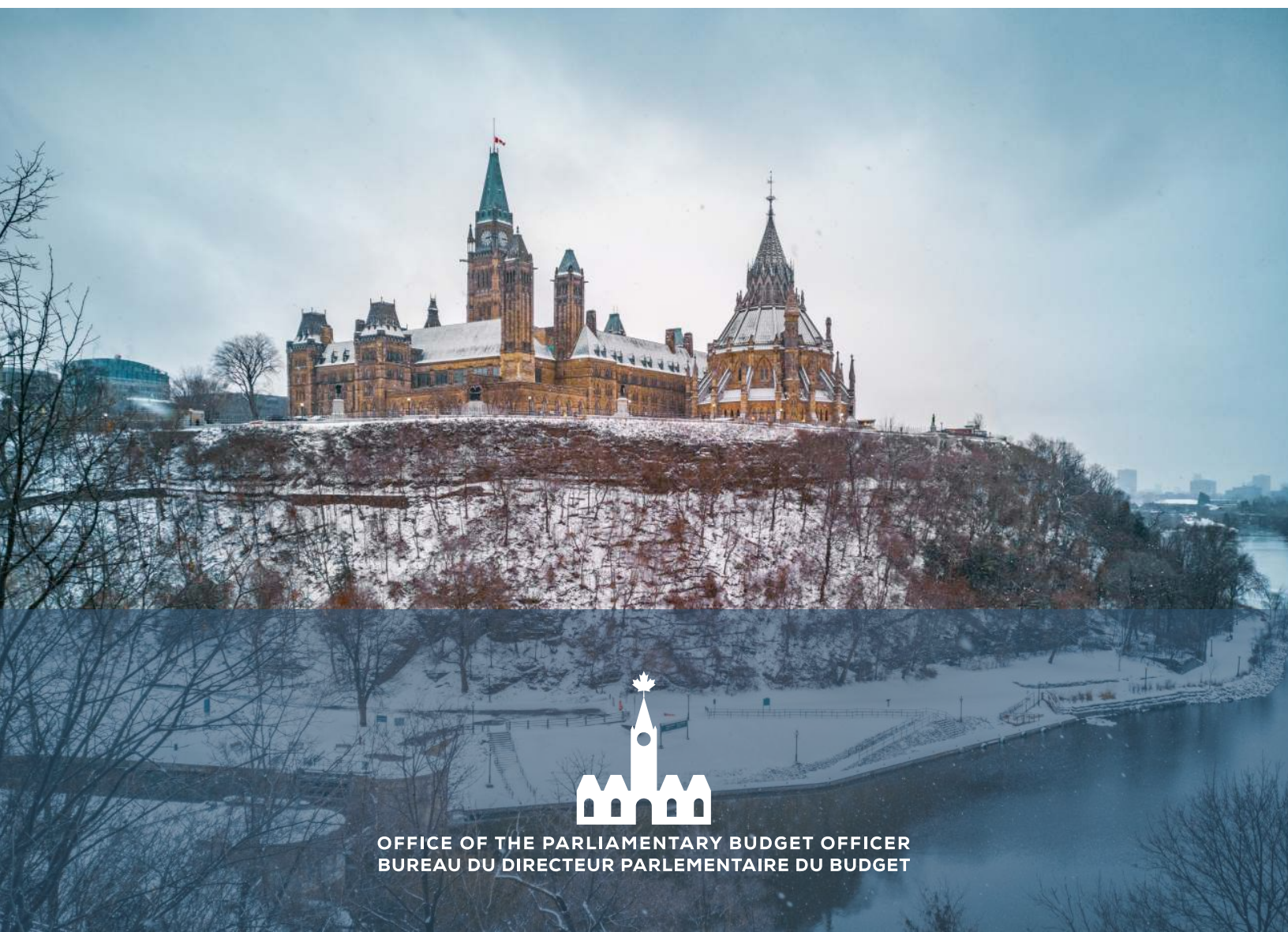


February 24, 2021



# SUPPLEMENTARY ESTIMATES (C) 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 report presents a detailed analysis of the Government's third and final supplementary estimates for the 2020-21 fiscal year, which seeks Parliament's approval of \$13.4 billion.

