

**REPORT ON THE
2019–20 INTERIM ESTIMATES**

Standing Senate Committee on National Finance

THIRTY-NINTH REPORT

Chair

The Honourable Percy Mockler

Deputy Chairs

The Honourable Mobina Jaffer
The Honourable André Pratte

March 2019

ORDER OF REFERENCE

The Honourable Senator Bellemare moved, seconded by the Honourable Senator Harder, P.C.:

That the Standing Senate Committee on National Finance be authorized to examine and report upon the expenditures set out in the Interim Estimates for the fiscal year ending March 31, 2020, with the exception of Library of Parliament Vote 1; and

That, for the purpose of this study, the committee have the power to meet even though the Senate may then be sitting, and that rule 12-18(1) be suspended in relation thereto.

February 21, 2019

INTRODUCTION

On February 19, 2019, the *2019–20 Interim Estimates* were tabled in the Senate and were referred on February 21, 2019 to the Standing Senate Committee on National Finance (our committee) for review.

The *2019–20 Interim Estimates* include \$37.7 billion in voted budgetary expenditures, and \$14.3 million in voted non-budgetary expenditures. These amounts support the government's financial requirements for the first three months of the 2019–2020 fiscal year and are outlined in a proposed schedule to the first appropriation bill for the fiscal year.

Our committee held one hearing on the interim estimates with the President of Treasury Board and officials from the Treasury Board of Canada Secretariat (TBS).

BACKGROUND

1.1 Alignment

Parliamentarians have noted a lack of alignment between the budget and the main estimates. As the main estimates were prepared before the budget, new spending measures announced in the budget were not included in the main estimates. Consequently, budget measures were included in subsequent supplementary or main estimates.

The lack of spending alignment of the main estimates and the budget made it difficult for parliamentarians to examine the government's complete spending plans for the coming fiscal year. To improve alignment, the TBS proposed delaying the main estimates until after the budget presentation, thereby including budget measures in the main estimates.

The government implemented a pilot project to improve alignment. On June 20, 2017, the House of Commons amended the timeline for the main estimates in its standing orders from on or before March 1 to on or before April 16. This change will be in place for the duration of the 42nd Parliament.

This is the second year of the pilot project. In the *2018–19 Main Estimates*, the budget measures were included in TBS Vote 40 – Budget Implementation.

1.2 Interim Supply/Estimates

As Parliament does not approve the appropriation bill related to the main estimates until late June, the government needs authority to spend funds during the first three months of the fiscal year. In the past, this authority was provided through interim supply, which was usually three twelfths of the amounts outlined in the main estimates, with exceptions for organizations that had increased spending needs at the beginning of the year. Interim supply represented the first appropriation bill for the fiscal year, and was adopted in late March.

Under the new timeline, the main estimates will not be presented until after the fiscal year has begun. Thus, the government is seeking Parliament's authority to spend funds for the first three months of the fiscal year through interim estimates.

CALCULATION OF INTERIM ESTIMATES

The calculation of the financial requirements in interim supply was quite straightforward. The associated appropriation bill expressed the amounts as twelfths of the amounts presented in the main estimates. For most federal organizations, the required spending authority for the first three months of the fiscal year was three twelfths, or 25%, of the amount set out in the main estimates. Organizations that had greater spending requirements in the first three months had additional twelfths of their main estimates amounts.

When asked how the amounts included in the interim estimates were calculated, officials responded that they are based on the following principle: What are the cash needs for the first three months of the fiscal year? Departments may have contractual obligations or out-of-court settlements that need to be built into the figures. Officials said that the interim estimates are 25% of the main estimates, with unexpected payments taken into account.

However, when examining the interim estimates, it is no longer clear how the amounts are calculated, as the main estimates for this fiscal year are not yet available. While the interim estimates could be compared to the previous year's main estimates, the budgets of some organizations have changed considerably from year-to-year. For example, the Leaders' Debate Commission was recently created and did not appear in the *2018–19 Main Estimates*. The relation of interim estimates to the previous year's main estimates varies widely, from a low of 16% for the Department of Public Safety and Emergency Preparedness to a high of 102% for the Windsor-Detroit Bridge Authority.

Our committee is preoccupied, however, that the voted budgetary authority requested in the interim estimates is growing considerably. In 2017–2018, interim supply was \$30.1 billion. In 2018–2019, the interim estimates were \$30.9 billion. This year, the interim estimates request \$37.7 billion in voted budgetary authorities, an increase of 22% from the previous year.

CONCLUSION

In the past, the calculation of the amounts for interim supply was clear and transparent. The interim supply bill passed on March was roughly 25% of the government's spending requirements, to cover the first three months of the fiscal year. Now, under the new estimates process, we have an interim estimates, followed by the main estimates in April, so it is difficult to calculate what percentage of overall spending is being approved via interim estimates. It is also not at all clear how the amounts for the *2019–20 Interim Estimates* were calculated. Without more detailed financial information, it is not possible for our committee to determine whether the amounts requested are reasonable and appropriate. Moreover, we are concerned at the considerable growth in the size of interim estimates, an increase of 22% from 2018–2019 to 2019–2020. Our committee can only wonder whether overall federal spending will increase by 22% this year, or whether the government's cash spending needs have grown by 22% in the first three months of the year.

If the government wishes to continue with its revised estimates process, including interim estimates, it needs to carefully examine how to make the calculation of the funds requested in interim estimates more transparent.

APPENDIX – WITNESSES WHO APPEARED BEFORE THE COMMITTEE

Philpott, The Honourable Jane, P.C., M.P., President of the Treasury Board and Minister of Digital Government

(27-02-2019)

Treasury Board of Canada Secretariat

Karen Cahill, Assistant Secretary and Chief Financial Officer

Glenn Purves, Assistant Secretary, Expenditure Management Sector

Marcia Santiago, Executive Director, Expenditure Strategies and Estimates

(27-02-2019)