



Analysis of Financial Trends of Regulated Federal Political Entities, 2000–2014

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Introduction

This report provides detailed information on the financial activities of regulated federal political entities and highlights the impacts of the rules governing political financing in Canada by presenting their funding, expenses and net assets based on their financial returns. It also covers matters of non-compliance related to the financial provisions of the *Canada Elections Act* (CEA).

This is the first report that we plan to issue for each electoral cycle, which starts at the beginning of a general election and continues until the start of the next general election. Analyzing a full electoral cycle will serve to compare data and document trends during each cycle and over time.

Political Entity Returns

The various political entity returns include annual financial returns of registered parties and registered electoral district associations (EDAs) as well as the various event-based returns – the candidate electoral campaign return, the nomination contestant return, the leadership contestant return and the registered party election expenses return. At the end of each year or after an event, as the case may be, regulated federal political entities must complete reporting requirements following a pre-determined schedule prescribed by law.

The financial data presented in this report covers the period of 2000 to 2014.¹ This illustrates the potential impacts of both the various legislative changes and the incidence of five general elections during this period, highlighting the period before and after the introduction of quarterly allowances and restrictions on contributions in 2004. The report examines the two major revenue streams of regulated federal political entities, public funding and private contributions, as well as their expenses. Data is also presented on how revenues and expenses impact the net worth of registered parties and their EDAs by measuring their net asset positions during this time frame.

The report shows that the overall net asset position of registered parties and their EDAs grew from 2004 to 2014, from \$7.8 million to \$81.7 million, with over half belonging to EDAs. This period also shows a widening gap between the net assets of registered parties that qualified for quarterly allowances and those that did not.

With respect to contributions, the report shows a drop during the election years after 2000, but a relatively steady level in non-election years. As well, the mix of contributions versus public funding received by regulated federal political entities between 2000 and 2014 has changed. Before 2004, when comparing contributions to public funding, contributions represented 89% of the total, while public funding was 11%; however, after 2004, contributions fell to 55% (despite the reporting of contributions to EDAs), while public funding rose to 45% of overall funding.

In regard to expenses, the report shows that regulated federal political entities incurred a total of \$1.3 billion of expenses from 2004 to 2014, of which \$794 million were annual expenses of registered parties and their affiliated EDAs, and \$535 million were event-based (95% of which was for elections).

¹ Financial data presented in this report is inflation-adjusted to the year 2014. Refer to Appendix A for the inflation factors that were applied per year.

The report also covers regulatory incidences of non-compliance with the financial provisions of the CEA from the enactment of Bill C-24 in 2004 to 2014, by examining the number and types of non-compliance instances as well as the manner in which they are addressed, either by a referral to the Commissioner of Canada Elections or by administrative measures.

This report does not include the type of actions taken by the Commissioner of Canada Elections on referrals sent to his office. For more details on this matter, see the Commissioner's annual report.

1. Background

The rules governing political financing in Canada are the result of successive reforms starting in 1970 that were influenced by the recommendations of the Committee on Election Expenses (commonly known as the Barbeau Committee) in 1966.² These recommendations included:

- recognizing political parties and making them legally responsible for their fundraising activities and spending of funds
- strengthening public confidence by requiring parties and candidates to disclose their revenues and expenditures
- providing a degree of financial equality through public funding and imposing controls on the costs of elections
- broadening the base of contributions through tax incentives for contributors

The recommendations of the Barbeau Committee, along with those of the Lortie Commission (1991), contributed to the establishment of what has been described as an “egalitarian model” of electoral democracy.

As explained by the Supreme Court of Canada:

This model is premised on the notion that individuals should have an equal opportunity to participate in the electoral process. Under this model, wealth is the main obstacle to equal participation; see C. Feasby, “*Libman v. Quebec (A.G.)* and the Administration of the Process of Democracy under the Charter: The Emerging Egalitarian Model” (1999), 44 *McGill L.J.* 5. Thus, the egalitarian model promotes an electoral process that requires the wealthy to be prevented from controlling the electoral process to the detriment of others with less economic power. The state can equalize participation in the electoral process in two ways; see O. M. Fiss, *The Irony of Free Speech* (1996), at p. 4. First, the State can provide a voice to those who might otherwise not be heard. The Act does so by reimbursing candidates and political parties and by providing broadcast time to political parties. Second, the State can restrict the voices which dominate the political discourse so that others may be heard as well. In Canada, electoral regulation has focussed on the latter by regulating electoral spending through comprehensive election finance provisions. These provisions seek to create a level playing field for those who wish to engage in the electoral discourse. This, in turn, enables voters to be better informed; no one voice is overwhelmed by another.³

Although this first report covers the 2000 to 2014 time frame, below is a brief overview of the history of the regime to facilitate the understanding of the broader context.

² *Report of the Committee on Election Expenses*, 1966.

³ *Harper v. Canada (Attorney General)*, [2004] 1 SCR 827, 2004 SCC 33.

1970 – Bill C-215 (Amendment to the *Canada Elections Act*)

Following the recommendations of the Barbeau Committee, the CEA was amended in 1970 to include a process by which political parties could register with the Chief Electoral Officer. This allowed parties to place their name on the ballot under that of their candidate in any electoral district.

1974 – Bill C-203 (*Election Expenses Act*)

While the CEA was amended in 1970 to provide for the registration of political parties, it was in 1974 that Parliament passed the *Election Expenses Act*. The major legislative changes of the *Election Expenses Act* were:

- limits on the election expenses of registered parties and candidates
- public funding⁴ in the form of partial reimbursements of the election expenses of registered parties and candidates⁵
- tax credits for individuals who contributed to registered parties and candidates, to a maximum of \$500 per individual
- a requirement for registered parties and candidates to disclose the amount and the source of all contributions over \$100⁶
- a prohibition on third parties (i.e. entities other than registered parties or candidates⁷) advertising for the purpose of promoting or opposing a political party and their candidates during an election period

2000 – Bill C-2 (*The Canada Elections Act*)

With the passage of Bill C-2 in 2000, the CEA brought into law the registration of third party advertisers and the regulation of their election advertising expenses.⁸ The legislation introduced spending limits for third party advertising during a general election of \$150,000 nationally with a maximum of \$3,000 in a particular electoral district. These spending limits are adjusted annually for inflation.

2004 – Bill C-24 (*An Act to amend the Canada Elections Act and the Income Tax Act*)

Bill C-24, *An Act to amend the Canada Elections Act and the Income Tax Act*, came into force on January 1, 2004. It expanded the scope of the CEA by regulating the financial activities of nomination contestants and

⁴ For the purposes of this report, public funding means government subsidies in the form of quarterly allowances to eligible registered parties, partial reimbursement of the paid expenses of candidates and registered parties, and audit subsidies paid to the auditors of candidates and EDAs.

⁵ Registered parties received a 50% rebate for their telephone and advertising expenses. In 1983, the reimbursement changed to 22.5% of total election expenses – only if the expenses were at least 10% of the spending limit – and in 1996 the eligibility rules were again adjusted so that registered parties needed to have received at least 2% of the votes cast nationally or 5% of those cast in the electoral districts in which they ran candidates.

Candidates who received at least 15% of the vote in their electoral districts became eligible for the reimbursement. The amount of the reimbursement was based on a formula taking into account the number of electors in the district. In 1983, the reimbursement became 50% of the candidate's total election expenses.

⁶ The threshold of \$100 was raised to \$200 in 2000.

⁷ After 2004, the definition of a third party was modified to mean any entity or person other than a candidate, registered party or EDA of a registered party.

⁸ The 2000 legislation cumulated many attempts to regulate the advertising expenses of third parties during an election period. Legislation passed in 1974 was amended in 1983 to prohibit any third party election spending, unless it was officially authorized. The 1983 legislation was struck down by the courts as an unconstitutional infringement of freedom of expression under section 2 of the *Canadian Charter of Rights and Freedoms*. Subsequent legislation in 1993 was struck down for the same reason.

leadership contestants as well as EDAs.⁹ For the first time, these entities were required to report on their revenues and expenses and were made subject to a range of regulatory controls. Nomination contestants were also now subject to spending limits (but not leadership contestants).

Bill C-24 also introduced the following restrictions on contributions:

- Contributions from Canadian citizens and permanent residents were limited to \$5,000 annually to a registered party and its EDAs, candidates and nomination contestants, plus an additional \$5,000 towards a leadership contest and \$5,000 to each independent candidate (all limits were indexed for inflation).
- Contributions from corporations, trade unions and other associations were limited to \$1,000 (indexed for inflation) annually to the EDAs, candidates and nomination contestants of a particular registered party; these entities were banned from contributing directly to a political party or its leadership contestants.

To compensate for potential revenue losses due to new restrictions on contributions, a range of measures were included that increased public funding:

- Quarterly allowances to federal registered parties were introduced. The allowance was \$0.4375 (indexed for inflation) for each vote received at the most recent general election. To qualify, a party needed to have received at least 2% of all votes cast nationally or 5% of votes cast in electoral districts in which it ran candidates.
- The vote threshold for a candidate to be eligible for partial reimbursement of their paid election and candidate personal expenses was lowered from 15% to 10%.
- The election expenses reimbursement rate for eligible candidates increased from 50% to 60%.
- The general election expenses reimbursement rate for eligible registered parties increased from 22.5% to 50%, with a one-time increase to 60% for the 2004 general election.
- The maximum political contribution tax credit of 75% of a contribution amount was applied to the first \$400 contributed rather than to the first \$200. The maximum tax credit was increased from \$500 to \$650.
- Tax credits were made available for the first time for monetary contributions to EDAs.

2007 – Bill C-2 (*The Federal Accountability Act*)

This legislation, which came into force on January 1, 2007, further restricted political contributions by lowering the individual contribution limit and further restricting the eligibility of a contributor. The key political financing provisions of Bill C-2 were as follows:

- Contributions from corporations, trade unions and associations were prohibited.
- Contributions were capped at \$1,000 (indexed for inflation) per calendar year to each of the following:
 - each registered party
 - the combination of EDAs, nomination contestants and candidates of the same political affiliation
- Contributions were capped at \$1,000 (indexed for inflation) in total to the contestants of a particular leadership contest and to each independent candidate of a particular election.
- Cash contributions to regulated federal political entities were limited to \$20.

⁹ See Appendix B for the number of regulated federal political entities from 2004 to 2014.

2011 – Bill C-13 (*Keeping Canada's Economy and Jobs Growing Act*)

Bill C-13, which received royal assent on December 15, 2011, and came into effect in the second quarter of 2012, amended the CEA to reduce public financing of eligible registered parties by phasing out their quarterly allowances. The quarterly allowance was reduced each year until its elimination after the first quarter in 2015.

