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COSTING ELECTION PROPOSALS FOR THE 44TH CANADIAN FEDERAL ELECTION



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

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

This report describes PBO's administrative protocols and analytical framework for estimating the financial cost of election campaign proposals.

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1. Introduction

In June 2017, Parliament enacted the *Budget Implementation Act, 2017, No. 1*. This legislation amended the *Parliament of Canada Act* to give the Parliamentary Budget Officer (the PBO) and the Office of the Parliamentary Budget Officer (PBO) a new mandate to estimate the cost of election campaign proposals.¹

PBO's evaluation of the 2019 Election Proposal Costing exercise (EPC) concluded that all stakeholders were generally satisfied and believed non-partisan costings contributed to public confidence in democratic institutions.² At the same time, several "learning opportunities" were identified.

This document describes how PBO will cost campaign proposals for the 44th general election. Importantly, the guiding principles underpinning our approach are unchanged from our earlier framework.³ Specifically, that our approach must ensure that costings are perceived as non-partisan and credible, yet also be managed within tight resource constraints (both money and time).

2. Working with Parties

2.1. Costing Request Process

Interactions with political parties will be limited, structured, and transparent.

With these points in mind, the following ten step process has been developed.

1. **Request.** The authorized representative or member will submit a costing request through a secure protocol using the generic request template (Appendix A).⁴
2. **Analyst allocation.** The costing coordinator will assign the costing to a PBO analyst or group of analysts. The nature of the request will be compartmentalized and shared with only the analyst(s) in charge of the costing (but not the identity of the requestor).
3. **Clarification and workplan:** Within two business days, the analyst(s) will submit a costing workplan to the costing coordinator who will respond to the authorized representative or member using the generic request response template (Appendix B).
4. **Confirmation.** The party will confirm PBO's interpretation of the request, acknowledge the time and financial cost allocation, provide additional clarifications, and confirm whether the party wants PBO to assess interaction effects with previously submitted policies.
5. **Preparation of the cost estimate.** PBO will then work to complete the cost estimate, which may involve assistance and information from departments. Requests for departmental assistance will be handled by the costing coordinator, and departments will not be informed of the identity or political affiliation of the requestor.
6. **Submission of preliminary estimate and opportunity for refinement.** PBO will then submit a preliminary cost estimate to the party through the costing coordinator using the generic template in Appendix C. At this point the party or member will also have an opportunity to refine the policy's specifications and resubmit it with new parameters.

At this stage, the party and member should understand that if PBO is instructed to prepare the final costing, there is a narrow window in which it may be withdrawn if the party wishes to announce the proposal without the PBO publishing the cost estimate (it must be withdrawn before PBO delivers the final costing in Step 8).

7. **Preparation of final cost estimate.** PBO will then make requested changes to policy parameters or correct factual misunderstandings of

Written confirmation of policy announcement after delivery of final costing

The *Parliament of Canada Act* requires authorized representatives to notify the PBO if the proposal is publicly announced. The Act also requires the PBO to make the costing available to the public after receiving notification. It does not, however, specify a course of action if the policy is announced and the party fails to notify the PBO in writing.

the initial request. If no changes are requested, PBO will use this opportunity for additional fact-checking and internal peer review.

8. **Delivery of final cost estimate.** PBO will then submit the final costing to the party through the costing coordinator using the template in Appendix C. At this point, the party will no longer be able to withdraw the request, unless they refrain from informing the PBO in writing that the costing has been announced publicly (see side box). PBO will deliver the final costing to the party in the Official Language of the party's choice.
9. **Notification of public announcement.** The authorized representative who requested the cost estimate is required by legislation to notify the PBO in writing when the campaign proposal has been announced publicly.
10. **Publication of final cost estimate.** When PBO receives written notification that the campaign proposal has been made public, the PBO will publish the costing to PBO's public website in both official languages.

2.2. Who Can Request a Cost Estimate?

All recognized parties represented in the House of Commons at the start of the campaign costing period are entitled by legislation to submit requests. PBO assumes that this will be the Liberal Party, the Conservative Party, the Bloc Québécois and the New Democratic Party for the 44th general election.

Where there are several members from a party without official recognition (as is the case for the Green Party), PBO expects that these groups will designate a single authorized representative.

Independent members without a party affiliation may also submit cost estimate requests. Given that independent members did not publish platforms during the 2011, 2015 or 2019 federal election campaigns, PBO anticipates limited demand.

2.3. Before the Campaign Costing Period

Costing workshop

Prior to the campaign costing period, PBO will host costing workshops for parties and their staff. These workshops will provide an overview of cost estimates, the requirements when submitting requests, and the timeline and protocols for fulfilment of requests during the campaign costing period.

These workshops will be held separately for each party and interested independent members so that technical questions related to procedures may be clarified. Costing workshops will play an important role in ensuring that

the costing framework runs smoothly, as communication during the costing period will be limited.

Designation of a costing coordinator at OPBO

Prior to the campaign costing period, the PBO will notify parties of a PBO executive who will serve as a single point of contact, the party's *costing coordinator*, through which all costing requests from the party and communication will be conducted.

