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2019-20 REPORT ON THE ACTIVITIES OF THE OFFICE OF THE PARLIAMENTARY BUDGET OFFICER

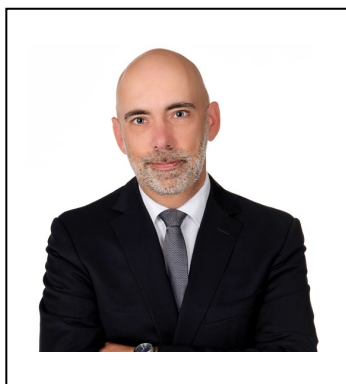


OFFICE OF THE PARLIAMENTARY BUDGET OFFICER
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

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Message from the Parliamentary Budget Officer



I am pleased to present the *2019–20 Report on the Activities of the Parliamentary Budget Officer*, as outlined in the *Parliament of Canada Act*.¹

Fiscal year 2019–20 was a milestone year for the Office. For the first time in Canadian history, during the 2019 federal election, political parties were able to ask the Parliamentary Budget Officer (PBO) to provide financial cost estimates of their election campaign proposals. From June 24 to October 20, 2019, the Office successfully costed over 200 requests from political parties. Ultimately, over 100 non-partisan cost estimates were published on our website, which helped to increase transparency for the benefit of Canadian voters.

In addition, the Office has continued its commitment to serving Parliament with integrity and professionalism through the provision of independent, credible, and non-partisan financial and economic analysis on a timely basis.

Over the past fiscal year, we have provided in-depth analysis on the state of the Canadian economy, the sustainability of government finances, and the cost of various legislative initiatives and federal programs as set out in the *2019–20 Work Plan*. We also continued to make significant gains in strengthening and enhancing the Office's analytical and economic modelling capacity. When the COVID-19 pandemic struck in March 2020, the Office leveraged its strong analytical capacity to provide pertinent analysis to help parliamentarians gauge the potential implications on the Canadian economy and the government's finances.

I am proud of all that the Office achieved in 2019–20. It has been my honour to work with an exemplary team of professionals. We look forward to continuing to provide relevant and accessible financial and economic analysis to parliamentarians and Canadians.

Yves Giroux
Parliamentary Budget Officer

1. Mandate and activities

As a result of amendments made to the *Parliament of Canada Act* in 2017, Parliament has given the Parliamentary Budget Officer (PBO) *two* distinct mandates:

1. When Parliament is not dissolved:

The PBO provides independent economic and financial analysis to the Senate and House of Commons, analyzes the estimates of the government and, if requested, estimates the financial cost of any proposal over which Parliament has jurisdiction.

2. During the 120-day period before a fixed general election or when Parliament is dissolved for a general election:

The PBO provides political parties, at their request, with estimates of the financial cost of election campaign proposals they are considering making.

Mandate when Parliament is not dissolved – Providing independent economic and financial analysis to the Senate and the House of Commons

During the 2019–20 fiscal year, the PBO published 43 reports, including supplementary analyses, updates, the *2020-21 Work Plan* and the *2018-19 Report on Activities*. Of these reports, approximately one-quarter were requested by parliamentarians from the Senate or the House of Commons. The remaining reports were undertaken on the PBO's own initiative.

Independent economic and financial analysis

The *Parliament of Canada Act* provides that the PBO may prepare reports containing the PBO's analysis of the budget, an economic and fiscal update, a fiscal sustainability report or the estimates.²

The PBO may also prepare reports on matters of particular significance relating to the nation's finances or economy that are listed in the PBO's annual work plan tabled in the Senate and the House of Commons.³

In 2019–20, the PBO published 5 regular reports and analyses:

- analysis of main, and supplementary estimates (4 reports); and
- an analysis of the Government's Economic and Fiscal Update 2019.