2014 – Bill C-23 (*An Act to amend the Canada Elections Act and other Acts*)

Bill C-23, *An Act to amend the Canada Elections Act and other Acts and to make consequential amendments to certain Acts*, received royal assent on June 19, 2014. The contents of Bill C-23 brought a number of changes to the CEA, including the following:

- a new regime for reporting loans and unpaid claims
- new loan restrictions in terms of source and amount
- new election expenses limits for registered parties and candidates that include a 5% increase and a pro-rating of the limit for longer election periods
- reductions in the reimbursement of paid election expenses for overspending the election expenses limit
- higher contribution limits at \$1,500 per year and \$1,500 per electoral event for independent candidates, plus a \$25 increase per year
- a change in the limit for contributions to leadership contestants from an event-based to an annual limit
- higher contribution limits for candidates and leadership contestants to their own campaigns (the change allows candidates to contribute up to \$5,000 and leadership contestants up to \$25,000 to their own campaigns)
- a new regime for dealing with applications for extensions of reporting deadlines and corrections to transactions returns of regulated federal political entities
- the requirement for the Chief Electoral Officer to issue guidelines, interpretation notes and written opinions

2. Net Assets

This section presents the net assets of registered parties and their affiliated EDAs from 2003, prior to the introduction of Bill C-24, until 2014. The net asset position of an ongoing political entity is equivalent to its net worth and is a key indicator of financial health.

a) Overall registered party and EDA net assets, 2003 to 2014

The net asset positions presented are for registered parties and their EDAs. They have been grouped together to provide a more accurate picture of overall wealth given the fact that resources may be shared freely between a party and its EDAs. From 2004 to 2014, EDAs received \$149 million in contributions that helped them achieve an average annual net asset position in this time frame of \$26 million; this represents, on average, 63% of the financial wealth of registered parties and their EDAs.

The net asset position of all registered parties and their EDAs grew from \$7.8 million in 2004 to \$81.7 million in 2014.¹⁰ In 2014, the breakdown of net assets was \$40.4 million belonging to registered parties and \$41.3 million to their EDAs.

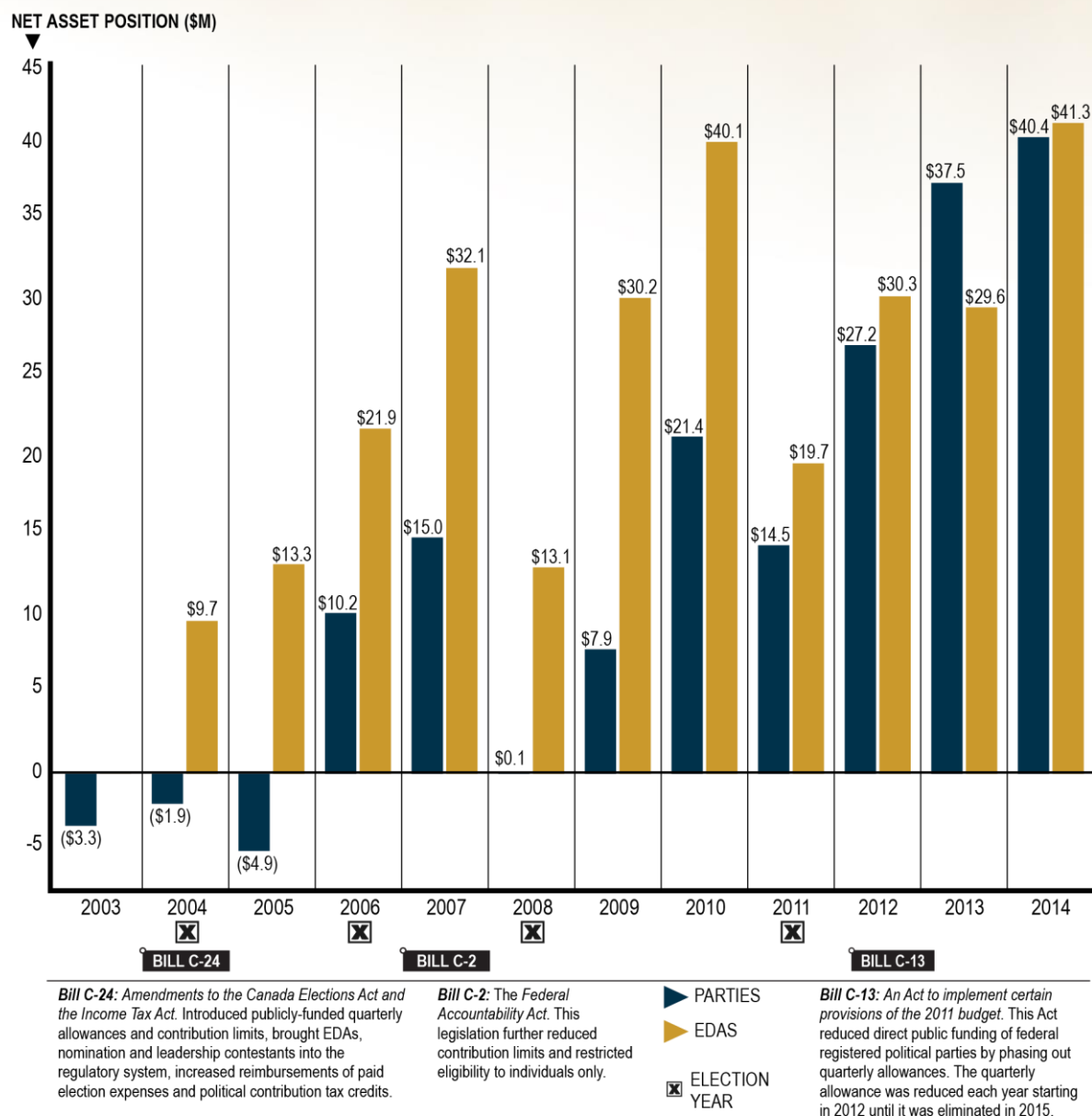
b) Net assets by each registered party

Some registered parties have done better than others under the post-Bill C-24 regime. Registered parties that became eligible for the quarterly allowances in 2004 are in a better financial situation in 2014 than they were in 2004. The registered parties that were not eligible for quarterly allowances and that rely on their ability to fundraise also have generally improved their financial situation over the same period, although to a much lesser extent, despite the incidence of four general elections.

The registered parties that were eligible for the quarterly allowance saw their collective net asset position grow by \$72.5 million from 2004 to 2014, which is broken down as follows: the Conservative Party's net asset position grew by \$35.7 million, the Liberal Party's by \$19.8 million, the New Democratic Party's (NDP) by \$8.1 million, the Bloc Québécois' by \$4.3 million and the Green Party's by \$4.6 million. Overall, the gap between the smaller parties and the larger parties has increased since 2004.

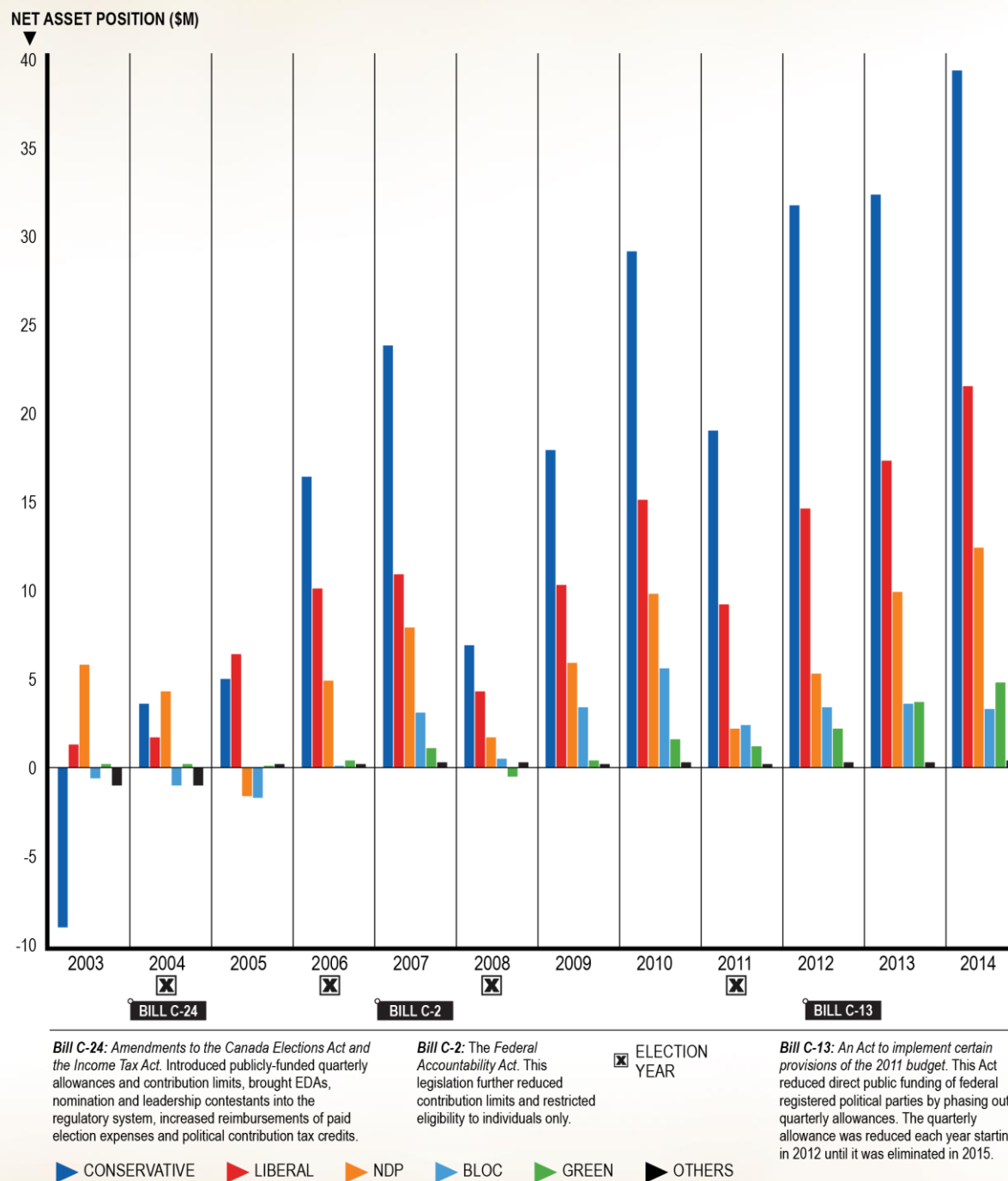
¹⁰ Before 2004, EDAs were not part of the regulatory regime. As such, their net asset position was unknown. The net asset positions in 2003 on figures 1 and 2 are for registered parties only.

Figure 1: Net Asset Position of All Registered Parties and Affiliated EDAs, 2003–2014*



* In 2003, EDAs were not part of the regulatory regime. As such, their net asset position was unknown. The net asset position in 2003 is for registered parties only. After 2003, net asset positions are for registered parties and EDAs.

Figure 2: Net Asset Position, by Each Registered Party and Affiliated EDAs, 2003–2014*



* In 2003, EDAs were not part of the regulatory regime. As such, their net asset position was unknown. The net asset position in 2003 is for registered parties only. After 2003, net asset positions are for registered parties and EDAs.

3. Private Funding – Contributions¹¹

This section examines contributions received by all regulated federal political entities¹² from 2000 to 2014, the number of contributors and the total amount of contributions, as well as contributions received by each regulated federal political entity and by registered parties and their affiliated entities.

a) Overall private funding (contributions), 2000 to 2014

A significant regulatory change in the period covered by this report is the introduction of limits on contributions enacted in Bill C-24, which came into force in 2004, followed by further restrictions enacted in Bill C-2, which came into force in 2007.