The costing coordinator's role is to communicate with parties and remove details of party affiliation from requests, ensuring that analysts do not know from which party a request has originated. The costing coordinator will also limit knowledge of the request to those who need to be involved in the costing.

Designation of an authorized representative of the party

A recognized party must designate a sole point of contact to communicate with PBO's costing coordinator. PBO will ask parties that are not officially recognized in the House of Commons to designate a representative.

The authorized representative need not be a member of the House of Commons and is expected, in practice, to be from a party's political staff.

2.4. At the Beginning of the Campaign Costing Period

Notification, confirmation, and request for authorized representative

The PBO will reach out to party leaders in the House of Commons and independent members to request confirmation that the party or member wishes to access the PBO's costing service during the campaign costing period.

If participation is confirmed, the PBO will request the name of the party's authorized representative through which all future communication will be conducted.

Sharing of secure campaign cost estimate request protocols

The costing coordinator will provide authorized representatives and members with access to a secure costing request protocol.

Notification of time and financial allocations

Parties and members will be provided equal analyst time allocations and financial cost allocations (for non-government proprietary data or models if

necessary) at the beginning of the costing period. PBO will determine the allocations based on the expected number of participants.

2.5. What Can Be Submitted?

PBO will only cost platform proposals that:

- Are legally and practically feasible.
- Are within federal jurisdiction. For federal initiatives that involve the informal or official agreement and cooperation of provinces, PBO will assume that memorandums of understanding can be secured.
- Are specific and sufficiently detailed. PBO will only cost proposals that define a single policy scenario with enough detail to avoid guess work.
- Have a proven track record if related to tax enforcement and compliance or cost cutting. Proposals to increase revenues or reduce spending based on administrative reforms must have some precedent (in past Canadian initiatives, initiatives in other jurisdictions, or a trial or study) for PBO to ascribe a yield to their implementation.
- Are intended for the requesting party's platform. PBO reserves the discretion to refuse to do a costing if we believe that it is not a sincere policy objective of the party requesting the costing and is instead being used to discredit the platform of another party.
- PBO will not certify cost estimates prepared by other organizations.

Fiscal materiality

PBO does not have a minimum fiscal materiality threshold for costings. However, federal budget conventions are such that if a measure is less than \$500,000 it will be listed in budget documents as 'small'. PBO will apply this same convention to our cost estimates.

Depending on the number of proposals and whether it is a fixed date election as per the relevant provisions of the Canada Elections Act, PBO may choose to cost proposals above a certain threshold.

2.6. Submitting Requests

Parties will be asked to submit a neutral description of their policy using OPBO's standard request form developed for the campaign costing period (Appendix A). If the request is not sufficiently neutral, PBO will adjust the language in our response.

The request form also requires parties to indicate their intended date of enactment and implementation, whether the policy will expire, whether the

policy will modify or replace an existing policy, and whether policy parameters will be indexed to inflation, among other details.

Parties will also be asked to provide guidance on how the costing is to be prioritized among their other requests.

The request form will contain terms and conditions to reiterate the key guidelines that are discussed within this document.

2.7. Request Deadline

The request deadline will depend on the complexity of the proposal, as determined by the same schedule as the time allocation. However, PBO asks that parties respect a deadline of 10 business days before the election to ensure adequate time to prepare a credible estimate.

2.8. Withdrawal of Request

The legislation permits parties to withdraw the costing request if they have not received the completed request from the PBO.

Parties can withdraw a request by writing to the costing coordinator. Upon withdrawal of the costing, PBO will cease analysis and will not publicly disclose the request for analysis or the estimate.

2.9. Confidentiality

PBO has developed protocols to ensure the confidentiality of requests and cost estimates.

Compartmentalization

Only the PBO's executive management will know which party or member requested a cost estimate.

Records of information

Records will be kept at all stages to track who was aware of what information and at which stages information was shared.

2.10. Resource Allocations

To ensure that each party or member is allocated an equitable share of analytical resources, PBO will provide users of the costing service with two resource allocations: (1) a time allocation, and (2) a financial allocation.

Time Allocation

A total time envelope for all requests will be established based on the number of PBO analysts and the duration of the costing period.

Time will be allocated in analyst-days, where each unit represents one analyst's full attention for a standard working day.

The initial time allocation for each political party will be determined dividing the total time envelope by the number of parties who have indicated that they may submit costing requests.

This initial allocation will be adjusted based on discussions between the costing coordinator and parties and members at the start of the election costing period. If independent, unaffiliated members plan to use the service, the overall allocation of analyst-days will be adjusted.

Importantly, the initial time envelope will shrink as time passes. For example, during a 120-day costing period, each passing day will reduce the allocated time budget envelope by at least 1/120 (or 0.8%).

Designated representatives will be informed if there are adjustments to the time allocations.

Deducting from the time allocation

A party's time allocation will be reduced by a request to cost a proposal, and the reduction will be disclosed to the authorized representative or member.

The time deduction of a proposal will be based on three considerations: the novelty of measure; the technique of analysis; and data requirements.

