



# Estimating the financial cost of election campaign proposals: a framework



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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

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In June 2017, Parliament enacted the *Budget Implementation Act, 2017, No. 1*, which 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 financial cost of election campaign proposals.<sup>1</sup>

Section 79.21 of the *Parliament of Canada Act* set the broad rules of engagement between the PBO and political parties (Appendix A). However, it left many practical details to be determined.

The PBO has since consulted with stakeholders on how best to deliver the new mandate and prepare for the campaign costing period.<sup>2</sup> A recurring theme during PBO's consultations was the need to deliver the platform costing mandate in the same way that we deliver other analysis: by making our framework as transparent as possible.

This backgrounder provides this transparency by describing how PBO will cost campaign proposals in the 2019 general election and the guidelines by which decisions were made.

The framework has been designed to mitigate unforeseen challenges surrounding the first legislated election platform costing service in Canada.<sup>3</sup> Following the election, the PBO will undertake a review and seek feedback from participating parties. The framework may be adjusted for future election campaigns.

## 1.1. How the framework was developed

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The basic structure of PBO's operating framework during the campaign costing period is provided in legislation. Where the legislation does not provide details, the PBO's decisions were guided by the legislated purpose of the PBO to raise the quality of parliamentary debate and promote greater budget transparency and accountability.

A pillar of PBO's approach to promoting greater budget transparency is to lead by example. When a decision must be made about whether to perform analysis and supply background information to support the analysis, the PBO's default decision is to do so unless there are strong arguments against. In the context of electoral platform costing, the PBO and his office have developed a framework to guide these decisions based on the following three principles.

**Principle 1 The framework should ensure that our analysis remains non-partisan**

For PBO to continue to do our work outside of the campaign period, our reputation for non-partisanship must be irreproachable. The framework must provide equal consideration to all parties, and PBO must have rigid structures in place to guard against party favouritism, even if unintentional.

**Principle 2 The framework should ensure that our analysis remains credible**

PBO may be asked to provide estimates for which information or time is limited and where assumptions may be tenuous. The PBO must maintain the flexibility to refrain from providing analysis, if to do so would mean publishing work of poor quality that would undermine PBO's reputation as a reliable research service outside of the campaign period.

**Principle 3 The framework should be manageable within the legislated timeframe of 120 days (or the period following dissolution of Parliament).**

PBO has finite staff, modelling capacity, information, and funding. While we are committed to meeting the needs of our clients during the campaign period and have added capacity to do so, there remain limits on what can be accomplished within the campaign window. PBO must make these limits clear to participants ahead of time so that they may plan their requests accordingly.

The legislation and these principles guided discussions among the PBO, PBO staff, political parties, and external experts. The remainder of this document describes the protocols and processes resulting from these discussions.

## 2. Working with parties

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### 2.1. Request timeline

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Budget offices that cost campaign proposals in other jurisdictions have voiced that the process succeeds only if analysts are in frequent communication with parties and that both sides cooperate closely.

Specifically,

- the request process must be iterative and give parties the opportunity to refine or withdraw requests, and
- the process must pragmatically accommodate campaign schedules.

Further, parties have informed PBO that a “once and done” request format would be untenable under the practical demands of policy development during the campaign costing period.

That said, interactions with parties must be limited, structured, and transparent to avoid politicizing the office. This is important both for PBO’s campaign costing mandate, but also for the work of the office outside of the campaign costing period.

With these points in mind, the following timeline has been developed:

1. **Request.** The authorized representative or member will submit a costing request through a secure protocol using the request template (Appendix B).
2. **Analyst allocation.** The costing coordinator will assign the costing to a PBO analyst or group of analysts and designate an internal peer reviewer. Knowledge of the costing will be compartmentalized and tracked with only the analyst(s) in charge of the costing and a designated internal peer reviewer aware of the request (but not the identity of the requesting party or member).
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 request response template (Appendix C). The response will contain the following details:
  - a. a description of how PBO has interpreted the request;
  - b. a description of how PBO will prepare the cost estimate;
  - c. a discussion of the proposal’s interactions with the benchmark tax and transfer system as well as interactions with that party or member’s previously submitted policy costings;

- d. the time to perform the costing that will be deducted from the party's or member's time allocation;
  - e. the financial cost (if any) of data or software outside the scope of OPBO's standard facilities that will be deducted from the party's financial allocation; and,
  - f. a request to clarify areas which require additional information.
4. **Confirmation.** The party will confirm PBO's interpretation of the request, acknowledge the time and financial cost allocation (subject to the schedules below), provide additional clarifications, and confirm that 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 template in Appendix D.
  7. **Opportunity for refinement.** At this point the party or member will have an opportunity to refine the policy's specification and resubmit it with new parameters. The request for refinement must be limited only to parameter adjustments (different rates, thresholds, eligibility requirements, etc.), correcting factual misinterpretations of the party or member's request, or a request to withdraw the costing. The party or member may not influence the methodology or assumptions of the PBO.

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 9).