As well, from 2000 to 2014, there were five general elections (2000, 2004, 2006, 2008 and 2011). The general election in 2000 was not impacted by contribution limits. The 2004 and 2006 general elections were impacted by the contribution limits set in Bill C-24, and the elections of 2008 and 2011 were impacted by Bill C-2.

Contributions to regulated federal political entities during election years in the time period showed a drop after the 2000 general election. During the 2000 election year, regulated federal political entities received \$124.8 million of contributions. For the election years of 2004 and 2006, after Bill C-24 came into force, the average contributions per election year dropped by 38% to \$77.0 million. After Bill C-2, there was a further drop of 4% in average contributions per election year to \$74.3 million for 2008 and 2011.

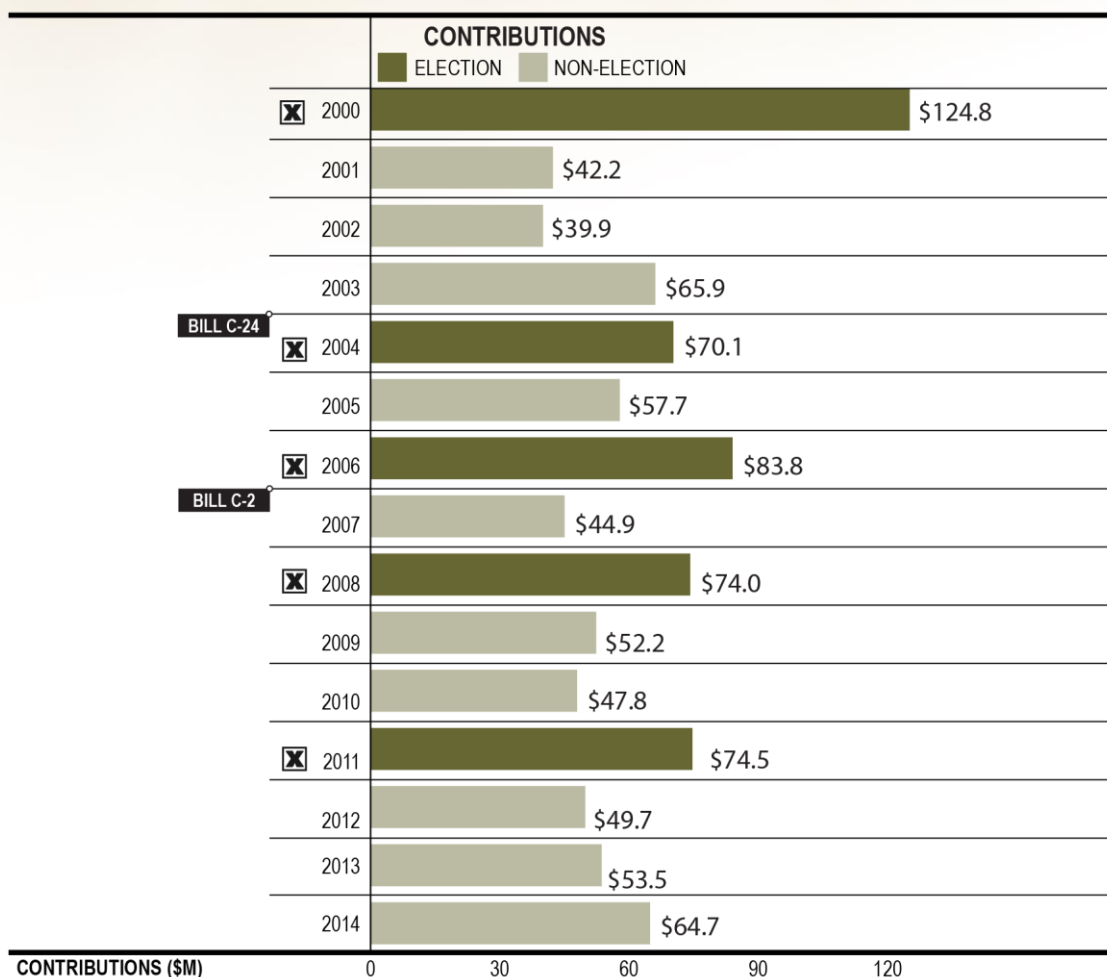
Following 2004, the overall amount of contributions in non-election years remained high. The annual average contributions received by regulated federal political entities for non-election years after Bill C-24 was enacted (2005, 2007, 2009, 2010, 2012, 2013 and 2014) was \$52.9 million, compared to \$49.3 million in the non-election years before the introduction of Bill C-24 (2001, 2002 and 2003). This represents a 7% increase, despite the introduction of contribution limits and restrictions of contributor eligibility.

It is difficult to isolate the impact of legislation that introduced contribution limits and contributor eligibility. Prior to Bill C-24, contributions to EDAs, nomination contestants and leadership contestants were not reported. Other factors that may have affected contribution funding would include the increase of the political contribution tax credit in 2004 as well as improved methods of fundraising between elections. There was also a succession of minority governments from 2004 to 2011, which put registered parties in a permanent state of fundraising in anticipation of the next general election, but it also should be noted that contributions were up in non-election years during majority governments. Subject to these caveats, contributions on average are 13% higher in the years 2012 to 2014, after the passage of Bill C-24 and Bill C-2, when compared to the years 2001 to 2003.

¹¹ Contributions include both monetary and non-monetary donations.

¹² From 2000 to 2003, regulated federal political entities were registered parties and candidates only. In 2004, the scope of the CEA was expanded to include the regulation of EDAs, nomination contestants and leadership contestants. When the report refers to regulated federal political entities after 2003, it means registered parties, candidates, EDAs, nomination contestants and leadership contestants.

Figure 3: Contributions to Regulated Federal Political Entities by Year, 2000–2014*



ELECTION
YEAR

Bill C-24: Amendments to the Canada Elections Act and the Income Tax Act. Introduced publicly-funded quarterly allowances and contribution limits, brought EDAs, nomination and leadership contestants into the regulatory system, increased reimbursements of paid election expenses and political contribution tax credits.

Bill C-2: The Federal Accountability Act. This legislation further reduced contribution limits and restricted eligibility to individuals only.

* From 2000 to 2003, EDAs, nomination contestants and leadership contestants were not part of the regulatory regime. As such, their contributions were unknown. Contributions from 2000 to 2003 are for registered parties and candidates only. After 2003, contributions are for registered parties, candidates, EDAs, nomination contestants and leadership contestants.

b) Number of contributors and the amounts contributed by dollar range

The provisions of Bills C-24 and C-2 were intended in part to moderate the potential for undue influence of money in the political process. Before there were any limits put on contributions, from 2000 to 2003, the vast majority of contributors (87%) gave \$200 or less per year. However, donations from these contributors represented 21% of dollars received. In this time frame, 2% of contributors gave over \$1,200; these contributors gave 54% of dollars received. Thus, more than half of all contribution dollars came from a small percentage of donors.

From 2004 to 2006, there is a change: while 79% of all contributors gave \$200 or less, their share of contribution dollars jumped to 32% of total dollars received. On the other hand, 1% of contributors in this time frame gave more than \$1,200, and these contributors' total share fell to 17% of dollars received.

After 2006, there is a further change. Contributors who gave \$200 or less dropped to 78%; however, the share of total dollars received rose to 35%. While the number of contributors who gave more than \$1,200 was less than 1%, the dollars received from these contributors represented only 1% of the total.¹³

c) Contributions to the various regulated federal political entities

Bill C-24 introduced EDAs, nomination contestants and leadership contestants into the regulatory regime. From 2000 to 2003, registered parties received 81% of all contribution dollars, while candidates received 19%. After Bill C-24, from 2004 to 2014, contribution dollars received by registered parties decreased to 62% and by candidates to 12%. In this time frame, EDAs received 22% and the remaining 4% was attributed to leadership and nomination contestants.

In this regard, the new regulatory structure may have affected how contributions flow into the system. For instance, prior to Bill C-24, registered parties would often designate a registered agent to EDAs for the purpose of issuing tax receipts. Such contributions would then be reported as contributions to the registered party. Since Bill C-24, EDAs may now issue tax receipts for contributions they receive.

d) Contributions received by registered parties and their affiliated entities

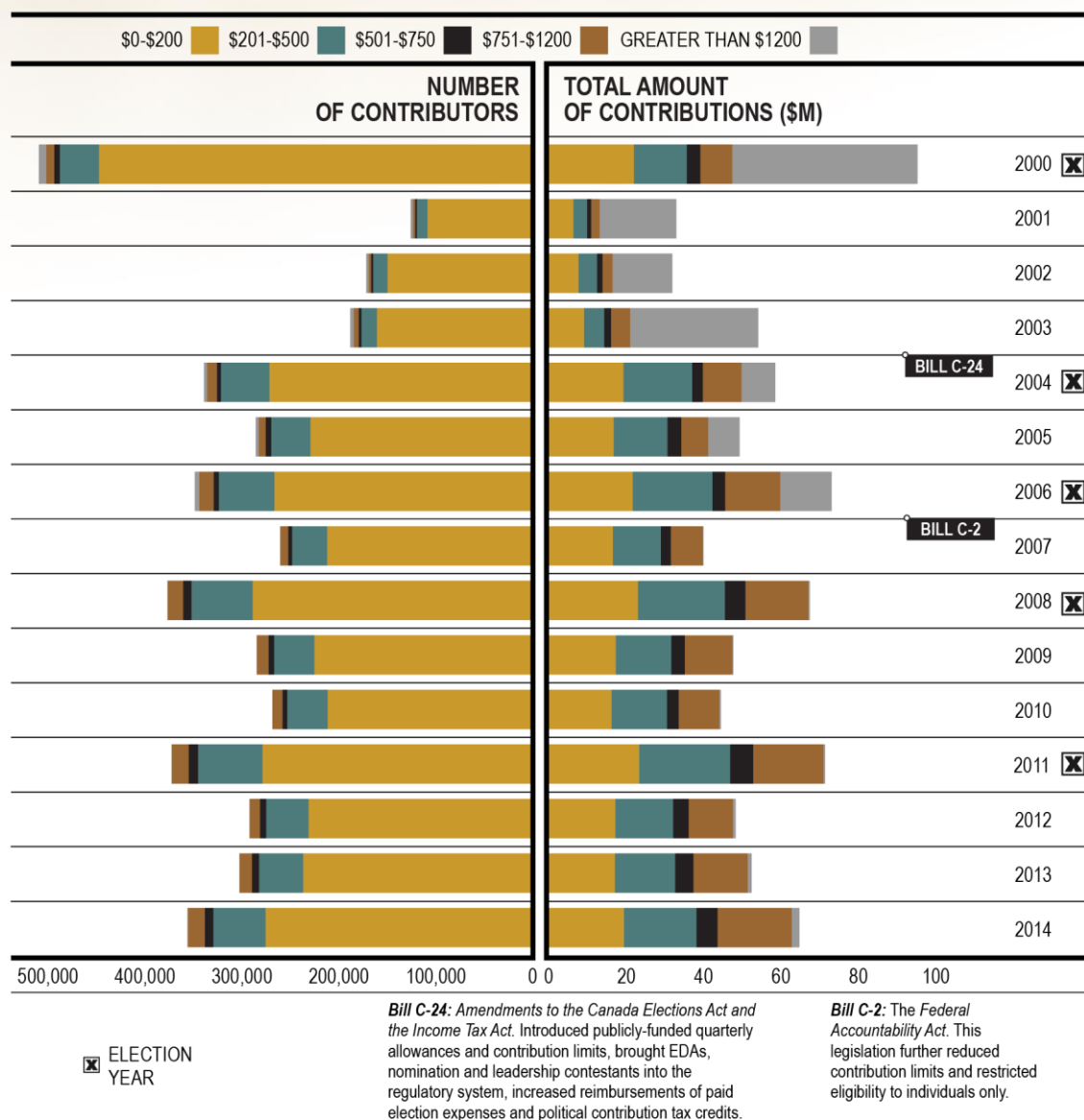
Contributions to registered parties and their affiliated entities follow the same trends as previously described. Dollars received peaked during the 2000 general election year and subsequently declined in the election years of 2004 and 2006 after the passage of Bill C-24, with a further drop in the election years of 2008 and 2011 after the passage of Bill C-2. However, despite this general decline, both the Conservative Party's and Green Party's contributions grew in the election years of 2008 and 2011 when compared to the election years of 2004 and 2006. In the years between elections, contributions had been higher after 2004 compared to the non-election years before 2004. This is due mainly to an increase in contributions received by the Conservative Party¹⁴ and Green Party in the non-election years after 2004.