Novelty of measure

The primary factor driving the time required to cost a campaign proposal is the degree to which the proposal is a modification of an existing policy or an entirely new policy.

Modifications of existing policies require less time for several reasons:

1. Models are already established for policy analysis and budget forecasting. For example, cost analysis for many taxes and social transfers can be performed by changing parameters in Statistics Canada's Social Policy Simulation Database/Model (SPSD/M) without rewriting the model's code to introduce new variables or restructuring the model's framework.
2. The policy may have undergone previous changes, the effects of which can be quickly assessed and modified to model the new policy change.
3. Subject matter expertise is already available.

4. There is likely to be an established literature on behavioural impacts with which PBO is familiar.
5. Interaction effects with the existing tax and transfer system are likely to be familiar and already have a framework for analysis.

In contrast, new policies will require additional time for several reasons:

1. Subject matter expertise must be developed internally.
2. Models must be developed from scratch or existing models must be modified in a resource-intensive manner.
3. Data may need to be retrieved. This could require new agreements, negotiations, familiarization, cleaning of data sets, and procurement of analytical software.
4. Interaction effects with the existing tax and transfer system may require significant additional analysis that compounds all the above.

Technique

The time deduction for novelty may be regarded as a minimum number of days under the simplest costing scenarios and approaches that PBO has faced. Should the costing call for more advanced techniques, PBO will adjust this minimum to reflect the additional analytical demands.

Data requirement

PBO is securing data and agreements with departments and private-sector providers for all reasonably foreseeable campaign initiatives.

That said, if a party presents a proposal that is not within the scope of the policies that PBO has foreseen, additional time may be required to arrange access to data. By this we do not mean the length of time it is expected to take to procure the data (which could take many weeks), but rather the administrative workload for securing new data sharing agreements and preparing the data for analysis.

The actual time it will take to secure the data may rule out a costing or prove challenging for a party's campaign plan. These timelines will be discussed separately with the party but will not be factored into their time allocation.

Financial Allocation

Parties will not be charged for the PBO's services or for expenses incurred as PBO and departments fulfil requests. However, in the interest of fairness for all parties, it is necessary to set a ceiling on unforeseen financial expenses incurred on behalf of an individual party.

2.11. How will PBO Prioritize Costings?

If parties submit more requests than PBO has capacity to simultaneously estimate, priority will be established as follows:

Prioritization within PBO's overall workflow

Parties and individual members will be given equal total time divided among analysts for the election costing period. However, at any given time, the actual resources provided to parties may vary based on demand. PBO will make every effort to ensure that, should a bottleneck arise, parties and members will be allocated equal concurrent analyst time.

Prioritization within the party's analyst allocation

Within each party's allocation, the costing coordinator will work with the authorized representative or member to prioritize campaign proposals. PBO will help parties develop a prioritisation plan in the pre-campaign costing workshop, where it will be suggested that parties prioritize based on:

1. **Intended announcement date.** When the party expects to reveal the proposal during its campaign.
2. **Materiality.** The financial magnitude of the campaign proposal.
3. **Impact.** The importance of the proposal to the campaign strategy of the party.

2.12. What Gets Published

Publishing the cost estimate

PBO's final cost estimate will be published when the request has been completed and the party announces the policy. The cost estimate will be published using the template in Appendix C, which includes a high-level overview of the policy, broad methodologies and data sources used to construct the estimate, and the financial impact.

The party is required to notify the PBO that the policy has been publicly announced in writing.

Publishing the request

In cases where PBO is unable to fulfill the request and the party announces the policy, PBO will publish the request, as it is required by legislation. Legislation also stipulates that the PBO publish a statement of the reasons why the request could not be completed.

2.13. A Party's Public Messaging

Ensuring consistency between party messaging and costing requests

PBO will only use the written request submitted by the party to perform the cost estimate. PBO will not monitor public announcements for details, nor is the PBO responsible to ensure consistency between the party's public messaging and its written requests.

Ensuring consistency between PBO's final cost estimate and a party's public messaging

In using the OPBO's costing service, parties agree to good-faith representation of PBO's analysis in public announcements and campaign material.

If parties or members are unsure how to interpret a costing, they may submit follow-up questions and clarifications to the costing coordinator. The PBO will respond to the authorized representative or member to clarify.

If PBO's costing is misrepresented in public announcements or campaign material, the PBO will intervene to correct the record.

3. Working with the Public Service

The *Parliament of Canada Act* places legal requirements on ministers and their departments to assist the PBO in delivering the election proposal costing mandate. PBO has therefore worked closely with departments to negotiate terms of engagement during the election costing period.

3.1. Legislated Requirements

Subsection 79.4(1) of the *Parliament of Canada Act* provides that the PBO is entitled to free and timely access to information under the control of departments and Crown corporations. The PBO will continue to make information requests during the election costing period as required to prepare cost estimates.

Such information requests will follow the OPBO's standard practices, subject to certain arrangements necessary to protect the confidentiality of the requests for financial estimates.