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# Executive Summary

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The *Supplementary Estimates (C) 2020-21* is the third planned Supplementary Estimates in 2020-21 and supports the sixth and final appropriation bill for the current fiscal year. It outlines an additional \$8.0 billion in budgetary authorities. Voted authorities, which require approval by Parliament, total \$13.4 billion. Statutory authorities, for which the Government already has Parliament's permission to spend, are reduced by a total of \$5.4 billion.

The 2020-21 fiscal year has seen a substantial increase in the amount of authorities requested by the Government in response to the global pandemic. In these Supplementary Estimates, COVID-19 measures represent \$9.9 billion of the \$13.4 billion in authorities which require Parliament's approval.

PBO raised several key issues in previous reports highlighting the challenges for parliamentarians in performing their critical role of scrutinizing Government spending and ensuring value for money during the pandemic.

In these Supplementary Estimates, Treasury Board Secretariat has included additional information which addresses some of these issues. Notable improvements include a complete list of Bills presented to Parliament to authorize spending for COVID-19 related measures, which helps to track where certain measures have received their authority, and a reconciliation table between the *Fall Economic Statement 2020* and the Estimates documents, which provides a clearer picture of how these two documents align.

There remain certain areas which need to be addressed. The frequency at which the Government provides an updated list of COVID-19 measures in one central document (outside of the Estimates process) and the inconsistency to which actual spending data on COVID-19 measures is made publicly available remain areas of concern.

To address 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.

PBO is 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 happens 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*).<sup>1</sup>

The *Supplementary Estimates (C) 2020-21* is the third planned Supplementary Estimates in 2020-21 and supports the sixth and final 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."<sup>2</sup>

## 1.1. Overview – Total Authorities

*Supplementary Estimates (C) 2020-21* outlines an additional \$8.0 billion in budgetary authorities (Table 1-1). Voted authorities, which require approval by Parliament, total \$13.4 billion. Statutory authorities, for which the Government already has Parliament's permission to spend, are reduced by a total of \$5.4 billion.

Non-budgetary authorities, which include loans, investments and advances, are increasing by \$200 million.

Table 1-1

### *Supplementary Estimates (C), 2020-21: Total authorities*

	Budgetary (\$ millions)	Non-budgetary (\$ millions)
<b>Voted</b>	13,365	0
<b>Statutory</b>	-5,402	200
<b>Total</b>	<b>7,964</b>	<b>200</b>

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

Note: Totals may not add due to rounding.

Including these Supplementary Estimates, the total proposed year-to-date budgetary authorities are \$479.5 billion, which represents a \$169.4 billion (54.6 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 global pandemic.