8. **Preparation of final cost estimate.** PBO will then make requested changes to policy parameters or correct factual misunderstandings of the initial request. If no changes are requested, PBO will use this opportunity for additional fact-checking and internal peer review.
9. **Delivery of final cost estimate.** PBO will then submit the final costing to the party through the costing coordinator using the template in Appendix D. 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.
10. **Briefing.** To ensure that PBO's cost estimate is interpreted correctly, a briefing between the costing coordinator and the authorized representative (and additional party attendees) may be arranged at the authorized representative's discretion.

## 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.

11. **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.
12. **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 as soon as it is ready. The publication will be announced using PBO's email distribution list (to which the authorized representative will be added) as well as PBO's Twitter account.
13. **Follow-up clarifications.** Any additional clarifications that are required by the party in preparation of campaign documents may be submitted to the costing coordinator or, if already published, through PBO's general information email address. Clarifications requested by a party for that party's own policies will be handled confidentially.

## 2.2. Which parties may request a cost estimate?

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All recognized parties represented in the House of Commons at the start of the 120-day campaign costing period (or when Parliament is dissolved) are entitled by legislation to submit requests to have PBO estimate the financial costs of their campaign proposals. PBO assumes that this will be the Liberal Party, the Conservative Party, and the New Democratic Party for the 2019 general election, based on each party's seats at the time of drafting this framework.

Additionally, other parties and parliamentary groups that are represented in the House of Commons (currently the Bloc Québécois, the Green Party, the Co-operative Commonwealth Federation, and the People's Party of Canada) may submit requests as individual members of parliament. Where there are several members from a party without official recognition (as is the case for the Bloc Québécois), PBO expects that these parties will designate a single authorized representative rather than submit requests individually.

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

## 2.3. Before the campaign costing period

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### 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 must 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 has also asked 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.

If the authorized representative becomes unavailable, a party leader should name a temporary or new authorized representative.

## **2.4. At the beginning of the campaign costing period**

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### **Notification, confirmation, and request for authorized representative**

In May 2019, 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. The PBO is currently finalizing our security protocols for information exchange during the costing period and will share details with parties during the costing workshops.

## 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 coming out of initial discussions. Authorized representatives will be notified of the resource allocations as soon as possible at the beginning of the campaign costing period.

## 2.5. Which costings may be submitted?

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Not all campaign proposals will be amenable to a quantitative costing. Further, PBO must retain the ability to refuse a costing if to complete it could be viewed as partisan or could threaten the credibility of the office.

PBO will cost only those 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 sufficient detail to avoid guess work. For example, the request cannot say “cost a range of options for the corporate income tax rate” or “cost the savings from a line-by-line spending review and closing tax loopholes.” Parties may submit multiple policy options, subject to their time allocation, provided that each request contains a single scenario;
- **have a proven track record** if related to tax enforcement and compliance or cost cutting. Proposals to increase revenues or reduce spending based on administration 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 only**. 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.

### Fiscal materiality

PBO has decided not to have a minimum fiscal materiality threshold for costings, as is the practice in some budget offices in other jurisdictions; 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 these same conventions to our cost estimates.

### Cross-party proposals

It is conceivable, and in some cases probable, that different parties will have similar platform proposals. There could therefore be an incentive to delay requests until another party submits, saving the party's resource allocation or leaving a chance to adjust one's own policy based on the results and announcements of another party. There is little PBO can do to prevent this. PBO must rely on the good faith of parties not to game submissions and the costing process.

## 2.6. Submitting requests

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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 B). If the request is not sufficiently neutral, PBO will adjust the language in our response in Step 3 of the request timeline.

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

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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 an absolute deadline of 15 business days before the election to ensure adequate time to follow the protocols and prepare a cost estimate of sufficient quality.

## 2.8. Withdrawal of request

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The legislation permits parties to withdraw the costing request if they have not received the completed request from the PBO (See Step 9 – Delivery of final cost estimate).

Given that the turnaround time is expected to be brief between Step 7 (Opportunity for refinement) and returning the final costing, the PBO recommends that parties only proceed beyond Step 7 if they fully intend to announce the policy with the costing—that is, if a party wishes to announce the policy without a cost estimate from the PBO, they should withdraw the request at Step 7.

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

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Other jurisdictions have reported that parties will only use the costing service if they can be confident that requests and cost estimates will not be shared with other parties, the media, or the public until the legislation and party permit (in this case, when the proposal is publicly announced). PBO must therefore take every precaution to ensure the confidentiality of requests and cost estimates. PBO has developed extensive protocols to this end.

### Compartmentalization

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

Only analysts assigned to an individual costing will know the details of that costing. Analysts will not know which party or member submitted the request.

### Records of information

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

## 2.10. Resource allocations

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PBO has added analytical capacity to prepare for the campaign costing period. But resources remain limited.

To ensure that each party or member is allocated a fair 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

The time allocation has been prepared using PBO's project planning data from member requests and self-initiated reports during our 10-year operation.

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* will be determined by multiplying the number of OPBO analysts by the number of working days within the 120-day legislated campaign platform costing period and dividing by the number of parties represented in the House of Commons who have indicated that they may have campaign proposals that they wish to have costed.

This initial reference allocation will be adjusted based on discussions between the costing coordinator and parties and members at the commencement of the 120-day campaign costing period or when Parliament is dissolved, whichever happens first. If independent, unaffiliated members plan to use the service, the overall allocation of analyst-days will be adjusted.