Section 79.21 of the *Parliament of Canada Act* provides a framework for the PBO to request assistance from departments during the election costing period. The legislation sets out the following rules concerning interactions between PBO and the Public Service:

1. The PBO can ask a minister to personally agree that the department over which they preside will provide assistance.
2. If a minister agrees that the department will assist the PBO, the minister must abstain from any involvement in the provision of assistance. PBO cannot provide the minister with any information concerning a request for a cost estimate.
3. If agreed, the minister must also instruct his or her deputy minister to arrange for the provision of assistance. From that point on, the minister will remain removed from the assistance.
4. PBO requests assistance directly from deputy ministers, which they provide in accordance with the arrangements that they have made.
5. PBO must not identify the party who requested the costing when requesting assistance from deputy ministers.
6. Departments must maintain confidentiality during and after the election costing period.
7. Departments may involve other departments if necessary and if the ministers presiding over those departments have also agreed to provide assistance to the PBO.

3.2. Role of Ministers

Although the *Parliament of Canada Act* empowers ministers to personally agree to have their department assist the PBO, section 79.21 requires that the minister abstain from personal involvement—that is, ministers will not be apprised of policy details and will not engage with the analysis. All requests will remain confidential among PBO, deputy ministers, and public servants.

Memoranda of understanding with departments contain protocols that will ensure that this confidentiality is respected (Appendix D).

3.3. What Assistance will the Public Service Provide?

Memoranda of understanding signed with departments ahead of elections provide for two forms of assistance:

1. Departments may be asked to prepare an estimate themselves, where it is not feasible for PBO to do the analysis (due to confidentiality of data or lack of modelling capability)
2. Technical advice.

3.4. How will Cooperation be Conducted?

The Public Service will be engaged to assist the PBO as follows:

- Correspondence will be sent to the Deputy Minister to arrange the costing. The identity of the requesting party will not be provided to the Deputy Minister.
- The content of party requests will be shared with the department.
- PBO will not disclose to the party or member the nature of the assistance provided by departments.
- Departments will notify PBO within 2 business days of the feasibility of assistance, along with any other considerations that will affect the policy.

3.5. Maintaining PBO's Independence

PBO will retain the right to adapt the technical assistance as it sees fit. PBO will use this discretion both to preserve our independence and to ensure that all costings are finalized under OPBO's costing framework to ensure consistency among cost estimates (this may include, for example, using PBO's economic and growth rates, among other considerations).

PBO will also limit interaction with the Public Service to the initial request for analysis and discussions to review results and methodology.

3.6. Non-Compliance

In the unlikely event that PBO is prevented from completing a cost estimate owing to a lack of cooperation on the part of the Public Service, PBO will document the issue. Other steps may also be taken during the election period.

Should PBO be asked by Parliament to describe the working arrangement following the election, PBO will report any failures to cooperate that hindered the costing service.

4. Working with the Media

The PBO will retain the ability to intervene in media both *ex ante* and *ex post* to prevent the spread of disinformation or misrepresentation of the office's costings.

1. ***Ex ante* intervention.** The PBO may interact with the media to clarify the interpretation of costings before media stories are published.
1. ***Ex post* intervention.** The PBO may interact with the media if costings are reported incorrectly or are misrepresented.

To ensure that all interactions with the media are transparent, fair, and respect the confidentiality requirements of the legislation, the following media guidelines were developed.

Guideline 1 All media clarification requests must be made through PBO's official public inquiries email address.

Guideline 2 Only questions seeking clarification of the *interpretation* or *methodology* of costings will receive a response.

Guideline 3 If PBO responds to a misrepresentation of a cost estimate or the EPC process in the media, the correction will be posted to PBO's election proposal costing disclosure site with a link or copy of the misrepresentation.

5. What Costs Will PBO Estimate?

5.1. PBO Will Estimate

Static Costs

For a change in a tax parameter such as the tax rate or tax bracket, the first step in a costing would be to hold quantities (the tax base) the same and change only that parameter. For a change in coverage or scope, this would calculate the new eligible population or tax base assuming activity remains the same.

Behavioural Impacts

The next step would be to consider how the tax base (quantities, coverage, or activity) may change in response to the new policy. Whether or not to proceed with this step will be based on whether omitting such effects would be misleading.

Operationally, PBO will take every effort to include behavioral effects in costings if they are *significant* and *quantifiable*.

By significant, we mean that the behavioural response is likely to materially affect the public finances, where *materially* means \$500,000 or more.

By quantifiable, we mean that there is either a well-established body of empirical evidence or that we can confidently estimate a behavioural from a similar shock over history.

Cross-tax and Transfer Effects

PBO will flag significant interactions the policy would have with existing measures in the benchmark tax and transfer system and proposals that have been previously submitted to PBO by that party.

Interactions with the existing tax and transfer system

Changes to one tax or transfer program may increase or decrease the yield or costs of another program.

Significant

The behavioural response is likely to materially affect the public finances, where materially means greater than \$500,000.

Quantifiable

There is a well-established body of knowledge or sufficient observations over history to estimate a behavioural response statistically.