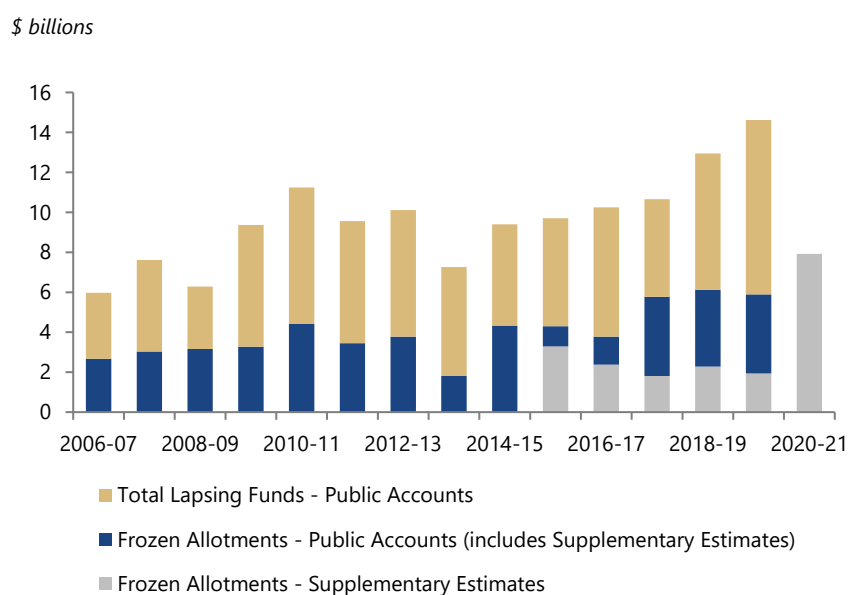
## 1.2. Frozen Allotments

These Supplementary Estimates indicate that \$8.0 billion in money already approved by Parliament has now been sequestered by the Treasury Board in “frozen allotments”. Frozen allotments refer to funds that have been approved by Parliament, but that the Government then restricts for various reasons (see Box 1). This represents a \$5.3 billion increase from the final Supplementary Estimates presented last year.<sup>3</sup>

In theory, publishing projected frozen allotments in the final Supplementary Estimates could improve transparency as a leading indicator of how much money will lapse in a given year. However, as shown in Figure 1-1, these figures are generally unrelated to the total funding lapse at the end of the year (that is, the total amount of public money that the Government is unable to spend).

While frozen allotments presented in the final Supplementary Estimates have generally fallen over the past five years (not including 2020-21), total lapses have reached record levels. Hence, this additional transparency is not sufficient to improve Parliament’s ability to predict total Government lapses and actual spending.

**Figure 1-1** Lapses over time



Sources: Public Accounts of Canada; Treasury Board of Canada Secretariat; and PBO calculations.

Notes: \$0.1 billion of "Other" frozen allotments are contained within TB Central Votes in 2020-21. These amounts are lapses, but were not considered as frozen allotments in the Public Accounts prior to 2017-18. Therefore, PBO excluded these amounts from frozen allotments to ensure comparable year-over-year measurements. They are included in the total lapse amounts.

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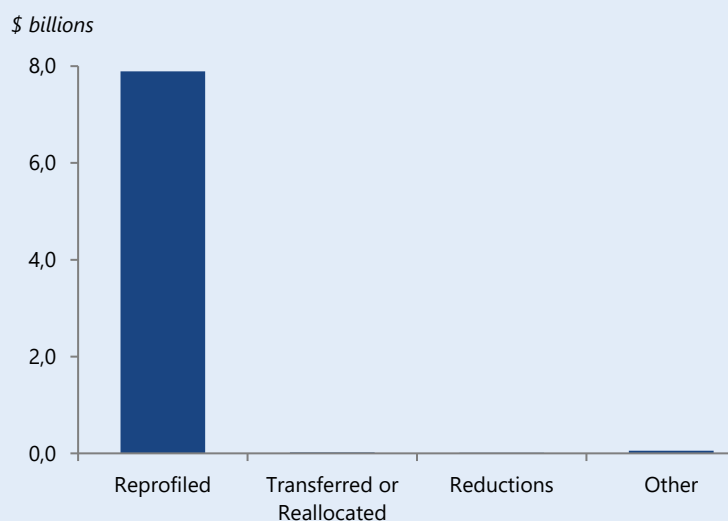
### Box 1 – Frozen allotments

Frozen allotments are moneys approved by Parliament that the Treasury Board internally restricts. These allotments can be temporary or permanent. Temporarily frozen allotments allow the Treasury Board to stipulate certain conditions that must be met before the funds are released to departments and organizations. Permanently frozen allotments must be lapsed by the department at the end of the fiscal year.

As noted by the Treasury Board of Canada Secretariat (TBS), frozen allotments are used for four principal purposes (Figure B-1):

1. **Re-profiling** funds, which allows unused authorities from the current year to be pushed forward to the next fiscal year, subject to Parliament's approval;
2. **Transferring or reallocating** funds, which allows departments to trade authorities across votes, for example moving capital authorities to operating;
3. **Authority reduction**, which occurs when the original purpose of the funds no longer exists, for example due to a cancelled program; and,
4. **Other** frozen allotments, which are mostly uncommitted TB Central Votes used to distribute funds to departments for specific purposes and address urgent funding requirements.

Figure B-1 Frozen allotments by category



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



## 2. Key Issues

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The 2020-21 fiscal year has seen a substantial increase in the amount of authorities requested by the Government in response to the global pandemic. Given this increase, it is essential that parliamentarians can perform their critical role of scrutinizing Government spending and ensuring value for money.