From 2004 to 2014, the Conservative Party received almost half (47%) of all contributions made to registered parties and all their affiliated entities. In the same time period, the Liberal Party received 30%, the NDP 15%, the Bloc Québécois 3%, the Green Party 3%, and all other parties (including independent candidates) 2%.

¹³ It should be noted that not all contributions over \$1,200 are non-compliant. After 2006, testamentary contributions over \$1,200 represent 0.5% of total contributions, while 0.1% is related to candidates, nomination contestants or leadership contestants who contributed over \$1,200 to their own campaign. The remaining 0.4% is composed of non-compliant contributions.

¹⁴ The increase is measured by comparing the contributions of the Canadian Reform Conservative Alliance, the Progressive Conservative Party and the Conservative Party in non-election years before 2004 to the contributions of the Conservative Party in non-election years after 2003.

Figure 4: Number of Contributors and Contribution Dollars by Range for all Regulated Federal Political Entities, 2000–2014*



* From 2000 to 2003, EDAs, nomination contestants and leadership contestants were not part of the regulatory regime. As such, their contributions were unknown. Contributions from 2000 to 2003 are for registered parties and candidates only. After 2003, contributions are for registered parties, candidates, EDAs, nomination contestants and leadership contestants.

Figure 5: Contributions by Regulated Federal Political Entity, 2000–2014*

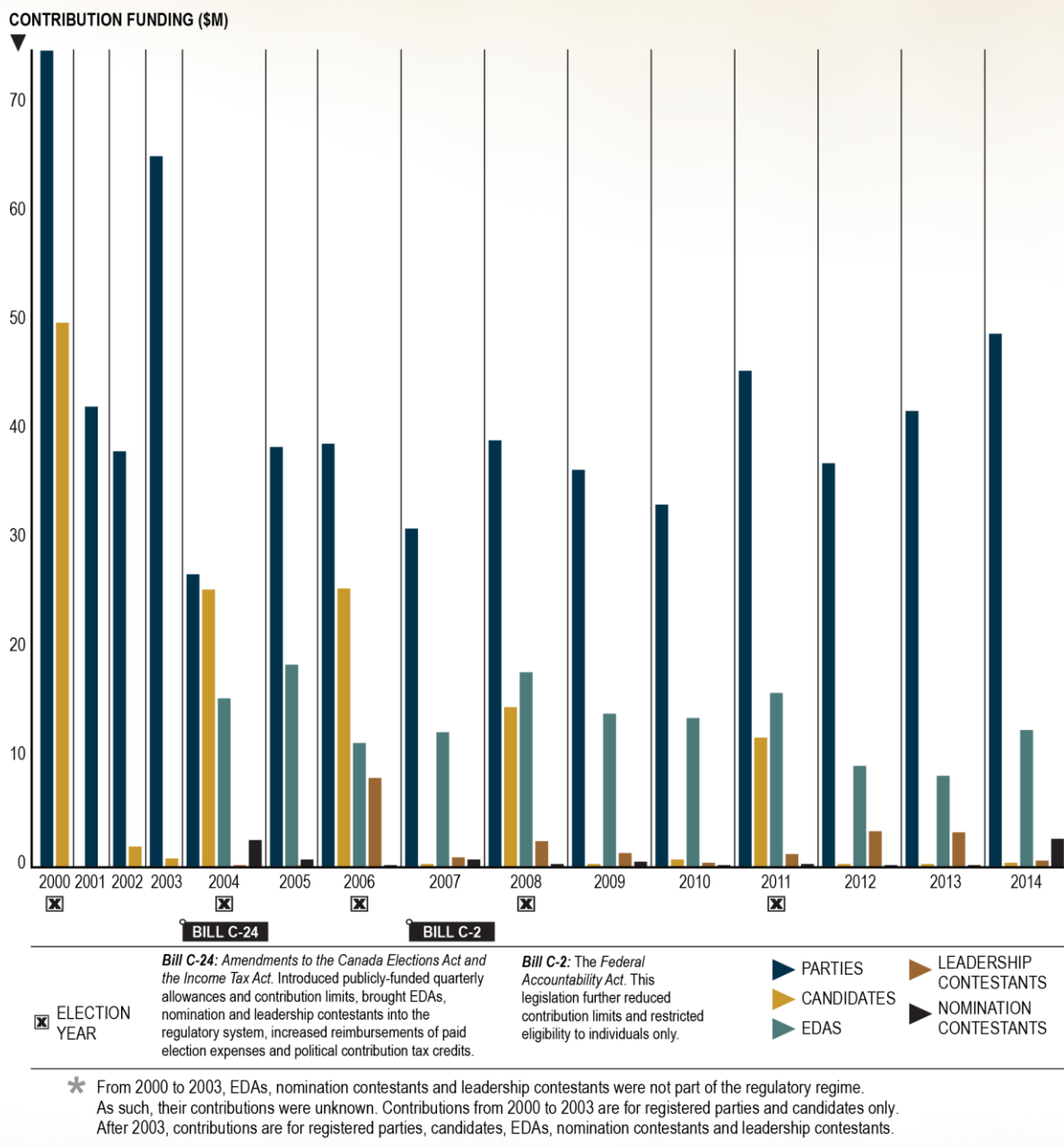
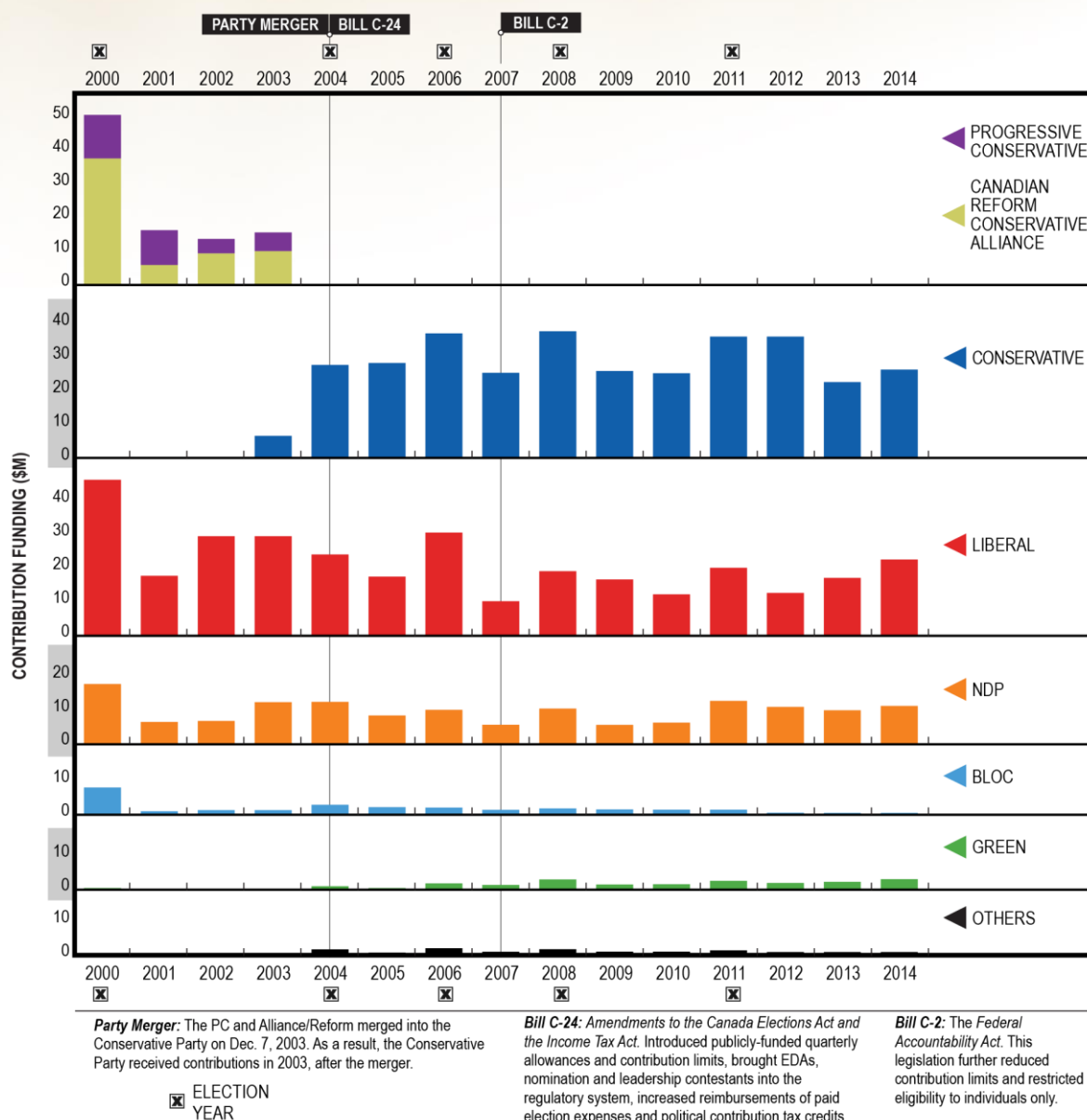


Figure 6: Contributions by Each Registered Party and Their Affiliated Entities, 2000–2014*



* From 2000 to 2003, EDAs, nomination contestants and leadership contestants were not part of the regulatory regime. As such, their contributions were unknown. Contributions from 2000 to 2003 are for registered parties and candidates only. After 2003, contributions are for registered parties, candidates, EDAs, nomination contestants and leadership contestants.