In addition to the regular reports, in 2019–20, the PBO published 22 updates and stand-alone reports, some of which supplemented regular reports, while others provided analysis of specific matters related to the nation's economy or finances:

- a semi-annual economic and fiscal outlook (2 reports) and semi-annual economic and fiscal monitor (1 report);⁴
- an annual fiscal sustainability report and supplementary analysis (2 reports);
- a labour market assessment;
- an analysis of achieving Canada's 2030 greenhouse gas (GHG) emissions target;
- a fiscal analysis of the National Housing Strategy;
- an analysis of the fiscal impact of the middle-class tax cut;
- a fiscal and distributional analysis of the federal carbon pricing system and updated supplementary analysis (2 reports);
- an analysis of the Canada Student Loans Program;
- a supplementary update on infrastructure spending in the territories;
- an analysis of costs associated with replacing the federal pay system;
- an update on the cost of Canada's Surface Combatants (CSC) program;
- updated supplementary analysis of Canada's purchase of the Trans-Mountain Pipeline (2 reports);
- an overview of the monitoring of the Government's tax and spending review;
- an estimate of the cost of increasing the Basic Personal Amount Tax Credit;
- an analysis of surtaxes on steel, aluminum, and other goods;
- an estimate of the impacts of the February 2020 rail disruption; and
- a scenario analysis of the potential implications of the COVID-19 pandemic and oil price shocks.

The PBO also published four items related to the 2019 federal general election mandate:

- the results of the preparatory costing exercise using Budget 2019;
- a 10-year economic and fiscal baseline projection;
- a public debt charges calculator tool for political parties to estimate the interest charges from their new proposals; and
- following the election, an evaluation of 2019 election proposal costing service.

Independence, relevance and non-partisanship The PBO's analysis helps voters make informed choices at the ballot box

For the first time in Canadian history, during the 2019 federal election campaign, voters were able to access unbiased, non-partisan cost estimates of election campaign commitments on the PBO's website.

At the request of the political parties, the PBO's team of economists and accountants prepared over 200 cost estimates for a variety of campaign proposals, that ranged from simple tax changes to new, innovative programs.

The success of the PBO's new costing service for 2019 election highlights just one of the many examples of how the PBO's timely work serves to increase transparency.

Find out more in the pages that follow and by visiting our website: www.pbo-dpb.gc.ca

Reports resulting from requests for analysis and estimates from members and committees of the Senate and the House of Commons in 2019–20

In 2019–20, the PBO received 15 requests for financial analysis and cost estimates from parliamentarians. The PBO also received several informal requests and questions over the course of the fiscal year.

The PBO published 10 reports that were undertaken at the request of senators, MPs or parliamentary committees:

- a cost estimate of an increase in the duration of employment insurance (EI) sickness benefits, requested by a member of the House of Commons;
- a cost estimate for implementing structured intervention units as set out in Bill C-83 and related proposals, requested by Senator Kim Pate;
- an estimate of the cost of Bill C-266 on increasing the duration of parole ineligibility, requested by the House of Commons Standing Committee on Finance;
- an estimate of the cost of administering the federal fuel charge and climate action incentive, requested by a number of parliamentarians;
- a revised cost estimate of the removal of the GST from residential energy use, requested by the House of Commons Standing Committee on Finance;

- an analysis of active versus passive management of Canadian public pension plans, carried out in response to interest expressed by several parliamentarians;
- a cost estimate of full expensing for depreciable property, requested by a member of the House of Commons;
- a cost estimate of Bill C-221, An Act to amend the Income Tax Act (oil and gas wells), requested by a member of the House of Commons;
- a report on the preliminary findings on international taxation, requested by Senator Percy E. Downe; and
- an update on the allocation of funding under the federal provincial territorial partnership in housing, requested by a member of the House of Commons.

Mandate during the period before a general election – Preparing estimates of the financial cost of election campaign proposals

Under the *Parliament of Canada Act*, for the 120-day period before a general election, the PBO is obligated, upon request of a recognized political party or independent member of the House of Commons, to prepare estimates of the financial cost of their election campaign proposals. Once Parliament is dissolved for the general election, the PBO must discontinue work on all requests by committees and members.⁵

In 2019-20, for the first time in Canadian history, political parties were able to ask the PBO to provide a financial cost estimate of any proposal they were considering making during the 2019 federal election campaign. Last fiscal year, the PBO allocated significant resources to the preparation and successful delivery of the new election costing mandate.

Before the start of the 2019 federal election period, the PBO released a 10-year Economic and Fiscal Baseline, as well as an online application to help political parties estimate the impact of new spending proposals on public debt interest costs. These analytical products permitted political parties to generate an internally consistent fiscal framework, which encouraged them to announce costed policy measures before election day.