PBO raised several key issues in previous reports highlighting the challenges for parliamentarians in performing this critical role. In these Supplementary Estimates, TBS has included additional information which addresses some of these issues and are important improvements. However, there are still certain information gaps (that go beyond the Estimates) related to tracking COVID-19 spending which should still be addressed to provide parliamentarians with a complete and updated picture of Government spending. These are discussed in the following sub sections.

### 2.1. Business of Supply

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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.”

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. This is further described in PBO’s previous report on [Supplementary Estimates \(B\) 2020-21](#).

The Government has also introduced several Bills to authorize spending for COVID-19 measures. Once they received Royal Assent, many of these Bills provided organizations with additional temporary statutory authority to spend funds from the Consolidated Revenue Fund, and therefore were not required to obtain money via the usual Supplementary Estimates process.

With the additional legislation, it became more challenging to determine where the source of authority had been provided, given that a number of these Bills only provided temporary spending authority.

In these Supplementary Estimates, TBS included a complete list of all these Bills, including ones currently being considered, and provided a brief description of the spending each Bill authorized. This is an important improvement as it makes it easier to track where certain measures have received their authority.

## 2.2. Tracking COVID-19 Measures

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PBO also indicated the challenges in tracking the implementation of all COVID-19 measures announced by the Government since the beginning of the pandemic.

Specifically, there was no central public document providing a complete list of all the measures that have been announced to date, as well as updated cost estimates. Since then, the Government tabled the *Fall Economic Statement 2020*, which did provide an updated list of all measures announced by the Government, including updated cost estimates and planned spending.

TBS has also published a reconciliation table between the *Fall Economic Statement 2020* and the Estimates documents, providing a clearer picture of how these two documents align, and explanations for the variances.<sup>4</sup>

These are welcomed improvements as they provide more clarity on the Government's complete response in dealing with the COVID-19 pandemic.

## 2.3. Additional Areas for Improvement

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While these improvements should be acknowledged, there remain certain areas which still need to be addressed via its financial and budgetary reporting.

The first item is the frequency at which the data will be updated. The *Fall Economic Statement 2020* was tabled on November 30, 2020, meaning that any new announcements or changes to existing measures are not reflected in these documents.

Without providing ongoing updates in one central public document, it makes it more challenging to keep track of all the different measures that the Government has announced in real time. PBO notes that the Department of Finance provided bi-weekly updates to the Standing Committee on Finance (FINA), but stopped when Parliament was prorogued on August 18, 2020.

The second key issue is that there is inconsistency to which actual spending data is made publicly available. Some programs, such as the CEWS and CERS, provide ongoing updates online; however, this is not consistent or required for all COVID-19 measures. This makes it more challenging for parliamentarians to perform their critical role in overseeing spending and holding the Government to account.

While not all COVID-19 spending is made public, federal departments and agencies are required to update the Government's Central Financial

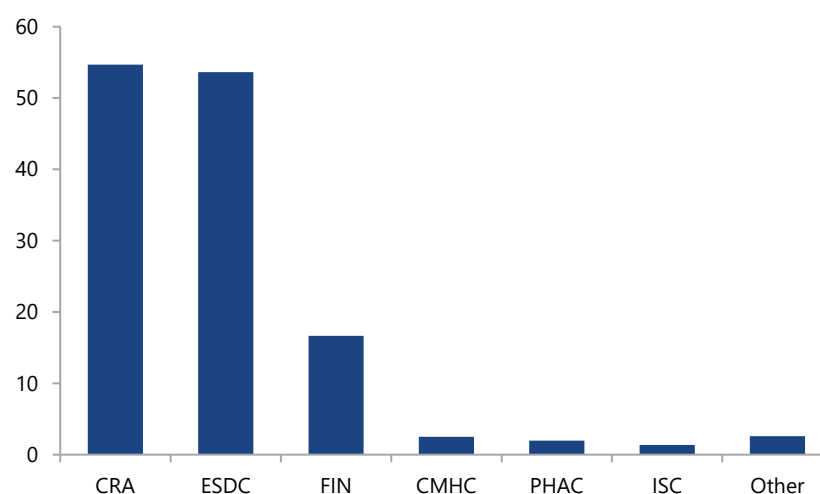
Management and Reporting System with actual spending data on a monthly basis. This data is then shared by the Receiver General of Canada with PBO.