4. Public Funding¹⁵

a) Evolution of public funding

The introduction of quarterly allowances and the enhancement of election expenses reimbursements enacted in Bill C-24 were meant to counteract the loss of revenue resulting from the restrictions on contributions. While contributions decreased in 2004 and in subsequent years, the decrease was not as substantive as new public-sourced inflows. On average, per year, contribution funding decreased from \$68.2 million before 2004 to \$61.2 million during and after 2004, while on average, per year, public funding increased from \$8.4 million before 2004 to \$50.7 million during and after 2004. In fact, from 2004 to 2014, the new public funding sources partially explain the enhanced financial well-being at the end of 2014 of registered parties that were eligible for these public funding dollars.

The enactment of Bill C-24 created a change in the mix between contributions and public funding for regulated federal political entities before and after 2004. From 2000 to 2003, when comparing public versus contribution funding, contributions represented 89% of the total, while public funding was 11%. From 2004 to 2014, contributions fell to 55%, while public funding rose to 45%.

b) Quarterly allowances

Quarterly allowances added \$289.9 million of cash inflows to eligible registered parties, or an average of \$26.4 million a year, from 2004 to 2014. With the addition of quarterly allowances, annual average revenue streams to all regulated federal political entities went from \$76.6 million before 2004 to \$111.9 million after 2004, an increase of 46%.

From 2004 to 2014, the Conservative Party received 37% of all quarterly allowances; the Liberal Party received 28%, the NDP 20%, the Bloc Québécois 10% and the Green Party 5%.

However, with the passage of Bill C-13 in 2011, the full elimination of the quarterly allowance has reduced public funding to eligible registered parties. In 2016, the first full calendar year without the quarterly allowance, based on the 2015 general election results, the Liberal Party will experience a \$16.6 million annual shortfall, the Conservative Party \$13.4 million, the NDP \$8.3 million, the Bloc Québécois \$2.0 million and the Green Party \$1.5 million.

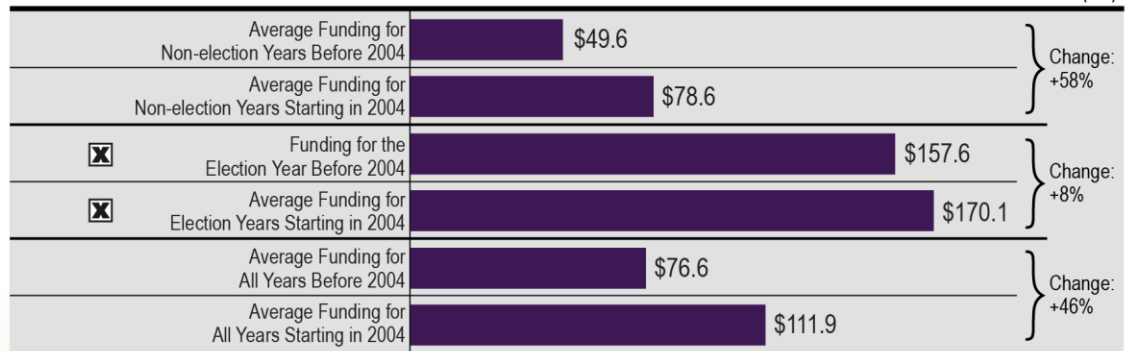
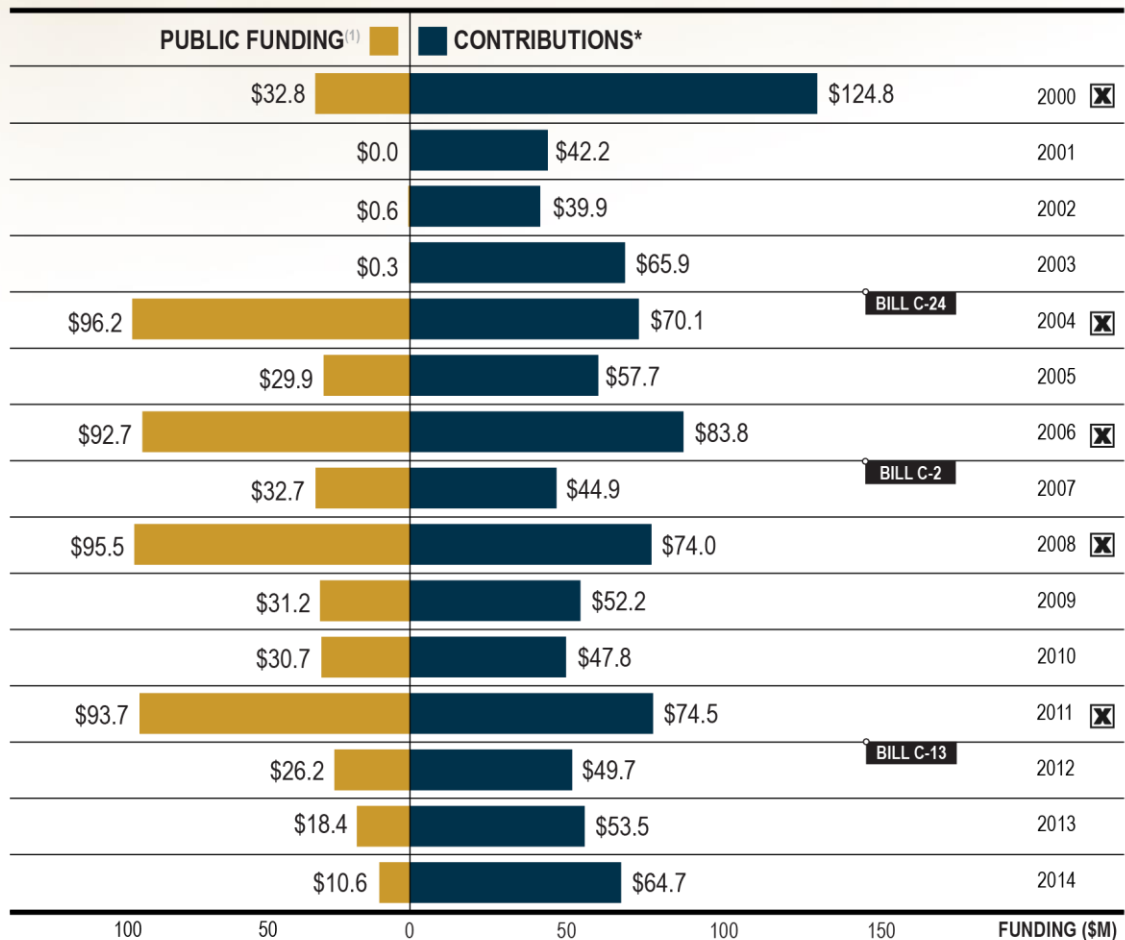
c) Other sources of public funding

Before quarterly allowances were introduced in 2004, reimbursements of paid election expenses to registered parties and candidates represented 95% of all public funding from 2000 to 2003. Audit subsidies for candidates accounted for the remaining 5%.

From 2004 to 2014, reimbursements of paid expenses to registered parties and candidates represented 45% of all public funding, while quarterly allowances to registered parties accounted for 52%. Audit subsidies for candidates and EDAs represented 3%.

¹⁵ This section looks at direct public funding only (quarterly allowances paid to registered parties, the reimbursement of paid election-related expenses to registered parties and their candidates, and audit subsidies paid to the external auditors of candidates and registered EDAs). Indirect public funding (value of tax credits) is not considered.

Figure 7: Total Funding for Regulated Federal Political Entities by Direct Public Funding and Contributions, 2000–2014*



¹ Direct public funding equals quarterly allowances, expenses reimbursements and audit subsidies

☒ ELECTION YEAR

Bill C-24: Amendments to the Canada Elections Act and the Income Tax Act. Introduced publicly-funded quarterly allowances and contribution limits, brought EDAs, nomination and leadership contestants into the regulatory system, increased reimbursements of paid election expenses and political contribution tax credits.

Bill C-2: The Federal Accountability Act. This legislation further reduced contribution limits and restricted eligibility to individuals only.

Bill C-13: An Act to implement certain provisions of the 2011 budget. This Act reduced direct public funding of federal registered political parties by phasing out quarterly allowances. The quarterly allowance was reduced each year starting in 2012 until it was eliminated in 2015.

* From 2000 to 2003, EDAs, nomination contestants and leadership contestants were not part of the regulatory regime. As such, their contributions were unknown. Contributions from 2000 to 2003 are for registered parties and candidates only. After 2003, contributions are for registered parties, candidates, EDAs, nomination contestants and leadership contestants.