PBO will consider interactions of proposed policy measures on the tax and transfer system under legislation enacted or announced prior to the election costing period.

Interactions with previously submitted campaign proposals

PBO will consider the interaction of proposed policy measures on previously requested costings submitted by the same party to the extent possible, in a manner discussed and agreed upon with authorized representatives and members.

By default, cost estimates and their interaction effects will be assessed sequentially as PBO receives them. However, the order in which platform interactions are costed may be adjusted in conversation with the authorized representative or member to better fit their campaign plan and announcement schedule.

Cost Recovery Measures

Cost recovery measures are design choices directly related to a proposal's policy area that reduce its fiscal impact. PBO will include cost recovery measures in the proposal's total cost and provide details as supplementary information.

Cost recovery measures do not include unrelated measures to pay for a program, such as introducing an income surtax to pay for a social benefit, reallocating existing funds in the fiscal framework, or cancelling other unrelated programs to pay for a new proposal.

Administration Costs

Administration costs include incremental internal service costs such as additional staff to administer the policy, legal assistance, information technology, and new online or physical administration processes.

PBO will consider administration costs where: they are material to the proposal under consideration; there are well-established budgeting conventions; and, PBO has adequate administrative data to quantitatively estimate them.

Distributional Analysis

Distributional analysis provides information on how policies affect different segments of society.

Distributional analysis will be made available to requestors where the data exists, and the analysis is already incorporated into the cost estimate model.

Fixed Envelopes

The PBO will not cost proposals for which the amount of money is a fixed amount. That said, the PBO may choose to compile a list of fixed envelope measures to facilitate tracking and analysis by the public.

5.2. PBO Will Not Estimate

Dynamic Scoring

Dynamic scoring is the term for including a policy's indirect effects on the economy that feed back into the public finances. For example, a tax cut will reduce government revenue, all else the same. But if the policy encourages broader investment, consumption and wage growth, the second-round effects on the circular flow of income in the economy may offset some of its fiscal costs.

PBO will not incorporate feedback from the policy to the economy and back to the policy in individual cost estimates.

Regional and Sectoral Impacts

PBO will limit our analysis to the financial cost of campaign proposals and will not break down the impact between regions (provinces, electoral districts, etc.) or industries (services, manufacturing, oil and gas, etc.), unless proposals are region- or industry-specific.

Fiscal Impact of the Overall Platform

The PBO has a legislative mandate to cost proposals, rather than platforms. However, parties can use the fiscal baseline and guidance that PBO will publish at the outset of the election costing period to prepare aggregate platform budget implications using PBO's cost estimates.

6. How Will Costings be Prepared?

6.1. Tools

PBO uses a wide variety of tools, depending on the policy area. These include but are not limited to:

- SPSD/M microsimulation models
- In-house microsimulation models
- Econometric modelling
- Literature reviews
- Administration database queries
- Rough order of magnitude estimation
- Comparative analysis
- Expert judgment
- Effective rates models
- Analogous estimation
- Vendor analysis
- Statistical modelling
- Input/output models
- Life-cycle cost models

6.2. Baseline

To the extent possible, PBO will publish both an economic and fiscal forecast at the beginning of the election costing period. This will be the baseline medium-term fiscal framework for PBO's estimates during the election costing period and may be used by parties to prepare their platforms.

PBO will assume that all announcements made by the Government of Canada prior to the election costing period enter the economic and fiscal baseline. This includes announcements that may or may not have been enacted or come into force.

6.3. Time Horizon

PBO typically prepares medium-term budget framework forecasts and costings for the current fiscal year and five additional years, as this is generally long enough for the full effect of most policy changes to be integrated, even if phased in gradually.

6.4. Basis of Accounting

PBO will always publish the costing figures on an accrual basis of accounting, in-line with the budget and the consolidated financial statements of the Government of Canada.

The accrual method of accounting reports costs (or revenues) when the economic activity occurs, rather than when transactions are settled by the payment or receipt of cash or its equivalent.

6.5. Indexation

Tax thresholds, duty rates, and benefit enrichments may be increased annually to preserve the same tax burden or program outcome in the face of a changing economy, particularly in sheltering the public finances or real household incomes against inflation.

PBO's costings will use the relevant index from PBO's economic baseline forecast that will be published at the outset of the election costing period.

6.6. Discount Rates

At times PBO may be required to discount certain financial flows. Discount rates will be applied using Public Sector Accounting Board Standards. Discount rates will reflect PBO's independent outlook for interest rates.

6.7. Rounding and Significance

PBO will follow the conventions established by the Department of Finance:

- Costings will be given in millions, rounded to the nearest \$1 million.
- If a proposal is estimated to have a cost, but that cost is less than \$500,000, it will be written as 'small'.

PBO will follow scientific significant digits practices, where costings will not be given false or misleading precision merely because of mathematical operators. For example, if intermediate data are available only to the nearest billion, we will not show a costing with precision to the millions.

6.8. Dealing with Uncertainty

PBO will be transparent about the sources of potential uncertainty. To that end, each costing support note will contain a qualitative statement identifying the sources of uncertainty in the estimate. Such a statement will not represent an assessment of the policy proposal's merits.