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 designated official or member during Step 3 of the costing timeline.

The time deduction of a proposal will be the sum and product of three inputs,

1. Novelty of measure
2. Technique of analysis
3. Data requirements

according to the formula

$$(\text{Novelty, in days} * \text{technique multiplier}) + \text{data requirements, in days}$$

### Novelty of measure

The primary factor driving the time required to estimate the cost of 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. Because of the nature of the policy costing framework, PBO will generally not be able to draw on outside experts, except from participating departments. These arrangements with departments will also require additional time.
2. Models must be developed from scratch or existing models must be modified in a resource-intensive manner. For example, a new policy may require creating novel model code within Statistics Canada's SPSP/M software (rather than adjusting parameters).
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.

The time allocations for the novelty of the measure will be determined as follows:

Novelty	Description	Example	Charge
1. New policy	Create a new policy	A national dental program	20 analyst-days
2. Policy redesign	Complete overhaul in administration of existing program	The Canada Child Benefit	7 analyst-days
3. Change in existing policy parameters	Modification of rates, thresholds, target population	Corporate tax cut	5 analyst-days
4. Extension of existing policy	No changes to a program's parameters, only an extension in time or coverage of an existing program, or re-introduction of a previously existing program	Extend Mineral exploration and development tax credit an additional year	2 analyst-days

### 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 by a multiplier that reflects the additional analytical demands of the more advanced costing methods.

The technique multiplier will be applied to the time deduction as follows:

Technique	Multiplier
Bottom-up micro accounting model using tax return data or detailed micro data	2.0
Top-down aggregate accounting model using data aggregates and assumptions	1.2
Approximation	1.0
Microsimulation model SPSPD/M not requiring changes to code (black box)	1.0
Microsimulation model SPSPD/M requiring changes to code (glass box)	1.4
Structural econometric modelling	1.3

### Data requirement

PBO has begun 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 administration 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.

The table below indicates the analyst-days that may be charged to the party's time allocation to secure additional data agreements.

Data availability	Discussion	Time deduction
1. Open-source data	PBO already has data or access to data is readily available and open-source	0 analyst-days
2. Non-public Government of Canada data	Data exists within departments and access can be negotiated	1 analyst-days
3. External proprietary data	Data exists from a private source and a new contract must be established	2 analyst-days

## 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. This is necessary to avoid one party exhausting PBO's operating budget for non-salary expenses early in the campaign costing period, leaving PBO unable to fulfil the subsequent requests of other parties.

A financial budget for unforeseen proprietary data and software requirements that carry a fee has been prepared using information from OPBO's historical contracts for procuring data and software, and by studying previous election platforms.

Deductions from the financial allocation will be applied according to the following table:

Source	Deduction
Open-source public data or software	No deduction
Non-public Government of Canada data or software	No deduction
Proprietary private-sector data or software with no marginal cost or fee	No deduction
Proprietary private-sector data or software with fee	Amount of fee

For example, a costing that requires information from a trade group that collects data from its members in a proprietary software format may carry a significant fee and would be deducted from the party's financial allocation.

## Adjusting the resource allocations for interaction effects with other campaign proposals

If a policy is expected to have significant interaction effects with other campaign proposals, this will be flagged to the authorized representative or member at Step 3 of the costing timeline. If the party wishes the PBO to include the interaction effects, PBO may charge an additional deduction against the party's time and financial allocation to perform the interaction analysis. In this case, the above formula and schedules may be applied as if the interactions were a separate policy.

## 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 120-day electoral 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. Publishing requests and estimates

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If the request is not withdrawn before the final estimate, there are four possible outcomes:

1. PBO fulfils the request and the party announces the policy
2. PBO fulfils the request and the party does not announce the policy
3. PBO cannot fulfil the request and the party announces the policy
4. PBO cannot fulfil the request and the party does not announce the policy

### Publishing the request

PBO will publish the request only under outcome 3 (PBO cannot fulfil the request as the result of insufficient information or time and the party announces the policy). Publication of the request under this outcome is required by legislation. Legislation also requires that the PBO publish a statement of the reasons why the request could not be completed.

In all other outcomes PBO will not publish the party's request.

### Publishing the cost estimate

PBO's final cost estimate will be published only under outcome 1 (PBO fulfils the request and the party announces the policy). The cost estimate will be published using the template in Appendix D, which includes a high-level overview of the policy, broad methodologies and data sources used to construct the estimate, and a table of the financial impact of the policy.

The party is required to notify the PBO that the policy has been publicly announced in writing. The cost estimate will be published as soon as the PBO receives notification in writing. Under all other outcomes the PBO will not publish the cost estimate.

## 2.13. A party's public messaging

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### 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 or to the PBO's public inquiries email address. The PBO will respond to the designated official or member to clarify.

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

## 2.14. Other rules of engagement

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- PBO will not respond to requests by authorised representatives to discuss another party's platform or its cost estimates.
- PBO will not provide advice on how to implement or administer proposals; cost estimates will therefore not address practical details of the policy.
- PBO will document all communications during the election period. Communication attempts outside the framework in this document may be brought to the attention of parliamentary committees following the costing period should PBO be asked to explain issues that arose during the campaign exercise.
- PBO will not certify cost estimates prepared by other organizations.