Consistent with legislation, the PBO also worked with government departments prior to and during the 2019 election period to negotiate Memoranda of Understanding (MoUs) for the provision of information and other assistance necessary to prepare the most accurate estimates possible. The PBO was able to conclude four MoUs prior to the 120-day costing period and one during the costing exercise.

From June 24 to October 20, the PBO successfully costed over 200 requests from political parties. Ultimately, over 100 cost estimates were published by the PBO, leading to increased transparency for Canadian voters.

Following the election, the PBO undertook a comprehensive review exercise, seeking feedback from participating parties. The results of the review are presented in the PBO's *Evaluation of Election Proposal Costing* report, which was published in January 2020.

2. Information access

Although some of the information the PBO needs to prepare economic and financial analysis is publicly available, much of it is not.

Under the *Parliament of Canada Act* the PBO “is entitled 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.”⁶

While it is often possible for the PBO to prepare an estimate of the cost of implementing a bill without having access to the government’s data, it will often be more costly and time-consuming to do so, potentially reducing the resources available to respond to requests from parliamentarians and committees. Having access to the government’s data will often improve the quality of the PBO’s estimates and make them more useful to parliamentarians.

If a government department or Crown corporation refuses to provide access to information, the PBO can notify the Speakers of the Senate and of the House of Commons or any appropriate committee of either House or both Houses.⁷

The PBO expects that if he were to give such notice, the Speakers, and the Houses over which they provide, would assist the PBO in obtaining access to the information the PBO requires to provide relevant analysis in support of the Senate and the House of Commons.

2.1. Exceptions

The PBO is not entitled to access information that falls under five limited exceptions:

- personal information whose disclosure is restricted under section 19 of the *Access to Information Act*;⁸
- information protected by solicitor-client privilege or professional secrecy of advocates and notaries or by litigation privilege;⁹
- information whose disclosure is restricted under any provision set out in Schedule II to the *Access to Information Act*;¹⁰
- information that is a confidence of the Queen’s Privy Council for Canada as defined in subsection 39(2) of the *Canada Evidence Act*;¹¹ and
- information whose disclosure to the PBO is specifically restricted under another federal statute.¹²

The PBO remains of the opinion that providing relevant and timely analysis to the Senate and the House of Commons requires access to certain confidential information. This includes the government’s estimate for the cost of implementing bills before Parliament, gender-based analysis of those bills.

Additionally, the PBO is concerned that the exception based on Schedule II of the *Access to Information Act* is unduly narrowing the PBO’s access to information. There is clearly scope for improving the PBO’s access to information held by government departments and agencies. The PBO wrote a letter to the Leader of the Government in the House of Commons on February 11, 2020 seeking legislative amendments to improve access to information. No response has been received yet.

2.2. Information requests in 2019–20

During 2019–20, the PBO submitted 35 information requests to government departments and Crown corporations.

For the 120-day period before the general election (from June 24 to October 20), the PBO prepared estimates of the financial cost of election campaign proposals upon the request of a recognized political party or independent member of the House of Commons. As outlined in the legislation, the PBO negotiated Memoranda of Understanding (MoUs) with government departments for the provision of information and other assistance during the pre-election period. This resulted in significantly fewer information requests to government departments and Crown corporations during 2019–20 in comparison to previous fiscal years.

The PBO received all the information requested in 27 of the 35 requests submitted and did not receive all the requested information in the remaining 8. This represents a 78% response rate, which is slightly lower than in 2018–19, which had an average response rate of 84%.

Of the eight requests for which the PBO did not receive the requested information, there was one in which the requested information was simply not available from the department; three in which the department provided only part of the information requested (often because the remaining information was not available); two in which the department requested an extension beyond March 31, 2020; and two in which the department did not provide the requested information.