Figure 8: Quarterly Allowances by Each Eligible Registered Party, 2004–2015

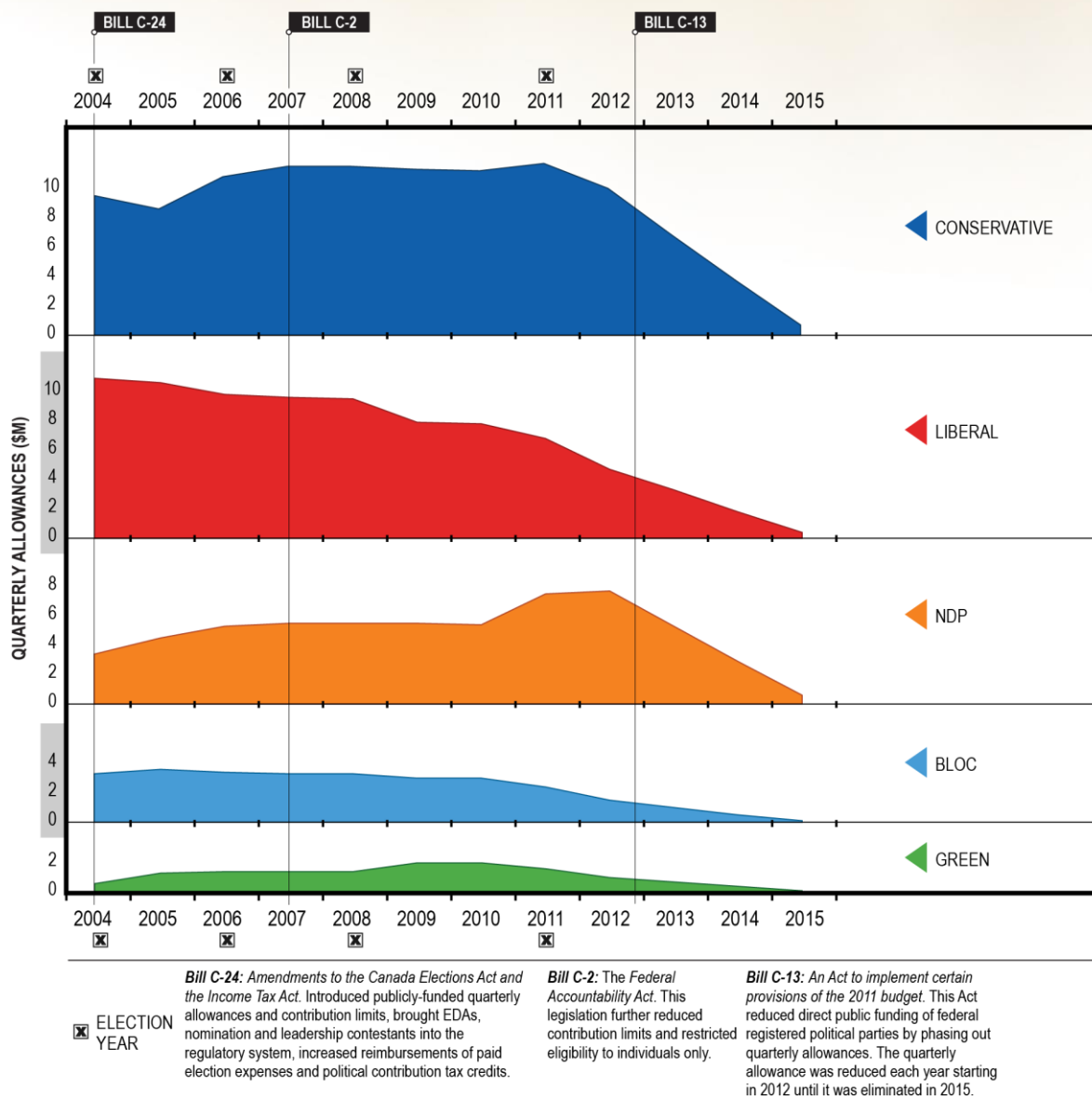
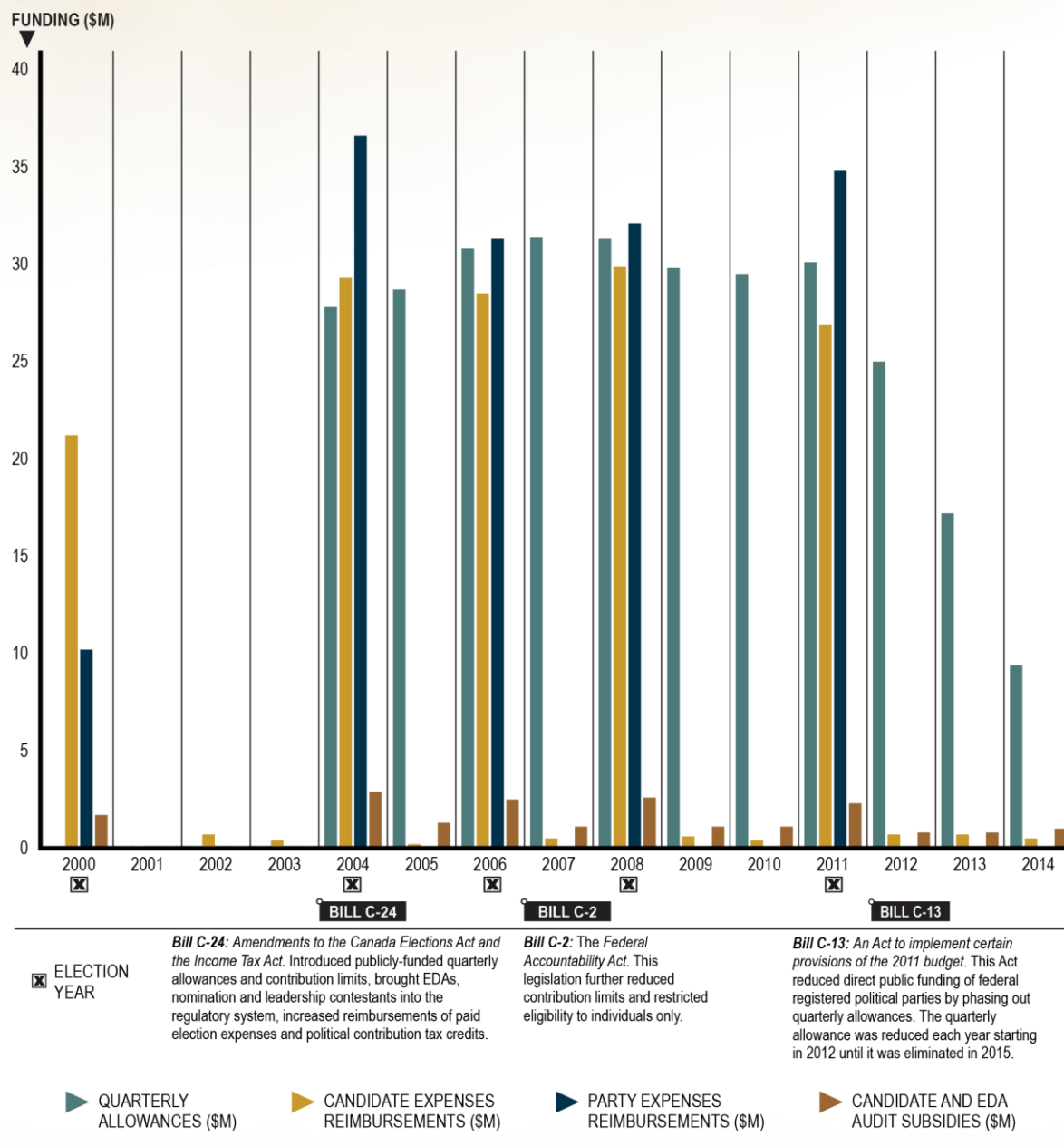


Figure 9: Direct Public Funding to Eligible Regulated Federal Political Entities and Their Auditors, 2000–2014



5. Expenses

In regard to expenses, a significant legislative change in the period of 2003 to 2014 was the introduction of reporting requirements for expenses of EDAs, nomination contestants and leadership contestants in 2004. This provides a broader picture of the spending activities of federal political entities. The incidence of four general elections between 2003 and 2014 had an impact on the spending of registered parties and their candidates. From 2003 to 2014, election-related spending of both candidates and registered parties totalled \$507 million, representing 36% of all expenses incurred in this time frame. The annual ongoing expenses of registered parties and EDAs were \$843 million in this time period, which was 61% of all expenses incurred. The remaining \$29 million that represent 3% of expenses were for leadership and nomination contests.

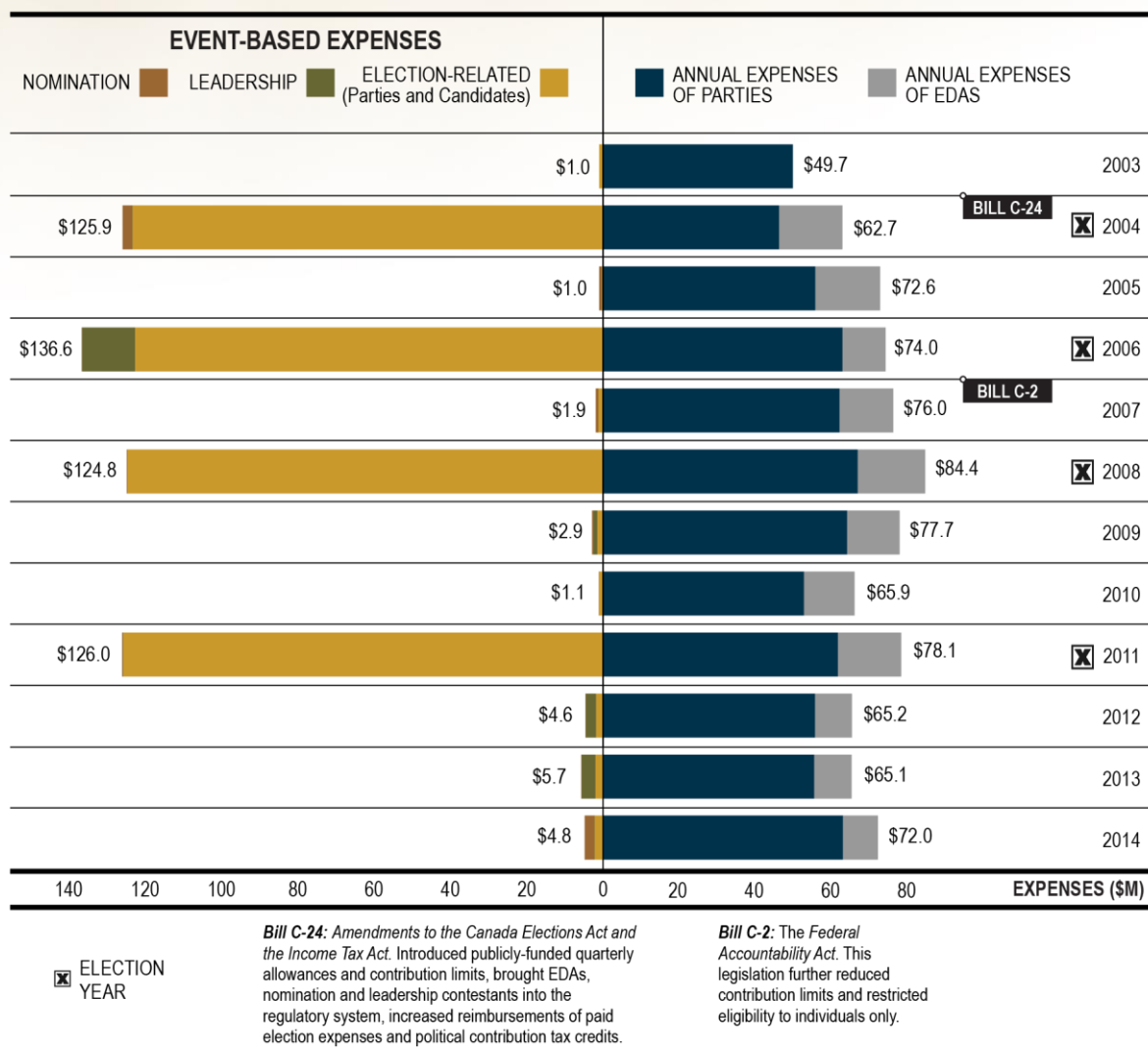
Event-Based Expenses vs. Annual Expenses

Event-based expenses result from an event, including an election or by-election for registered parties and candidates, as well as a leadership contest or a nomination contest.

Annual expenses are expenses incurred by registered parties and their EDAs for costs of maintaining activities as a continuing entity.

After the introduction of Bill C-24, from 2004 to 2014, regulated federal political entities incurred a total of \$1.3 billion of annual and event-based expenses, of which \$794 million were the annual expenses of registered parties and their affiliated EDAs and \$535 million were event-based expenses; 95% of event-based expenses were related to elections.