## 3. Working with departments

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

### 3.1. Legislated requirements

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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 that is required to perform the PBO's mandate. The PBO will continue to make information requests during the campaign 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 campaign costing period. The legislation sets out the following rules concerning interactions between PBO and departments:

1. The PBO can ask a minister to personally agree that the department over which he or she presides will provide assistance. The minister has discretion as to whether the department 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 made by a party or an independent MP.
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 or MP who requested the costing when requesting assistance from deputy ministers.
6. Departments must maintain confidentiality during and after the campaign 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.

In November 2018, the PBO concluded a memorandum of understanding with the Minister of Finance for his department to provide assistance and information during the campaign costing period.

Over the coming months, the PBO hopes to secure the agreement of other ministers and to enter into memoranda of understanding with their deputy ministers.

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## 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.

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

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## 3.3. What assistance will departments provide?

Memorandums of understanding provide for two forms of assistance:

1. Departments may be asked to prepare an estimate themselves, where it is unfeasible for PBO to do the analysis (due to confidentiality of data or lack of modelling capability)
2. Technical advice and peer review.

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## 3.4. How will cooperation be conducted?

Departments 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 from the public service

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Although the *Parliament of Canada Act* prescribes cooperation with departments, PBO must be cautious to preserve the independence of our analysis from the influence of the public service.

To do so, 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 departments to the initial request for analysis and discussions to review results and methodology.

### 3.6. Non-compliance

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In the unlikely event that PBO is prevented from completing a cost estimate as the result of the failure of a department to cooperate, PBO will document the issue in our internal platform costing communications database. 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 would report any failures to cooperate. PBO may also include the issue in the 2019 general election costing post-mortem report.

## 4. Working with media

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PBO will limit engagement with media outlets during the election period. However, a media blackout during the campaign costing period is untenable; the PBO must 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.** After publishing costings, the PBO may interact with the media to clarify the interpretation of costings before media stories are published.
2. ***Ex post* intervention.** The PBO may interact with the media if costings are reported incorrectly or are misrepresented.

That said, all communication with the media must be made transparent, fair, and must respect the confidentiality requirements of the legislation and the protocols with parties and the public service. With that in mind, 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** In the interest of fairness, all clarifications will be posted publicly to OPBO's policy costing disclosure site to ensure that all parties and media outlets have the same information.

**Guideline 4** All attempts by media to contact OPBO staff or inquiries to the general assistance email address that are not related to the interpretation or methodology of costings will be recorded internally.

**Guideline 5** If PBO must respond to a misrepresentation of a cost estimate in the media, the correction will be posted to PBO's campaign costing disclosure site with a link or copy of the misrepresentation.

## 5. What costs will PBO estimate?

### 5.1. PBO will estimate

#### Static cost estimate

What the financial cost would be if the proposed measure does not affect broader factor and product markets in the economy

#### Static financial costs

PBO will consider all static financial costs in our analysis. Static costing, from *comparative statics*, means analyzing the equilibrium states of a price or quantity shock in a single market, ignoring general equilibrium effects. General equilibrium effects are responses in other factor and product markets to a shock's influence on incentives for labor supply, consumption, firm behavior, and other macroeconomic aggregates. Economists consider general equilibrium effects when thinking about the circular flow of income in the economy.

It is common to hear *static* used as a synonym for *non-behavioural* in discussing policy cost analysis. But the technical definition of comparative statics includes the 'behavioural' responses of supply and demand as they adjust to a shock such as a new price level (for example, as the result of a tax policy change) or the responses of prices to a shift in quantity supplied or demanded (for example, as the result of regulation or an income transfer). PBO's costing terminology will reflect this technical definition.

Although static costs include behavioural costs, there will not always be sufficient evidence to include such effects, and often finance departments and treasuries exclude them when estimating the responses to tax or spending changes for public budgeting. It can therefore be useful to decompose the static cost into two effects:

*Static costing = static non-behavioral cost + static behavioral impact (if significant and quantifiable)*

#### Static non-behavioural cost (no change in activity)

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. For a deficit-financed social transfer, this would assume that households do not change their consumption basket in reaction to their new budget constraint.

## Static behavioural impact

### Significant

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

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 the following guiding principle:

**Principle:** PBO will include such effects *if to omit them 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 response from a similar shock over history.

### Quantifiable

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

Consider the hypothetical example of costing whether a toll on a proposed bridge crossing the Ottawa river could recover its costs. If the proposed bridge is near downtown, there are four perfect substitutes without tolls. Therefore, for a sufficiently high toll, the desire and ability to avoid the toll is likely to exceed the materiality threshold and be deemed *significant*.

There is also a well-established literature on the response of drivers to an increase in the cost per kilometer of travel. Therefore, the behavioral response is likely to be *quantifiable*.

Were PBO to calculate the revenue by applying the charge to traffic levels prior to the toll, the resulting revenue yield would be of little use for planning purposes and could mislead the decision of whether to go ahead with the proposal. PBO would therefore undertake every effort to survey the literature or conduct primary empirical research to determine an appropriate behavioural elasticity to apply.

