



FAO

FINANCIAL ACCOUNTABILITY
OFFICE OF ONTARIO

Expenditure Monitor 2020-21: Q1

2020

Highlights

- This report provides an update on the Province's 2020-21 spending plan and reviews actual spending by the Province over the first three months of the 2020-21 fiscal year.
- Compared to the 2020-21 spending plan in the March 2020 Economic and Fiscal Update, in the first quarter the Province reallocated funds to the health sector (\$2.1 billion), the children's and social services sector (\$0.2 billion) and the other programs sector (\$1.0 billion).
 - The budget increases to these three sectors were largely offset by reductions in the Province's three unallocated funds: the COVID-19 Health Sector Response Fund (\$1.5 billion), the Support for People and Jobs Fund (\$0.6 billion) and the Contingency Fund (\$0.4 billion).
 - Overall, by the end of the first quarter, the Province had increased its 2020-21 spending plan by a net \$759 million. This was significantly less than the \$12.4 billion increase announced by the Province in the 2020-21 First Quarter Finances, which will be reflected in the government's accounts in the second quarter of 2020-21.
- The Province spent \$37.9 billion in the first quarter, which was \$0.7 billion, or 1.9 per cent, more than planned at the time of the March 2020 Update.¹
 - All sectors spent less than planned in the first quarter except for the education sector, which spent \$2.3 billion more than initially projected. This was largely the result of the government's decision, in response to the COVID-19 pandemic, to allow municipalities to temporarily defer Education Property Tax payments to school boards. In order to ensure that school boards did not experience any change in funding timing, the government increased the amount of direct provincial funds transferred to school boards in the first quarter. Note that this is not a permanent increase in provincial funding to school boards but rather a change in the timing of payments.
 - Other than the education sector, all other sectors spent a combined \$1.5 billion less than planned in the first quarter, led by other programs, children's and social services, and interest on debt.
 - Spending information for all of the Province's programs by ministry is available on the FAO's website at: <https://bit.ly/3mCTGhs>.
- At \$37.9 billion, spending in the first quarter of 2020-21 was \$4.0 billion, or 11.9 per cent, higher than in the first quarter of 2019-20. The vast majority of the year-over-year spending increase (94 per cent) occurred in two sectors: health (\$1.5 billion) and education (\$2.3 billion).
 - The \$1.5 billion (or 10.6 per cent) increase in health sector spending, compared to the first quarter of 2019-20, reflects the government's response to the COVID-19 pandemic.
 - The \$2.3 billion increase in education sector spending is not a permanent year-over-year increase but rather a timing adjustment largely due to the temporary deferral of Education Property Tax payments from municipalities to school boards, as mentioned above.
- The Province's initial spending plan for 2020-21 included \$5.1 billion in unallocated funds through three programs: the COVID-19 Health Sector Response Fund, the Support for People and Jobs Fund, and the Contingency Fund. These funds cannot be spent directly but must be transferred to government programs through Treasury Board Orders. Through the first quarter of 2020-21, the Province transferred \$2.5 billion to various programs leaving \$2.6 billion in unallocated funds.²

¹ At the start of the fiscal year, ministries estimate planned spending for each program by month, based on the program's budget allocation in the Expenditure Estimates. "Planned" spending (or calendarization) for a program takes into account factors such as historical spending patterns and seasonality, and is used to monitor spending pressures and potential year-end savings (or underspending).

² In the 2020-21 First Quarter Finances, the Province announced its intention to top up the three unallocated funds by an additional \$9.6 billion. However, as of June 30, 2020, the end of the first quarter, the \$9.6 billion top-up was not reflected in the government's expenditure management system and will be implemented by the Province in the second quarter of 2020-21.



Introduction

This report provides information on spending by the Government of Ontario (the Province) over the first three months of the 2020-21 fiscal year, from April 1, 2020 to June 30, 2020. The report:

- identifies changes to the Province's 2020-21 spending plan;
- reviews actual spending in the first quarter of 2020-21 (April 1, 2020 to June 30, 2020) against planned spending;
- reviews actual spending in the first quarter of 2020-21 against spending in the first quarter of 2019-20; and
- tracks transfers from the Province's three unallocated funds (the COVID-19 Health Sector Response Fund, the Support for People and Jobs Fund, and the Contingency Fund) to various programs.

The information in this report is based on the FAO's analysis of the March 2020 Economic and Fiscal Update (the March 2020 Update), the 2020-21 Expenditure Estimates, the 2020-21 First Quarter Finances, and spending recorded in the Province's Integrated Financial Information System (IFIS) as of June 30, 2020.

Changes to the 2020-21 Spending Plan

In the March 2020 Update and the 2020-21 Expenditure Estimates, the Province tabled a 2020-21 spending plan of \$165.2 billion.³ In the first quarter of 2020-21 (from April 1, 2020 to June 30, 2020), the Province made internal program budget reallocations that added \$2.1 billion in planned spending to the health sector, \$0.2 billion to the children's and social services sector, and \$1.0 billion to the other programs sector. The increases to these three sectors were largely offset by reductions in the Province's three unallocated funds: the COVID-19 Health Sector Response Fund (\$1.5 billion), the Support for People and Jobs Fund (\$0.6 billion) and the Contingency Fund (\$0.4 billion).