Figure 10: Event-Based and Annual Expenses of Regulated Federal Political Entities, 2003–2014*

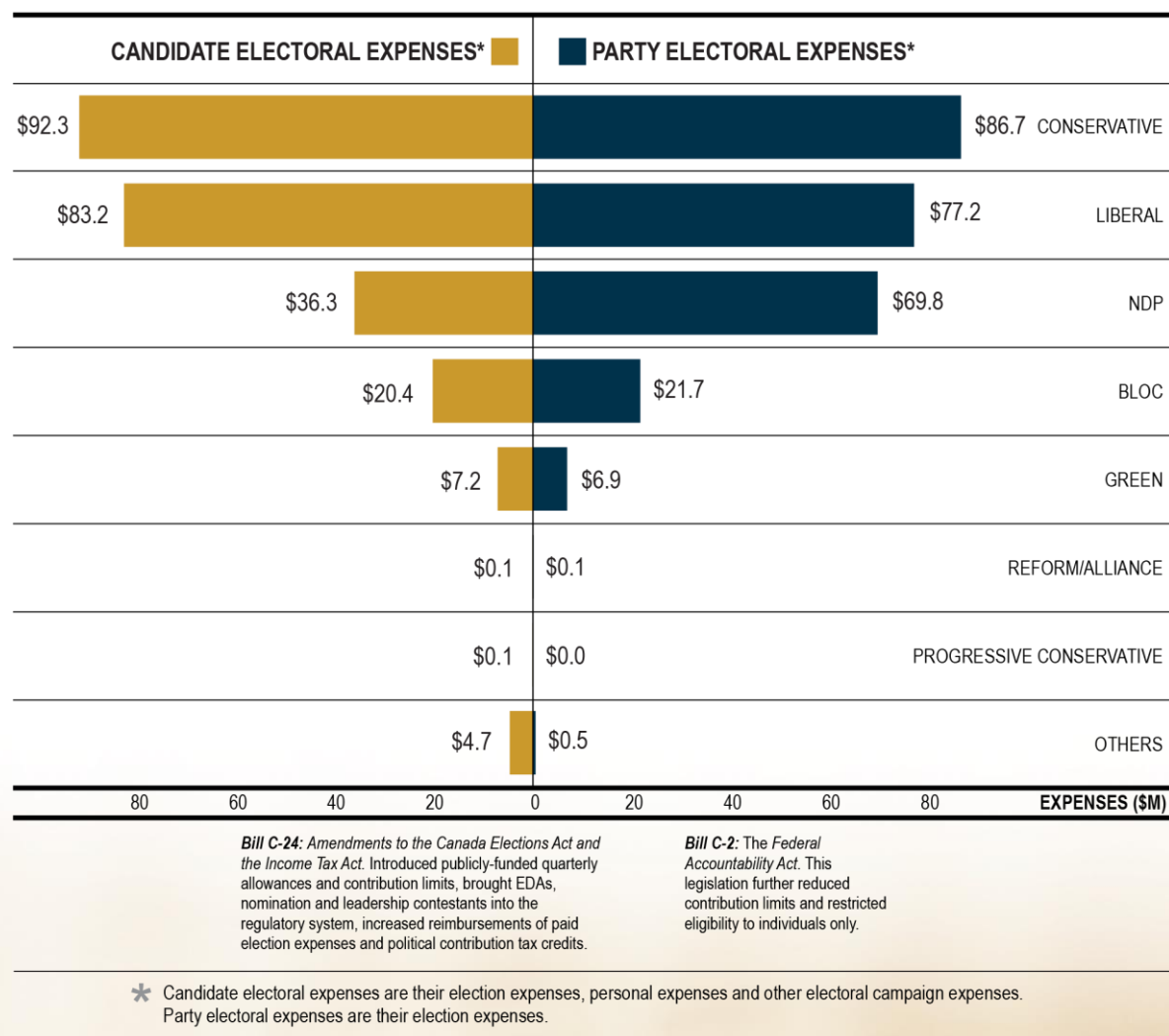


* In 2003, EDAs, nomination contestants and leadership contestants were not part of the regulatory regime. As such, their expenses were unknown. Expenses in 2003 are for registered parties and candidates only. After 2003, expenses are for registered parties, candidates, EDAs, nomination contestants and leadership contestants.

For general elections and by-elections from 2003 to 2014, registered parties incurred 52% of all related election expenses while candidates incurred 48%. For the most part, the spending split between registered parties and their candidates hovered around the 50% range. The only exception among the larger parties was the NDP; for all elections and by-elections between 2003 and 2014, the party spent close to twice the amount of its candidates.

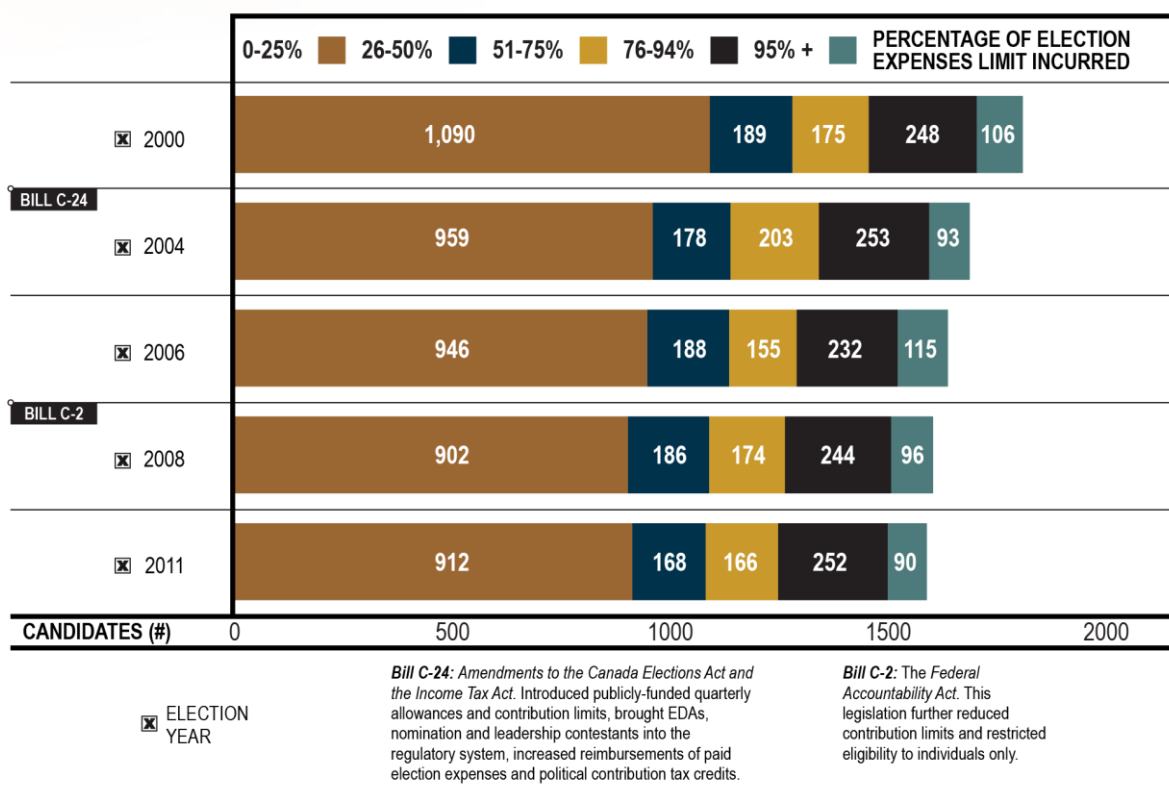
In total, the Conservative Party and its candidates incurred 35% of all election-related expenses. The proportion was 32% for the Liberal Party and its candidates, 21% for the NDP and its candidates, 8% for the Bloc Québécois and its candidates, 3% for the Green Party and its candidates, and 1% for all other parties and their candidates as well as independents.

Figure 11: Comparison of Election-Related Expenses, by Each Registered Party and Affiliated Candidates, 2003–2014



In the five general elections between 2000 and 2011, the majority of candidates (58%) spent 25% or less of their expenses limit. In contrast, 6% spent 95% or more of their limit. In the remaining categories, 15% incurred 76% to 94% of their limit, 11% incurred 26% to 50%, and 10% incurred 51% to 75%.

Figure 12: Breakdown of Candidates by Proportion of Their Election Expenses Limit Incurred for General Elections, 2000–2011



6. Regulatory Compliance

The financial reports submitted by regulated federal political entities and third party election advertisers undergo an audit to ensure they are in compliance with the financial provisions of the CEA. Instances of non-compliance are addressed in a manner that reflects the seriousness of the non-compliance and its impact on the integrity of the political financing regime.

The Commissioner of Canada Elections is responsible for ensuring that the CEA and the *Referendum Act* are complied with and enforced. With the passage of Bill C-23 in 2014, the Commissioner is now part of the Office of the Director of Public Prosecutions, but the enforcement mandate remains unchanged.

In all cases, the Commissioner acts independently of the Chief Electoral Officer and the Director of Public Prosecutions. The Commissioner decides in what manner complaints and referrals will be handled, what investigations are to be carried out, the cases to be referred for possible prosecution and the charges to be recommended.

Referrals Sent to the Commissioner of Canada Elections

When dealing with cases of non-compliance, the Commissioner can choose to intervene through different measures, as appropriate, depending on the circumstances and the seriousness of the offending conduct. This can include issuing a simple caution letter; signing a formal compliance agreement, which is made public and may include terms and conditions; or forwarding the matter to the Director of Public Prosecutions for the laying of possible charges. As well, the Commissioner could decide it is not in the public interest to pursue a matter and close the case without any further action.

Further information in this regard can be found in the *Compliance and Enforcement Policy of the Commissioner of Canada Elections*.

The CEA contains a long list of offences, most of which relate to political financing. However, only a small proportion of these offences relate to misconduct that directly threatens the core values of the regime – fairness, transparency and preventing the undue influence of money. These core offences relate to the following:

- **Ineligible contributions** – instances where an agent of a regulated federal political entity does not return an ineligible or an excessive contribution or returns it past the prescribed deadline. In total, 8% of non-compliance cases relate to the acceptance of illegal funds into the regulatory system through ineligible or excessive contributions that are not returned in a timely manner.
- **Spending violations** – instances where a candidate, registered party, nomination contestant or third party advertiser exceeds the expenses limit in a general election, by-election or nomination contest. In total, 1% of instances of non-compliance relate to the exceeding of spending limits as prescribed by the CEA – either by a candidate, a registered party, a nomination contestant or a third party advertiser.

- **Filing a false or misleading document** – instances where an agent of a regulated federal political entity files a financial transactions return that contains a materially false or misleading statement or does not substantially set out the required information outlined in the CEA. A total of 1% of non-compliance cases relate to the filing of a false or misleading document.
- **Late and non-filers** – instances of not filing a financial document as required by the CEA and of late filing over the prescribed deadline. In total, 19% of all non-compliance cases are related to not filing a financial document or late filing over the prescribed deadline, thereby compromising an important core value of the political financing regime: that timely financial information regarding regulated federal political entities is made available to the public.¹⁶

Other political financing offences in the CEA are of a less serious nature and may generally be considered “accessory” in that they concern requirements of the CEA that serve to support fundamental objectives of the system. These requirements include the opening of a bank account, the appointment of an official agent for a candidate and the issuing of a receipt for a contribution.

In total, 71% of all identified instances of non-compliance are categorized as “others.” The vast majority are instances of minor regulatory non-compliance that do not imperil the integrity of the political financing regime.