In situations where the effect is likely to be significant but not quantifiable, PBO would proceed with a non-behavioral static analysis with a disclaimer that revenues are likely to be an upper or lower bound.

In situations where the effect is quantifiable, but not likely to be significant, PBO may still include a behavioural effect if it is expected to be of public interest and does not require new resources—for example, if a suitable literature review or statistical analysis has recently been performed or is close at hand. In this case, however, new PBO resources would not be devoted to efforts to determine the behavioural impact given that it is likely to be insignificant.

## Cross-tax and transfer effects

In Step 3 of the protocol for engaging with parties, PBO will flag significant interactions the policy will 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. For example, GST/HST is applied to the tax-inclusive price of goods. Therefore, an increase in excise duties will increase the GST/HST yield. Similarly, an increase in a taxable social benefit will increase the yield of personal income tax.

PBO will consider all interactions of proposed policy measures on the tax and transfer system under legislation enacted or announced prior to the 120-day campaign costing period or prior to Parliament being dissolved, whichever comes first.

### Interactions with previously submitted campaign proposals

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

The order by which policies are costed can matter for individual cost estimates (although the overall impact on the budgetary balance should be the same regardless of order). 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.

Previously requested policy costings will not be adjusted if they have already been published. Costings of subsequent requests may include a line that captures the impact on the previously announced policy, as is standard for any policy costing that interacts with the existing tax and transfer system.

## 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 include decisions such as introducing a user fee that is solely used to offset the costs of the policy or cancelling an existing program that was implemented to achieve a similar outcome as the intended policy (for example, eliminated the current elderly benefits regime to introduce a new elderly benefit).

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 significant, where there are standards set by the Treasury Board of Canada Secretariat, where there are well-established budgeting conventions, and where PBO has sufficient administrative data to quantitatively estimate them.

## 5.2. PBO will not estimate

### Dynamic scoring (economic feedback)

Dynamic scoring is the term for including a policy's indirect effects on factor markets and economic growth 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. That is, the economic determinants will be fixed.

While dynamic scoring increases the information available to parties and voters, there are significant concerns by many costing service participants in other jurisdictions about whether dynamic scoring can be implemented while maintaining the credibility and non-partisanship of the costing office. Concerns are voiced along the following arguments:

- Dynamic analysis is generally grounded in theory rather than empirical evidence (detangling the confounding influence of monetary policy,

### Temporal dynamics

Additional confusion in costing terminology stems from a separate but related economic meaning of static and dynamic: *temporal* statics and dynamics.

In this usage, static means a single-period model where quantities adjust instantly and there is no adjustment path to a new equilibrium (dynamics).

In this usage, PBO's costing approach may be said to capture temporal dynamics, to the extent that we project the cost over time, including the adjustment path following the enactment of new policy.

external shocks, and other macroeconomic developments to isolate the impact of a tax cut or spending increase is difficult in practice). The results are therefore very sensitive to assumptions on the model's theoretical underpinning. There is often little consensus on the appropriate theoretical models or their parameterization.

- The theories and schools from which dynamic scoring techniques have emerged have been at times politically charged.
- Dynamic models usually require significant assumptions about the future path of public policy (namely that debt must be financed by future tax cuts or spending cuts). This guesswork is typically outside the realm of a budget office's fiscal analysis framework.
- Dynamic scoring would impose a significant additional workload with possibly little influence on the decision-making process. Dynamic effects are often small, offset one another, and are not typically widely out of line with conventional costings. Further, PBO would be required to publish updated economic baselines for each policy in order for political parties to aggregate the cost estimates for their overall platform calculation.

The election period presents a challenge for PBO in dealing with time constraints and preserving our reputation as a provider of credible and non-partisan analysis. In light of the above considerations, PBO has decided to forego dynamic scoring of policies for the 2019 campaign costing period.

## Regional and sectoral impacts

For the 2019 general election, PBO will limit our analysis to the financial cost of campaign proposals, in-line with legislation, 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.

## Distributional analysis

Distributional analysis provides information on how policies affect different segments of society (quintiles, deciles) typically by income or age.

The *Parliament of Canada Act* ascribes the PBO with the duty to estimate only the financial cost of campaign proposals. While the legislation does not expressly prohibit distributional analysis, PBO has decided at this time that credible distributional analysis cannot be promised under the timelines of the campaign costing period without a proven track record of close cooperation with departments on data and assistance. This decision could be revisited for future election campaigns.

## **Gender-based analysis**

PBO continues to develop our capacity to perform gender-based analysis for future work. However, at this stage, without a proven track record of cooperation from departments and access to administrative data, PBO will not provide gender-based analysis as part of our cost estimates for the 2019 general election.

## **Fiscal impact of the overall platform**

As parties are not expected to submit their complete platforms to PBO, we will not be able to estimate the overall impact of a party's proposals on the budgetary balance, borrowing requirements, or fiscal sustainability of public debt. This work will be left to parties and their research offices. Parties can use the fiscal baseline and guidance that PBO will publish in June 2019 to prepare aggregate platform budget implications using PBO's cost estimates, if so desired.