6.9. Presenting the Estimates

Estimates will be presented in *cost space*, where positive numbers are the cost, and negative numbers are revenue gains. For example, the following hypothetical policy costing saves the government \$250 million in its first year (either by reducing spending or bringing in additional revenues). In its second year it costs the government \$300 million, and that amount increases over the remainder of the forecast horizon.

<i>\$ millions</i>	2020-21	2021-22	2022-23	2023-24	2024-25
Total cost	-250	300	350	450	500

6.10. Costing Notes

Costing notes provide a concise overview of the financial cost estimate of platform policies. These will be published in place of the longer reports by which PBO typically responds to requests. The time pressures of the pre-election period preclude a full write-up and translation of the analysis in the same spirit by which PBO would normally draft research notes. The template by which PBO will publish costing support notes is provided in Appendix C.

Appendix A: Costing Request Form

Date submitted:	yyyy-mm-dd
Date received:	PBO to complete

1) Authorized representative or member information

Name	Party	Contact information

2) Policy details

Overview	A neutral description of the policy proposal, including <ul style="list-style-type: none"> - Beneficiaries/tax base - Eligibility - Amounts - Thresholds - Rates - All other aspects of policy design
Intended date of enactment or agreement	When is the law to be passed or agreement with counterparty to be secured (this may have implications for which year the cost is accrued, even if not yet implemented)
Intended implementation date	Exact date new measure is to come into force
End date or sunset provision	If the measure is designed to expire
Does the policy modify or replace an existing policy?	Yes/No; If Yes, which one.
Will any policy parameters be indexed to inflation or other uprating factors?	Are any of the thresholds, rates, or other defining characteristics linked to inflation or another growth factor such as the seniors cost of living index, retail price index, etc.?

3) Analysis specification

Is the policy proposal expected to interact with another platform measure that will be announced in the future?	Yes/No If yes, PBO will confirm with the party how analysis is to proceed to consider the interactions for future measures
Does the party wish the PBO to consider the policy's interactions with previous campaign proposal cost estimate requests?	Yes/No

	If yes, PBO will discuss the party's previous requests and confirm how analysis is to proceed considering the interaction of previously costed measures
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4) Announcement and communications

Planned announcement date	(if known)
Priority in relation to previous requests in process	<input type="checkbox"/> The measure is expected to be announced ahead of other requests and should be given top priority
	<input type="checkbox"/> The measure is expected to be announced after previous requests and previous requests should be given priority
	<input type="checkbox"/> The measure should be prioritized ahead of: <div>The measures should not be prioritized ahead of:</div>

5) Authorization

Authorized representative or member agrees to the PBO providing an initial policy costing proposal	Name (printed)	Signature	Date
			yyyy-mm-dd

Appendix B: Costing Request Response Form

Date returned:	yyyy-mm-dd
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1) Administration

Short title	
Assigned costing request code	
Expected return date (not guaranteed)	

2) PBO's interpretation of policy

Novelty of measure	New policy / Policy redesign / Change in existing policy parameters / Extension of existing policy
PBO's interpretation of request	

3) Work plan overview

Technique (for time allocation)	<i>Bottom-up micro accounting model using tax return data or detailed micro data</i> <i>Top-down aggregate accounting models using data aggregates and assumptions</i> <i>Approximation</i> <i>Microsimulation model SPSD/M not requiring changes to code (black box)</i> <i>Microsimulation model SPSD/M requiring changes to code (glass box)</i> <i>Structural econometric modelling</i>
Data sources (could incur deductions from financial allocation if above and beyond PBO and department's normal course of duty)	Open-source public data Non-public Government of Canada data Proprietary private-sector data free of charge Proprietary private-sector data with charge
Anticipated interactions with other existing policies	
Anticipated interactions with previously or concurrently submitted policies	

4) Resource allocation deduction: analytical time allocation

	Deduction (in analyst-days)	Details
Total deduction		
Time allocation remaining		

5) Additional clarifications

Clarification 1	
Clarification 2	
Clarification 3	

6) Authorization

Authorized representative or member agrees to the PBO performing the cost estimate, agrees to the resource allocation deductions	Name (printed)	Signature	Date

- Please return form to PBO along with the requested clarifications in Section 5 -

Appendix C: Costing Support Note Template

(illustrative example)