Information requests

Fiscal year	Requests	Response rate
2009–10	20	50%
2010–11	27	78%
2011–12	52	79%
2012–13	116	36%
2013–14	150	55%
2014–15	55	51%
2015–16	14	86%
2016–17	65	90%
2017–18	60	68%
2018–19	61	84%
2019–20	35	78%

3. Performance

3.1. Debates and committee meetings

In 2019–20, the PBO and the work produced by his office were mentioned 386 times in the Senate and House of Commons debates. The PBO was mentioned 419 times in House of Commons committee meetings, including appearances by the PBO before committees.¹³

The use of the PBO's analysis to inform parliamentarians' contributions to debate and committee proceedings is one of the more visible forms of support to parliamentarians.

3.2. PBO's committee appearances

In 2019–20, the PBO or his staff appeared on one occasion before Senate committees and on four occasions before House of Commons committees.

The PBO's semi-annual economic and fiscal outlooks for the Standing Committee on Finance of the House of Commons, the presentation of supplementary estimates, the analysis of the federal carbon pricing system, and the analysis of the international tax gap are examples that demonstrate how the PBO and his staff can use their specialized expertise to support the work of parliamentary committees.

The PBO welcomes opportunities to appear before parliamentary committees to discuss potential requests the committees might make of the PBO in support of their studies.

3.3. Outreach to Canadians

In 2019–20, the PBO continued to promote greater budget transparency and accountability by communicating his findings to the public and the media. This open and accessible approach allows the PBO to better serve parliamentarians who can speak to the PBO's reports knowing that the public is aware of them.

Over the course of the fiscal year, the work of the PBO was mentioned over 3,000 times in the media nationwide, underscoring the relevance of the PBO's analysis in contributing to the public discourse.

Independence, relevance and non-partisanship The PBO provides accessible and reliable information

Closing the gap: carbon pricing for the Paris target

In June 2019, the PBO provided an estimate of the additional carbon price that would be needed to achieve Canada's greenhouse gas (GHG) emissions target in 2030 under the Paris Agreement, as well as an estimate of the corresponding impact on the Canadian economy.

This report demonstrates how the PBO's work promotes greater budget transparency and accountability by providing parliamentarians and Canadians with reliable financial and economic analysis on important issues.

Find out more by visiting our website: www.pbo-dpb.gc.ca

4. Financial information

The budget process for the PBO is established in the *Parliament of Canada Act*. Before each fiscal year, the PBO prepares an estimate of the budgetary requirements for the year. The estimate is considered by the Speaker of the Senate and Speaker of the House of Commons and, if approved by both Speakers, transmitted to the President of the Treasury Board, who lays it before the House with the estimates of the Government of Canada for the fiscal year.

Financial Resource Summary (thousands of dollars)				
Program Activity	2018–19 Actual Spending	Main Estimates	2019–20 Total Authorities	Actual Spending
Economic and fiscal analysis	5,047	7,016	7,016	5,418
Contributions to employee benefits plan	384	739	739	505
Total	5,431	7,755	7,755	5,923

Notes

1. *Parliament of Canada Act*, s 79.22.
2. *Ibid.*, s 79.2(1)(a).
3. *Ibid.*, s 79.13(1)(b), (3), 79.2(1)(b).
4. The semi-annual Economic and Fiscal Outlook was originally undertaken at the request of the Standing Committee on Finance of the House of Commons, most recently adopted on February 4, 2016. The Economic and Fiscal Outlook is now part of the PBO's annual work plan.
5. *Parliament of Canada Act*, s 79.2(5).
6. *Ibid.*, s 79.4(1).
7. *Ibid.*, s 79.42.
8. *Parliament of Canada Act*, RSC 1985, c P-1, s 79.4(2)(a).
9. *Ibid.*, s 79.4(2)(b). The professional secrecy of advocates and notaries is a concept in Quebec civil law equivalent to solicitor-client privilege. In accordance with the *Interpretation Act*, RSC 1985, c I-21, s 8.2, the "professional secrecy" aspect of the exception applies in Quebec, and the "solicitor-client privilege" aspect applies in the other provinces and in the territories.
10. *Parliament of Canada Act*, s 79.4(2)(c).
11. *Ibid.*, s 79.4(2)(d).
12. *Parliament of Canada Act*, RSC 1985, c P-1, s 79.4(1). Currently, the only such provision is the *Royal Canadian Mounted Police Act*, RSC 1985, c R-10, s 45.47(5).
13. The equivalent figures were not available for Senate committees.