## 6. How will PBO prepare and present the costings?

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### 6.1. Tools

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

- SPSPD/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

Wherever possible and appropriate, PBO will publish backgrounders and working papers before the costing period that describe our modelling approaches.

Costing support notes will refer to these backgrounders and working papers, if available, so that parties and the public may have the resources to understand how PBO has approached a costing.

### 6.2. Baseline

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PBO will publish both an economic and fiscal forecast in June 2019, provided that Parliament is not dissolved before the 120-day campaign costing period. This will be the baseline medium-term fiscal framework for PBO's estimates during the campaign 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 120-day campaign costing period or the dissolution of Parliament enter the economic and fiscal baseline. This includes Budget 2019 measures and subsequent announcements that may or may not have been enacted or come into force.

The benchmark tax system against which the cost of new policies will be estimated includes all existing and proposed tax rates and brackets,

definitions and units of the tax base, timing, inflation indexing, and other policy parameters. The benchmark spending outlook against which the cost of new policies will be estimated includes all transfers and direct program expenses announced by the Government up to (and including) Budget 2019, which have been provisioned within the Fiscal Framework, along with any subsequent announcements leading up to the campaign costing period.

## 6.3. Time horizon

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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. It also has the benefit of capturing a complete economic cycle and election cycle under most circumstances. Finance Canada also uses a five-year medium-term budget framework for the government's fiscal planning.

PBO can extend the costing assumptions further for an even longer planning horizon; however, the further that costings are forecast, the greater is the level of uncertainty. There is a point at which the outlook is unlikely to arise under even the most favourable conditions of economic stability. Most medium-term budget frameworks assume that an acceptable trade-off between the length of planning horizons and uncertainty lies somewhere between three and five years.

That said, parties have indicated that they may wish to have longer, 10-year costings for certain measures. This may be required for:

- prolonged phase-in periods
- significant effects under different demographic cohorts.

Cost estimates will therefore be made for 2019-20 and five additional forecast years by default (and 2018-19 in the unlikely event that the measure affects the 2019 tax year), and ten additional years where appropriate and requested by a party or member.

## 6.4. Cash and accruals

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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 yields) when the economic activity occurs, rather than when transactions are settled by the payment or receipt of cash or its equivalent.

PBO will also provide an estimate on a cash basis of accounting, if it is expected to have material consequences for debt-service costs. In such cases, a cash-based estimate will assist a party in determining how much it will need to borrow (or how much less it will need to save) in financial markets to finance its overall platform, and therefore the platform's impact on public debt charges and the budgetary balance.

## 6.5. Indexation

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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 in June 2019, or the most recently published forecast if Parliament is dissolved sooner.

## 6.6. Discount rates

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At times PBO may be required to discount certain financial flows. Discount rates will be applied using standard Treasury Board Secretariat guidance, Public Sector Accounting Standards, and Government of Canada practices, including recent changes to discount rate methodologies for public-sector pension plan liabilities. Discount rates will reflect PBO's independent outlook for interest rates.

## 6.7. Treatment of contingency reserve

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PBO's individual cost estimates will be a central, most-likely scenario (that is, we will not include an adjustment for downside risk in individual economic-sensitive costings). Further, as PBO will not be supplying an aggregate platform costing, we will not assist parties with incorporating a contingency reserve should they wish to do so.

The decision of whether to include a contingency reserve in the costing is a decision that parties will need to make when deciding how to manage their budget plan.

## 6.8. Rounding and significance

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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 as a consequence 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.

## 6.9. Point estimates versus ranges

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The issue of whether to publish ranges of estimates and confidence intervals is often raised. PBO will not do so for this campaign cycle.

This is justified on the following grounds:

- Parliamentarians are asked to vote on specific numbers;
- Many cost estimates will not have sufficient history or data quality to quantitatively estimate a confidence interval;
- Other budget offices have found that ranges muddy debate and often become politicized, with parties selecting either the high or low end of the range to garner support for the policy.

Most range estimates have a central, most-likely tendency. PBO will present this central tendency as the estimate, along with a qualitative discussion of degree and sources of uncertainty.

## 6.10. Dealing with uncertainty

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PBO will be transparent about the sources of potential uncertainty and the likelihood for the actual results to be different than the cost estimate. Each costing support note will contain a qualitative statement disclosing whether the costing has *limited uncertainty*, *some uncertainty*, or *significant uncertainty*.

The qualitative statement will be supported by a discussion covering five areas of uncertainty:

1. Modelling approach
2. Data quality
3. Volatility

4. Sensitivity to economy
5. Behavioral response

## 6.11. Presenting the estimates

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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>	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Total cost	-250	300	350	450	500	550	600

## 6.12. Costing support notes

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Costing support 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 D.

## 7. Post-election review

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The framework may be adjusted in the future based on our experience during the 2019 general election. Issues for review include expanding PBO's analysis to include other aspects of the policy analysis, including distributional impacts and gender analysis.

## Appendix A: Legislation

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### Mandate — general election

79.21 (1) During the period described in subsection (2), the Parliamentary Budget Officer shall, at the request of an authorized representative or a member, estimate the financial cost of any election campaign proposal that the authorized representative's party or the member is considering making.