The Government has created several codes in its Chart of Accounts to track COVID-19 spending.<sup>5</sup> At the end of November 2020, which is the most recent month of data available, \$133.4 billion in spending has been identified as being related to COVID-19, as shown in Figure 2-1.

Figure 2-1

## COVID-19 Spending by Organization

\$ billions



Source: Receiver General of Canada and PBO.

Notes: This data is as of November 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 5 for the list) is not included in this figure.

To address 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 with their most recent cost estimate; indicates whether they were included in Supplementary Estimates A, B or C (and their proposed authorities); and includes actual spending data PBO has received to date from information requests sent to numerous federal departments and agencies. PBO will continue to update this document as it receives new data.

### 3. COVID-19 Measures

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Many of the authorities included in these Supplementary Estimates relate to the Government's response to the COVID-19 global pandemic.

As mentioned earlier in the report, these Supplementary Estimates saw a net reduction of \$5.4 billion in forecasted statutory authorities. The decrease in forecasted statutory spending is primarily due to revised forecasts for COVID-19 measures in the Fall Economic Statement 2020 and the expiration of legislative authority for COVID-19 measures (namely the *Public Health Events of National Concern Payments Act*, which was repealed at the end of 2020). Key items include:

- -\$11.9 billion to the Department of Employment and Social Development of Canada for the Canada Emergency Response Benefit (CERB);
- -\$2.5 billion to the Public Health Agency of Canada for medical research and vaccine developments;
- -\$2.2 billion to the Department of Employment and Social Development of Canada for the Canada Student Emergency Benefit (CESB); and
- -\$1.7 billion to the Public Health Agency of Canada for the acquisition of protective gear and medical equipment.

Supplementary Estimates (C) 2020-21 also included several increases in forecasted statutory authorities for COVID-19 measures which partly offset the significant reductions in forecasted authorities. These include:

- \$10.1 billion to the Department of Employment and Social Development of Canada for the Canada Recovery Benefit (CRB);
- \$2.9 billion to the Department of Employment and Social Development of Canada for the Canada Recovery Caregiving Benefit (CRCB); and
- \$780 million to the Department of Employment and Social Development of Canada for the Canada Recovery Sickness Benefit (CRSB).

In addition to these statutory authorities, the Government is also seeking Parliament's approval for \$9.9 billion in voted spending for COVID-19 measures. A significant amount of these voted authorities is for items whose statutory authorities expired. These include:

- \$2.5 billion to the Public Health Agency of Canada for medical research and vaccine developments; and
- \$1.7 billion to the Public Health Agency of Canada for the acquisition of protective gear and medical equipment.

## 4. Non-COVID-19 Measures

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While authorities for COVID-19 represent a large portion of these Supplementary Estimates, they also include items not related to the Government's pandemic response.

Key items, which are highlighted in the sub sections below include:

- \$2.3 billion to the Department of Finance for a payment to the Canada Infrastructure Bank;
- \$1.7 billion to the Treasury Board Secretariat for compensation adjustments; and
- \$188.1 million to the Department of Employment and Social Development of Canada for the debt write-off of Canada Student Loans.

### 4.1. Canada Infrastructure Bank

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These Supplementary Estimates include \$2.3 billion in statutory authorities to the Department of Finance for a payment to the Canada Infrastructure Bank (CIB). The funding is part of the planned \$35 billion capitalization of the CIB, which was announced in 2017. Funding flows from the Department of Finance to the CIB based on the approval of projects and consequential cash requirements. PBO has sent an information request to the CIB seeking additional information on the status of projects it has assessed since 2018-19.<sup>6</sup>