Publication date:	yyyy-mm-dd																							
Short title:	<p>New policy (tax) = [Target] + [Classification]</p> <p>New policy (spending) = "Financial support for" + [Target]</p> <p>Change in existing policy = [Policy] + [Change]</p> <p>If tax credit, all words capitalized " _____ Tax Credit" otherwise only first word capitalized</p>																							
Description:	<p>Policy change = [Action-ing] + [policy lever] + on/for + [target group] + to + [new amount] + from [old amount].</p> <p>New policy = Introducing + [policy] + on/for + [target group] + equal to/at/of [amount].</p> <p>Future tense for additional info.</p>																							
Cost of Proposed Measure:	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">\$ millions</th> <th>2020-21</th> <th>2021-22</th> <th>2022-23</th> <th>2023-24</th> <th>2024-25</th> </tr> </thead> <tbody> <tr> <td>Total cost</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>						\$ millions	2020-21	2021-22	2022-23	2023-24	2024-25	Total cost											
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Total cost																								
Supplementary Information:	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>2020-21</th> <th>2021-22</th> <th>2022-23</th> <th>2023-24</th> <th>2024-25</th> </tr> </thead> <tbody> <tr> <td>Cost</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Cost recovery</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>							2020-21	2021-22	2022-23	2023-24	2024-25	Cost						Cost recovery					
	2020-21	2021-22	2022-23	2023-24	2024-25																			
Cost																								
Cost recovery																								
	<p>Notes:</p> <p>Estimates are presented on an accruals basis as would appear in the budget and public accounts.</p> <p>Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.</p> <p>"-" = PBO does not expect a financial cost</p>																							
Estimation and projection method:	<p>Paragraph 1 sentence 1 describes how the historical data of the tax base or qualified beneficiaries was determined (if administration data was used, can ignore this sentence and indicate administration data in sentence 2). Paragraph 1 sentence 2 describes how that history was projected.</p>																							

Paragraph 2 describes how the parameters of the policy were applied to the projected base to determine the cost.

Use past tense.

Source of Uncertainty:

Sentence 1 describes the uncertainty inherent in the historical data quality and modelling approach. Sentence 2 describes the amount of unexplained error or volatility in the program and its sensitivity to uncertainty in the economic outlook. Sentence 3 describes whether a behavioural response is expected, whether it was possible to model, and the level of uncertainty attributed to it. Use appropriate tense.

Data sources:

<u>Variable</u>	<u>Source</u>
[Variable 1]	[Source 1]
[Variable 2]	[Source 2]
[Variable 3]	[Source 3]

Appendix D: MOU With Federal Organizations

MEMORANDUM OF UNDERSTANDING

Between the Parliamentary Budget Officer and Department of X

In relation to requests for departmental assistance in costing election campaign proposals during the 44th Federal general election

IN CONSIDERATION OF THE FOLLOWING:

THAT the Parliamentary Budget Officer (PBO) is mandated by section 79.21 of the *Parliament of Canada Act* (the "Act") to estimate the financial cost of election campaign proposals at the request of certain persons defined in the Act during the period before a federal election defined in subsection 79.21(2) of the Act (the "defined period");

THAT, in accordance with subsection 79.21(5) of the Act, the PBO may make a request to the Minister of X (the "Minister") for the assistance of the Department of X (the "Department") in preparing these estimates;

THAT if the PBO makes a request for assistance and the Minister agrees, the Deputy Minister of X (the "Deputy Minister") may, pursuant to subsection 79.21(7) of the Act, make such arrangements as the Deputy Minister considers necessary respecting the terms under which the Department's assistance will be provided;

THAT, by virtue of subsection 79.4(1) of the Act, the PBO is entitled, by request made to the head of the Department, to free and timely access to any information under the control of the Department that is required for performance of the PBO's mandate;

THAT the PBO may, in carrying out the work of the office of the PBO, enter into contracts, memoranda of understanding or other arrangements under subsection 79.11(2) of the Act;

AND THAT it is expedient to set out in a Memorandum of Understanding the arrangements and terms under which the assistance of the Department, if requested by the PBO and agreed by the Minister, will be provided to the PBO during the 2023 general election period;

THEREFORE the Deputy Minister and the PBO agree as follows:

Application

1. This Memorandum of Understanding applies only to requests for the Department's assistance made by the PBO under section 79.21 of the Act and requests for information made under subsection 79.4 of the Act during the defined period preceding the 44th federal general election, which is required to take place on or before October 16, 2023.

- 1.1 This Memorandum of Understanding takes effect on the first day of the defined period provided that the Minister has agreed to a PBO request for the Department's assistance under subsection 79.21(5) of the Act.

Requests for Assistance and Information

2. The PBO will submit a request by e-mail to the Deputy Minister for the specific assistance required from the Department as described in clause 4.
3. The PBO will not submit a request for assistance under clause 2 less than 10 business days before the date of the general election.
4. The PBO may request the following assistance under clause 2:

- (a) **Preparation of an estimate:** The PBO may ask the Department to use its own methods and models to prepare an estimate of the financial cost of a campaign proposal (or some part thereof) on the PBO's behalf, even if doing so requires the use of information that the PBO is not entitled to access under section 79.4 of the Act. Where information that the PBO is not entitled to access under section 79.4 of the Act is used in the preparation of a cost estimate, the Department will ensure that such information is not disclosed to, or discoverable by, the PBO.

Further, if the Department requires information held by another department in order to prepare an estimate on behalf of the PBO, the Department will obtain the information under subsection 79.21(10) of the Act if the PBO has confirmed that the minister who presides over the other department has also agreed to provide assistance under subsection 79.21(5); and

- (b) **Advice or review:** The PBO may ask the Department to provide advice regarding the specification of a model developed by the PBO, including assumptions, or to review an estimate prepared by the PBO.
5. If the PBO requires information under the control of the Department in order to prepare a cost estimate of a campaign proposal, the PBO will

request access to the information in accordance with subsection 79.4 of the Act.