### Period

(2) For the purposes of subsection (1), the period begins on the 120th day before the date fixed under section 56.1 or 56.2 of the Canada Elections Act and ends on the day before the date of the next general election. However, if Parliament is dissolved before that 120th day, the period begins on the day on which Parliament is dissolved and ends on the day before the date of the next general election.

### Request

(3) A request referred to in subsection (1) shall be made in writing and describe the proposal for which an estimate is requested, including relevant details and objectives.

### Additional information

(4) The Parliamentary Budget Officer may, in writing, request additional information from an authorized representative of the party on behalf of which an estimate was requested or from the member who made a request for an estimate.

### Ministerial agreement

(5) A minister who presides over a department within the meaning of paragraph (a) of the definition department in section 2 of the Financial Administration Act may, at the request of the Parliamentary Budget Officer, personally agree that his or her department will provide assistance to the Parliamentary Budget Officer in preparing estimates under subsection (1) during the period described in subsection (2).

(7) A minister who, under subsection (5), agrees that his or her department will provide assistance shall

(a) instruct his or her deputy to make any arrangements that his or her deputy considers necessary for the provision of the assistance, including, at the deputy's discretion, arrangements respecting the terms under which the assistance is to be provided; and

(b) abstain from any personal involvement in the provision of the assistance.

#### Confidentiality

(8) If the Parliamentary Budget Officer makes a request to a deputy referred to in paragraph 7(a) for assistance in preparing an estimate under subsection (1), the Parliamentary Budget Officer shall not disclose to the deputy or any other person in the department the identity of the party on behalf of which the estimate was requested or the identity of the member who made the request for an estimate.

(9) Except for the purposes of subsection (10), information that is obtained or created in the provision of assistance referred to in subsection (8) shall not be disclosed to any person other than the Parliamentary Budget Officer.

(10) In order to provide assistance referred to in subsection (8), a person in a department may provide information to and obtain information from a person in another department if

(a) the other department is also a department within the meaning of paragraph (a) of the definition department in section 2 of the Financial Administration Act; and

(b) the minister who presides over the other department has also agreed to provide assistance under subsection (5).

#### Withdrawal of request

(11) An authorized representative of the party on behalf of which the estimate was requested or the member who made the request may withdraw it, in writing, before a report containing the estimate is provided to an authorized representative or the member. If a request is withdrawn, the Parliamentary Budget Officer shall discontinue work on the request and shall not disclose the request or the estimate.

(12) The Parliamentary Budget Officer shall provide a report containing the estimate to an authorized representative of the party on behalf of which the estimate was requested or to the member who made the request.

(13) An authorized representative of the party on behalf of which an estimate was requested or the member who made a request shall notify the Parliamentary Budget Officer, in writing, if the proposal for which the estimate is requested has been publicly announced.

#### Report made public

(14) The Parliamentary Budget Officer shall make a report available to the public as soon as feasible after the report has been provided to the authorized representative or the member under subsection (12) and the Parliamentary Budget Officer has been notified that the policy proposal has

been publicly announced. However, the Parliamentary Budget Officer shall not make the report available to the public on or after the date of the general election.

Estimate not completed

(15) If, in the Parliamentary Budget Officer's opinion, he or she does not have sufficient time or information to complete a requested estimate within the period described in subsection (2), the Parliamentary Budget Officer shall notify an authorized representative of the party on behalf of which the estimate was requested or the member who made the request, in writing, that he or she is discontinuing work on the estimate and that it will not be completed.

Publication of request and statement

(16) If the Parliamentary Budget Officer discontinues work on a request under subsection (15) and the request is for an estimate of the financial cost of a proposal that has been publicly announced, the Parliamentary Budget Officer shall, before the end of the period described in subsection (2), publish the request and a statement of the reasons why the request could not be completed.

Definitions

(17) The following definitions apply in this section.

authorized representative means the leader of a recognized party in the House of Commons on the day before the first day of the period described in subsection (2) or a person authorized in writing by the leader for the purposes of this section. (représentant autorisé)

member means a person who is a member of the House of Commons on the day before the first day of the period described in subsection (2) but who is not a member of a recognized party on that day. (membre)

Definitions

79.3 The following definitions apply in sections 79.4 to 79.5.

department has the same meaning as in any of paragraphs (a), (a.1) and (d) of the definition department in section 2 of the Financial Administration Act. (ministère)

head has the same meaning as in section 3 of the Access to Information Act. (responsable d'institution fédérale)

parent Crown corporation has the same meaning as in subsection 83(1) of the Financial Administration Act. (société d'État mère)

#### Access to information

79.4 (1) Except as provided by any other Act of Parliament that expressly refers to this subsection, the Parliamentary Budget Officer is entitled, by request made to the head of a department or of a parent Crown corporation, to free and timely access to any information under the control of the department or parent Crown corporation that is required for the performance of his or her mandate.