### 4.2. Personnel Spending

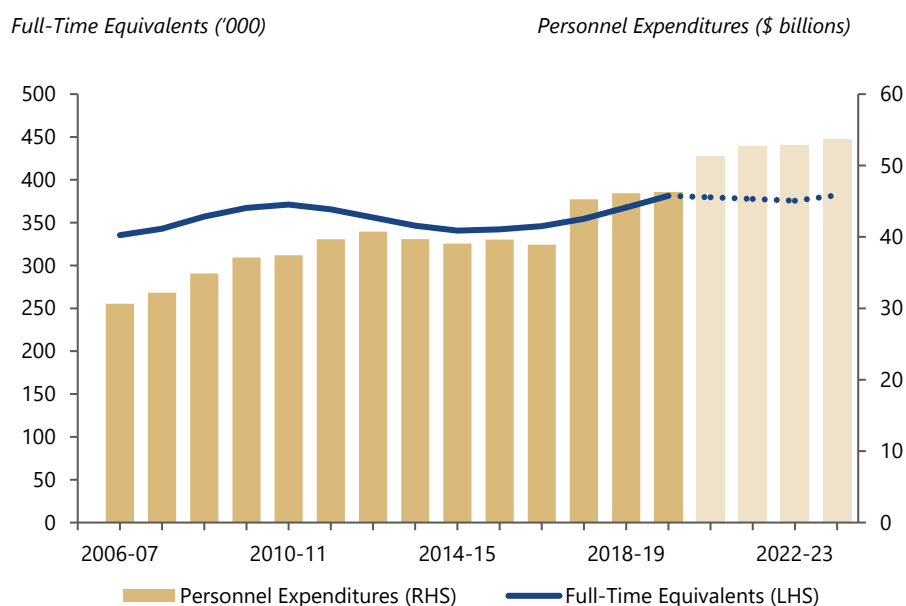
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In these Supplementary Estimates, personnel accounts for approximately \$2.2 billion in budgetary authorities. A large portion of this relates to the \$1.7 billion proposed allocation to the Treasury Board Secretariat for compensation adjustments.

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 2019-20, the number of FTEs grew by an average of 1.0 per cent annually, from roughly 335,000 to 381,000 (Figure 4-1). Over the same period, personnel spending, on average, grew by 3.4 per cent annually, from \$30.6 billion to \$46.3 billion.

PBO projects that over the next four 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.<sup>7</sup>

**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.

Notes: Data up until and including 2019-20 are actuals. Data from 2020-21 are projections.

FTE and personnel spending forecasts are from Economic and Fiscal Outlook – September 2020 and do not include new policy actions from the Economic and Fiscal Snapshot 2020 or Fall Economic Statement 2020.

To assist in parliamentarians' scrutiny, the PBO developed [the Personnel Expenditure Analysis Tool \(PEAT\)](#), available on the PBO website.<sup>8</sup> This interactive online tool allows users to explore overall government spending on personnel or focus on single departments.

### 4.3. Student Loans Write-offs

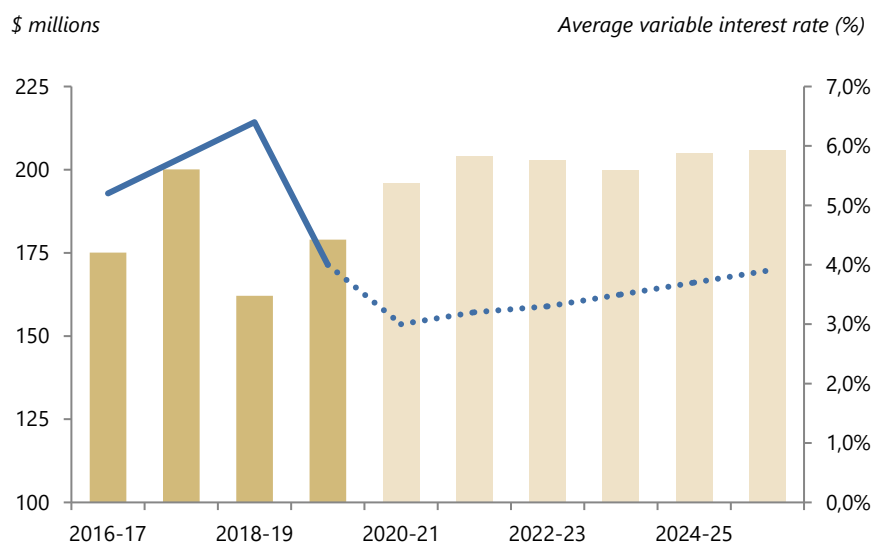
The Canada Student Loans Program provides repayable loans and non-repayable grants to help Canadians finance their participation in postsecondary education.<sup>9</sup>