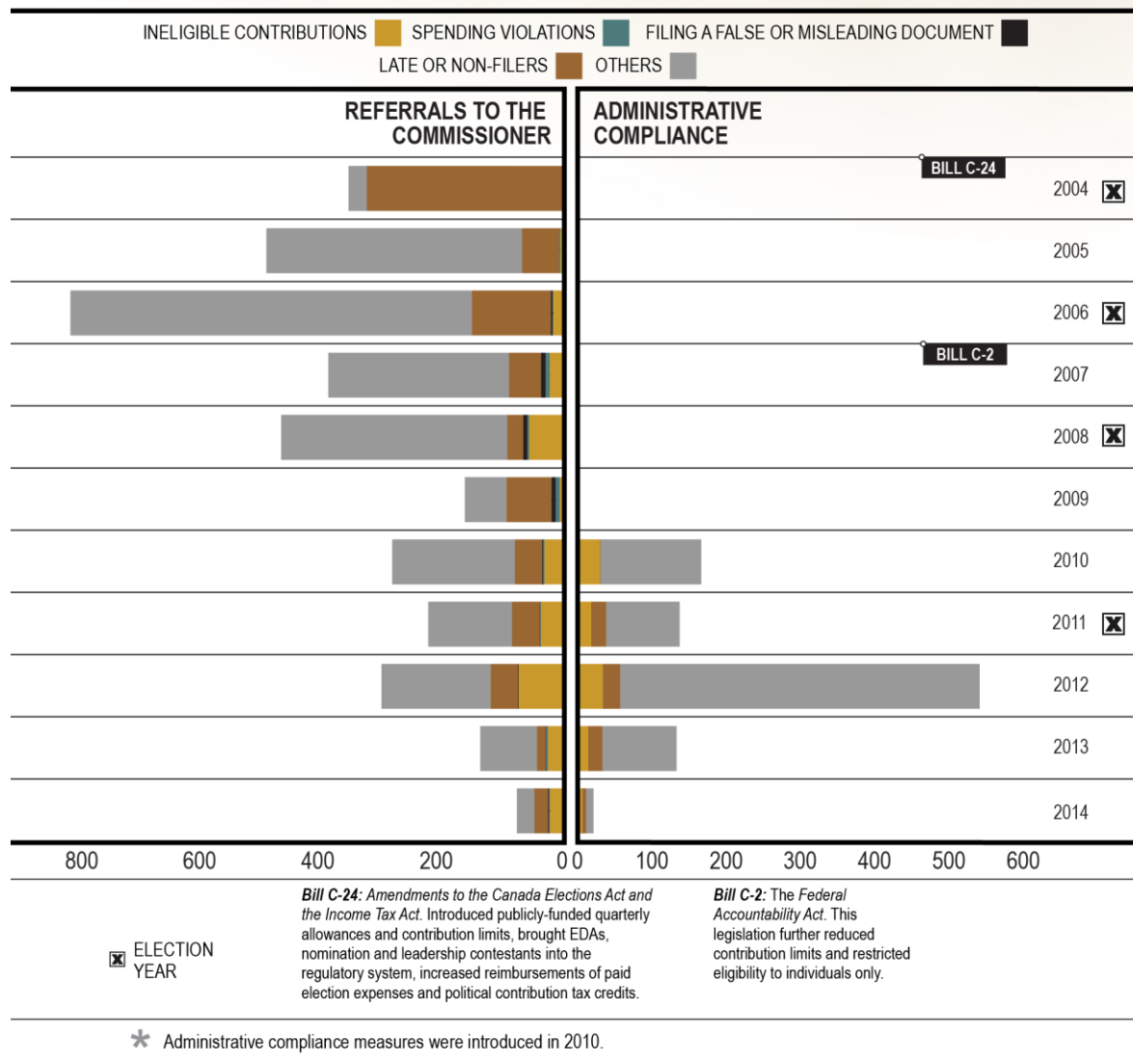
In 2010, Elections Canada developed with the Commissioner of Canada Elections an *Administrative Compliance Policy for Political Financing*.¹⁷ Pursuant to that policy, matters of a less serious nature are treated through administrative educational measures, rather than a referral to the Commissioner. In regard to “other offences,” most cases of non-compliance are dealt with administratively, unless they occur in conjunction with other offences or in cases of repeat offenders. The more serious “core” offences are referred to the Commissioner, unless the situation involves a minor contravention (e.g. a small delay in filing or a minor over-contribution). Since the Administrative Compliance Policy was introduced in 2010, instances of financial non-compliance that were sent to the Commissioner are down on average, per year, by 54% compared to the annual average between 2004 and 2009. In this time frame (2010 to 2014), there have been 2,030 potential financial infractions identified; of this total, 983 fit the criteria for administrative compliance measures (48%) and 1,047 were referred to the Commissioner (52%).

Between 2010 and 2014, 1,047 cases of non-compliance were referred to the Commissioner. Of these cases, 19% related to ineligible contributions, 17% to late and non-filers, 1% to spending violations and the filing of false and misleading documents, and 63% to other potential financial infractions.

¹⁶ In addition to these categories of “core” offences, the CEA also prohibits candidates from accepting gifts or advantages that could be seen to influence the carrying out of their duties as a member of the House of Commons. Accepting such a gift is considered to be a “corrupt practice” under the CEA. Because issues concerning gifts to candidates are extremely rare, we have not included this offence in the four categories above.

¹⁷ The *Administrative Compliance Policy for Political Financing* is on Elections Canada’s website.

Figure 13: Financial Non-Compliance Cases addressed by Referral to the Commissioner of Canada Elections or by Administrative Compliance Measures, 2004–2014*



Conclusion

The review of the financial data shows that registered parties and their EDAs have been generally able to maintain or improve their financial situation from 2004 to 2014. In this regard, however, the additional public funding measures introduced in 2004 (and partially repealed since) have benefitted mostly the parties represented in Parliament, and the gap between those parties and the others has grown.

While the reforms of 2004 helped create a public funding model that enhanced the financial health of those parties represented in Parliament, the quarterly allowance (the major source of public funding after 2004) has been phased out, and the last payment made was for the first quarter of 2015. Based on the 2015 general election results, the elimination of the quarterly allowance will take close to \$42 million a year out of the revenue streams of the registered parties that were eligible for the allowance.

The next political financing cyclical report will be published after the completion of the compliance reviews of the registered parties' and candidates' electoral returns for the 2015 election. It will examine the financial data of regulated federal political entities after the elimination of the quarterly allowance and the 2015 general election, and will also be an opportunity to examine spending trends in the context of a fixed election date.

Appendix A: About the Data

All dollars are inflation-adjusted to the year 2014. The factors used to convert to 2014 constant dollars are shown below.

Exception: *Figure 4 – Number of Contributors and Contribution Dollars by Range for All Regulated Federal Political Entities, 2000–2014* is an exception. The amounts for each contribution range are in nominal dollars. This figure also includes the number of contributors per year. These numbers are based on estimates.

YEAR	INFLATION RATE
2000	31.2%
2001	28.0%
2002	25.2%
2003	21.8%
2004	19.6%
2005	17.0%
2006	14.8%
2007	12.3%
2008	9.7%
2009	9.4%
2010	7.5%
2011	4.4%
2012	2.9%
2013	2.0%

Data in this report is confined to parties, EDAs, candidates and leadership contestants that have registered with Elections Canada. Data relating to nomination contestants are for those contestants who are identified as such in the submitted nomination contest reports of registered parties and EDAs. The report excludes the contributions and expenses of registered third party advertisers.

All figures that provide monetary amounts are denominated in millions of dollars to one decimal place. As a result, data points less than \$50,000 will be seen as \$0 in this report.

Due to the timing of publication, this report was finalized before some EDAs had filed their 2014 annual financial transactions return. The report therefore contains data from 98% of all EDA returns for 2014.

Appendix B: The Number of Regulated Federal Political Entities, 2004–2014

	2004 ¹	2005 ²	2006 ³	2007 ²	2008 ³	2009 ²	2010 ²	2011 ¹	2012 ²	2013 ²	2014 ⁴
CONSERVATIVE PARTY	1	1	1	1	1	1	1	1	1	1	1
EDAS	277	288	301	306	306	307	306	305	308	307	429
CANDIDATES	308	1	310	3	316	4	3	307	4	5	6
NOMINATION CONTESTANTS	577	327	134	177	30	40	21	40	7	4	262
LEADERSHIP CONTESTANTS	0	0	0	0	0	0	0	0	0	0	0
TOTAL	1,163	617	746	487	653	352	331	653	320	317	698
LIBERAL PARTY	1	1	1	1	1	1	1	1	1	1	1
EDAS	319	306	305	306	305	304	303	306	307	307	605
CANDIDATES	308	1	310	3	315	4	3	308	4	5	6
NOMINATION CONTESTANTS	462	264	40	183	35	130	28	38	9	9	345
LEADERSHIP CONTESTANTS	0	0	11	0	0	3	0	0	0	9	0
TOTAL	1,090	572	667	493	656	442	335	653	321	331	957
NDP PARTY	1	1	1	1	1	1	1	1	1	1	1
EDAS	265	283	295	301	301	303	303	299	308	307	330
CANDIDATES	308	1	310	3	316	4	3	308	4	5	6
NOMINATION CONTESTANTS	253	216	8	113	52	103	52	181	7	9	132
LEADERSHIP CONTESTANTS	0	0	0	0	0	0	0	0	9	0	0
TOTAL	827	501	614	418	670	411	359	789	329	322	469
BLOC PARTY	1	1	1	1	1	1	1	1	1	1	1
EDAS	48	55	56	58	58	57	55	52	53	49	48
CANDIDATES	75	0	76	3	77	2	0	75	0	1	0
NOMINATION CONTESTANTS	84	82	15	27	13	42	3	9	0	0	0
LEADERSHIP CONTESTANTS	0	0	0	0	0	0	0	3	0	0	2
TOTAL	208	138	148	89	149	102	59	140	54	51	51
GREEN PARTY	1	1	1	1	1	1	1	1	1	1	1
EDAS	73	92	120	166	186	204	204	181	185	173	158
CANDIDATES	308	1	309	3	311	4	3	304	4	4	5
NOMINATION CONTESTANTS	46	44	7	121	50	35	13	6	2	3	36
LEADERSHIP CONTESTANTS	3	0	3	0	0	0	0	0	0	0	0
TOTAL	431	138	440	291	548	244	221	492	192	181	200
OTHER PARTIES	8	10	10	11	14	14	16	14	13	14	12
EDAS	31	25	39	40	39	36	38	39	51	52	51
CANDIDATES	379	1	335	9	312	5	8	286	13	10	9
NOMINATION CONTESTANTS	0	13	4	11	5	5	0	2	0	0	1
LEADERSHIP CONTESTANTS	0	0	0	0	8	0	0	0	0	0	1
TOTAL	418	49	388	71	378	60	62	341	77	76	74
TOTAL PARTY	13	15	15	16	19	19	21	19	18	19	17
EDAS	1,013	1,049	1,116	1,177	1,195	1,211	1,209	1,182	1,212	1,195	1,621
CANDIDATES	1,686	5	1,650	24	1,647	23	20	1,588	29	30	32
NOMINATION CONTESTANTS	1,422	946	208	632	185	355	117	276	25	25	776
LEADERSHIP CONTESTANTS	3	0	14	0	8	3	0	3	9	9	3
TOTAL	4,137	2,015	3,003	1,849	3,054	1,611	1,367	3,068	1,293	1,278	2,449

¹ Calendar year included a general election only.

² Calendar year included by-elections only.

³ Calendar year included a general election and by-elections.

⁴ Calendar year included by-elections only and was a transitional year between 2003 and 2013 representation order.