#### Exception

(2) Subsection (1) does not apply in respect of any information

(a) the disclosure of which is restricted under section 19 of the Access to Information Act;

(b) that is protected by solicitor-client privilege or professional secrecy of advocates and notaries or by litigation privilege;

(c) the disclosure of which is restricted under any provision of any other Act of Parliament set out in Schedule II to the Access to Information Act; or

(d) that is a confidence of the Queen's Privy Council for Canada as defined in subsection 39(2) of the Canada Evidence Act.

#### Refusal to provide access to information

79.41 If he or she refuses to provide access to information requested under subsection 79.4(1), the deputy minister of the department concerned or the person who occupies any other similar position for the federal institution or parent Crown corporation, as the case may be, shall provide the Parliamentary Budget Officer with a written justification for the refusal.

#### Notification

79.42 If the Parliamentary Budget Officer is of the opinion that he or she has not been provided with free or timely access to information requested under subsection 79.4(1), he or she may so notify the Speaker of the Senate and the Speaker of the House of Commons or any appropriate committee of the Senate, of the House of Commons or of both Houses of Parliament.

#### Confidentiality

79.5 The Parliamentary Budget Officer, and every person referred to in subsections 79.11(3) and (4), shall not disclose any information that comes to their knowledge under subsection 79.21(9) or section 79.4, unless the disclosure is essential for the performance of the Parliamentary Budget Officer's mandate and, in the case of information referred to in subsection 79.21(9), the minister's deputy has consented to the disclosure.

## Appendix B: 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"> <li>- Beneficiaries/tax base</li> <li>- Eligibility</li> <li>- Amounts</li> <li>- Thresholds</li> <li>- Rates</li> <li>- All other aspects of policy design</li> </ul>
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 updating 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:  The measures should not be prioritized ahead of:

#### 5) Authorization

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

## Appendix C: 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 SPSPD/M not requiring changes to code (black box)</i> <i>Microsimulation model SPSPD/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	
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#### 4) Resource allocation deduction: analytical time allocation

	Deduction (in analyst-days)	Details
Novelty of measure		
Technique of analysis		
Data requirements		
Total deduction		
Time allocation remaining		

#### 5) Resource allocation deduction: financial allocation

	Financial cost	Details
Financial requirement above and beyond PBO's normal course of duty		
Total financial cost above and beyond PBO's normal course of duty		
Financial allocation remaining		

#### 6) Additional clarifications

Clarification 1	
Clarification 2	
Clarification 3	

#### 7) 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 6 -

## Appendix D: Costing support note template

Publication date:	yyyy-mm-dd
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Short title:	<i>Title of measure</i>
Description:	<i>Summary of proposal; e.g. new non-refundable personal income tax credit for Employment Insurance parental benefits.</i>
Operating line(s)	<i>Which line in the Statement of Operations is affected, e.g. Personal Income Tax</i>
Source data	<i>Statistics Canada data series: V7685032 (with hyperlinks where possible)</i> <i>Employment Insurance Chief Actuary's Report 2019</i> <i>T1 Tax file database</i>
Estimation and projection Method	<i>Eligible claimant amounts are identified in the Chief Actuary's report and projected based on a three-year moving average.</i> <i>Eligible value of the claims is identified from actual payments from the Statistics Canada data series, grown by the PBO's projection of average wage growth generated in its macroeconomic model.</i> <i>The eligible tax rate is assumed to remain constant at 15%. The additional household income is assumed not to influence fecundity (OR reference PBO behavioural impact paper).</i>
Caveats	<i>The PBO deems this cost estimate to be of (high/medium/low) reliability. While the data sets are of good quality, there is no analogous initiative upon which to model potential behavioural impacts.</i>

### Cost of proposed measure

<i>\$ millions</i>	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Total cost							

## Supplementary information

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
No change in activity							
Behavioural impact							
Administration costs							
Interaction Effects							
Total cost/revenue (gross)							
Cost recovery measures							
Total cost/revenue (net)							

small = cost is smaller than \$500,000

"-" = there is no financial cost

Positive numbers subtract from the budgetary balance

Negative numbers contribute to the budget balance

## Appendix E: Proposed MOU with departments

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### 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 2019 general election period

#### **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 2019 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 43<sup>rd</sup> federal general election, which is required to take place on or before October 21, 2019.

- 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

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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. In January 2018, the PBO published *Guidelines for Cost Estimates of Election Campaign Proposal*. This document served as a starting point to consult with stakeholders on how the PBO would implement the new mandate and the steps he would take to prepare for the campaign costing period. The PBO solicited feedback from the three political parties officially recognized in the House of Commons, as well as two other parties that were represented (the Bloc Québécois and the Green Party). PBO also discussed the proposed approach during several appearances before parliamentary standing committees. See [http://www.pbo-dpb.gc.ca/web/default/files/Documents/General/Guidelines%20on%20Cost%20Estimates%20for%20Electoral%20Platform%202018-01-24\\_EN.pdf](http://www.pbo-dpb.gc.ca/web/default/files/Documents/General/Guidelines%20on%20Cost%20Estimates%20for%20Electoral%20Platform%202018-01-24_EN.pdf).
3. New Brunswick has experimented with campaign platform costing requirements, including validation by an independent accounting in its *Fiscal Transparency and Accountability Act*. However, no dedicated costing facility serving all parties has been legislated.