Since 2014, the Government has sought Parliament's approval each year to write-off student loans that are deemed uncollectable. The write-off of loans from year to year is part of a multi-step process that may result in some volatility.<sup>10</sup>

These Supplementary Estimates request \$188.1 million to write-off 30,289 unrecoverable debts. In comparison, the 2019-20 *Supplementary Estimates (B)* sought \$180.4 million to write-off 33,098 unrecoverable debts.

As shown in Figure 4-2, the Office of the Chief Actuary's projections for write-offs indicate the volatility in loan amounts written off prior to the 2020-21 loan year. Projected loan write-offs in subsequent years are expected to flatten over the medium term. This is a result of program changes introduced in Budget 2019, such as reducing interest rates charged to borrowers in repayment, as well as allowing borrowers in default to access other federal supports, such as the Repayment Assistance Plan, to begin making payments on their remaining debt.

**Figure 4-2** Canada Student Loans – loan write-offs



Source: Office of the Chief Actuary of Canada

Notes: Annual figures represent the Canada Student Loans Program loan year (August 1 to July 31).

Write-off amounts include the loan principle and the amount of interest accrued.

Starting 1 November 2019, the variable interest rate was reduced from prime plus 2.5 percentage points to prime rate. Therefore, loan year 2019-20 has a blended interest rate.

Figures prior to 2020-21 are actuals. Figures for 2020-21 and later are projections.

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# Notes

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1. *Old Age Security Act*. <http://laws-lois.justice.gc.ca/eng/acts/O-9/>.
2. Treasury Board of Canada Secretariat, *Supplementary Estimates (C) 2020-21*. <https://www.canada.ca/en/treasury-board-secretariat/services/planned-government-spending/supplementary-estimates/supplementary-estimates-c-2020-21.html>
3. This is calculated based on all four frozen allotment categories: Reprofiled, Transferred or Reallocated, Reduction, and Other.
4. TBS has also published additional information on InfoBase, providing a breakdown of initiatives receiving authority through the Estimates documents. TBS InfoBase: COVID-19 Estimates Initiatives. [https://www.tbs-sct.gc.ca/ems-sgd/edb-bdd/index-eng.html#orgs/gov/gov/infograph/financial/..-\(panel.key.-.-'covid\\_estimates\\_panel\)](https://www.tbs-sct.gc.ca/ems-sgd/edb-bdd/index-eng.html#orgs/gov/gov/infograph/financial/..-(panel.key.-.-'covid_estimates_panel))
5. 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.
6. IR0586. [https://www.pbo-dpb.gc.ca/web/default/files/Documents/Info%20Requests/2021/IR0586\\_CIB\\_Status\\_Projects\\_request\\_e.pdf](https://www.pbo-dpb.gc.ca/web/default/files/Documents/Info%20Requests/2021/IR0586_CIB_Status_Projects_request_e.pdf)
7. FTE and personnel spending forecasts are from Economic and Fiscal Outlook – September 2020 and do not include new policy actions from the Economic and Fiscal Snapshot 2020 or Fall Economic Statement 2020.
8. PBO's Personnel Expenditure Analysis Tool. <https://peat-oedp.pbo-dpb.ca/#/en>
9. *Actuarial Report on the Canada Student Loans Program, as at 31 July 2019*. [https://www.osfi-bsif.gc.ca/Eng/oac-bac/ar-ra/cslp-pcpe/Pages/CSLP\\_2020.aspx](https://www.osfi-bsif.gc.ca/Eng/oac-bac/ar-ra/cslp-pcpe/Pages/CSLP_2020.aspx)
10. Ibid, Note 9.