5.1 The PBO will address a request under clause 5 to the Deputy Minister if informed by the Department that the Minister has delegated his function under subsection 79.4(1) of the Act to the Deputy Minister for the defined period.

5.2 The Deputy Minister, in relation to a request under clause 5, will not inform the Minister that a request was made, the nature of the information requested by the PBO, the nature of the information provided by the Department in response to the request, or any written justification for refusing to provide access to information under section 79.41 of the Act.

5.3 The timelines set out in clauses 3 and 7 to 7.3 apply to information requests under clause 5.

6. Where the PBO makes a request for assistance under clause 2, the PBO will provide the Department with the original wording of the description of the election campaign proposal for which an estimate has been requested, including relevant details and objectives, as well as any additional information subsequently provided by the person who requested the estimate.

6.1 The Department may request that the PBO obtain additional information from the person who requested the estimate, if such information is necessary for the provision of the estimate, in which case the PBO will seek to obtain the additional information and provide it to the Department in the shortest time possible.

7. Within 2 business days of receiving a request for assistance under clause 2, the Department will advise the PBO in writing as to whether, and within what timeframe, the Department can provide the requested assistance unless the assistance relates to a complex campaign proposal and the PBO has agreed to a longer period.

7.1 If the requested assistance cannot reasonably be provided, the Department will provide the PBO with a written statement of the reasons why the request cannot be completed.

7.2 If the Department is not the appropriate federal department to provide the specific assistance requested, it will so inform the PBO. The PBO will be responsible for identifying the appropriate alternative department from which to request the assistance.

- 7.3 The Department shall provide the requested assistance within 10 business days unless the assistance relates to a complex campaign proposal and the PBO has agreed to a longer period.
8. If the PBO makes a request to the Department for the assistance described in clause 4(a), the PBO will not request the same assistance in respect of the same campaign proposal (or part thereof) from any other department unless the proposal would require the oversight of another department.
 9. If the PBO requests the assistance described in clause 4(b) from the Department as well as from one or more other departments in respect of the same campaign proposal (or part thereof), the PBO will be responsible for compiling the assistance obtained from departments.
 10. In providing its response to a request for assistance made under clause 2, the Department will inform the PBO of any knock-on effects and implementation considerations involved in the estimate.
 11. The Department will provide the PBO with assistance requested under clause 2 without charge, unless the PBO consents in advance to the Department incurring third-party costs in the provision of the assistance and the Department incurs such costs, in which case the third-party costs will be recovered from the PBO.
 12. The PBO will inform the Department on a timely basis if a request is withdrawn by the person who requested the estimate or if the PBO discontinues work on an estimate.

Dispute Resolution

13. Officials of the OPBO and the Department will attempt to resolve any disputes collaboratively and promptly. If they are unable to do so, the dispute will be referred to the PBO and the Deputy Minister for resolution.

Disclosure

14. Where the PBO requests and receives assistance from the Department under clause 2, the PBO will not, during the defined period, disclose to any person the fact that assistance was requested from the Department or the nature of the assistance requested and provided.
 - 14.1. Nothing in clause 14 shall be construed as preventing the PBO from making a notification under subsection 79.21(15) or a statement under subsection 79.21(16) of the Act.
15. Where the PBO makes a request under clause 2 and the Department provides the requested assistance, the Deputy Minister will for the purposes of section 79.5 of the Act, inform the PBO in writing if he or she

does not consent to disclosure of any information provided by the Department in its response to the request for assistance.

16. The Department will not, whether within or after the defined period, disclose any information referred to in subsection 79.21(9) to any member of the Queen's Privy Council for Canada or their staff.

Responsibility for Estimates:

17. Any estimates of campaign proposals prepared by the Department at the request of the PBO or prepared by the PBO with the assistance of the Department under this Memorandum of Understanding that are included in a report provided to a person by the PBO under subsection 79.21(12) of the Act or made public under subsection 79.21(14) of the Act are the sole responsibility of the PBO and will be presented as the PBO's estimates.

Amendment and Revocation

18. This Memorandum of Understanding may be amended or revoked only by written agreement of the Deputy Minister and the PBO.

Notes

1. Division 7 of Part I of *An Act to implement certain provisions of the budget tabled in Parliament on March 22, 2017 and other measures*.
2. Evaluation of Electoral Proposal Costing 2019. <https://www.pbo-dpb.gc.ca/en/blog/news/ADM001--evaluation-election-proposal-costing-2019--performance-estimation-cout-promesses-electorales-2019>
3. Estimating the Financial Cost of Election Campaign Proposals: A Framework. https://www.pbo-dpb.gc.ca/web/default/files/Documents/General/CampaignFramework_EN_FI_NAL.pdf
4. The templates reflect the content to be submitted to the OPBO and political parties. Their precise formatting is subject to change.