Overall, the Province's spending plan of \$165.2 billion increased by a net \$759 million in the first quarter of 2020-21, to \$166.0 billion. This increase is significantly less than the \$12.4 billion spending plan increase announced by the Province in the 2020-21 First Quarter Finances. The net \$759 million spending plan increase noted in this report represents transactions recorded by the Province in IFIS (the government's expenditure management system) as of June 30, 2020. The \$12.4 billion spending plan increase announced in the 2020-21 First Quarter Finances will be implemented by the Province in the second quarter.⁴

³ Excludes \$9.1 billion in additional planned spending by the broader public sector organizations controlled by the Province (hospitals, school boards and colleges), the Province's agencies and the legislative offices. The Province does not actively monitor or control this spending. Also excludes \$3.6 billion in additional planned spending on capital assets and \$1.2 billion on operating assets.

⁴ The \$12.4 billion spending plan increase also required Supplementary Estimates which were tabled in the legislature on September 17, 2020. There is typically a timing difference between what is announced in the Province's Quarterly Finances (including Fall Economic Statements) and actual changes to IFIS, which records ministries' legal spending authority against actual spending.

Table 1: Changes to the 2020-21 spending plan by sector, \$ millions

Sector	2020-21 Spending Plan	Q1 Budget Reallocations	Revised 2020-21 Spending Plan
Health	61,753	2,083	63,835
Education	31,358	-	31,358
Postsecondary Education	6,984	-	6,984
Children's and Social Services	17,944	158	18,102
Justice	4,948	-	4,948
Other Programs	24,734	1,010	25,745
Unallocated Funds:			
COVID-19 Health Sector Response Fund	1,823	-1,505	318
Support for People and Jobs Fund	1,966	-629	1,337
Contingency Fund	1,300	-359	941
Interest on Debt	12,407	-	12,407
Total	165,217	759	165,976

Note: Figures exclude planned spending on assets and \$9.1 billion in additional planned spending by the broader public sector organizations controlled by the Province (hospitals, school boards and colleges), the Province's agencies and the legislative offices.

Source: FAO analysis of the 2020-21 Expenditure Estimates, the March 2020 Update and information provided by Treasury Board Secretariat.

The rest of this section highlights key first quarter spending plan changes by sector and vote-item. For information on all of the Province's transfer payment programs and ministries, visit the FAO's website at: <https://bit.ly/3mCTGhs>.

Health: \$2,083 million increase, including:

- \$1,318 million increase for Health Services (Vote-Item 1416-1), which funds the operation of hospitals, home care, community services (mental health, health centres and support) and other services. Includes \$592 million for the Pandemic Pay for Eligible Workers measure.
- \$305 million increase for Population and Public Health (Vote-Item 1406-4), which funds public health agencies and other public health measures.
- \$218 million increase for Long-Term Care Homes Program (Vote-Item 4502-1), which funds the operation and development of long-term care homes.

Children's and Social Services: \$158 million increase, including:

- \$94 million increase for Supports to Individuals and Families (Vote-Item 702-21), which administers a variety of programs such as Residential Services, Autism, and Child and Youth Community Supports. Includes \$76 million increase for the Pandemic Pay for Eligible Workers measure.
- \$38 million increase for Children and Youth at Risk (Vote-Item 702-20), which includes child protection and youth justice. Includes \$17 million increase for the Pandemic Pay for Eligible Workers measure.

- \$27 million increase for Financial and Employment Supports (Vote-Item 702-03), which includes the Ontario Disability Support Program, Ontario Works and the Ontario Drug Benefit Plan.

Other Programs: \$1,010 million increase, including:

- \$615 million increase for Energy Development and Management – Policy and Programs (Vote-Item 2205-1), which is responsible for developing Ontario’s energy policy. The \$615 million increase is largely to fund the Province’s COVID-19 response measures to defer a portion of Global Adjustment charges for commercial and industrial ratepayers and to temporarily suspend time-of-use electricity pricing at the “off-peak” rate.⁵ Members of Provincial Parliament (MPPs) may wish to confirm that it is appropriate to fund these two new measures through this vote-item as the government cannot spend funds in a vote-item for a purpose that is not articulated in the 2020-21 Expenditure Estimates.⁶
- \$148 million increase for Community and Market Housing (Vote-Item 1904-2), which largely funds community housing programs and programs to measure and address homelessness in Ontario. This transfer is the first part of the \$510 million Social Services Relief Fund, which provides funding to municipalities to support homeless shelters, food banks and other services for vulnerable people.
- \$128 million increase for Seniors and Accessibility Policy Program (Vote-Item 3502-1), which funds various programs for seniors and people with disabilities. Includes a \$118 million increase for the Pandemic Pay for Eligible Workers measure.
- \$75 million increase for Tax and Benefits Administration (Vote-Item 1209-1), which administers Ontario tax statutes, tax and non-tax revenue programs and a number of benefit programs. The \$75 million increase covers the cost of temporarily doubling the Guaranteed Annual Income System (GAINS) benefit for six months.
- \$58 million increase for Economic Development, Job Creation and Trade (Vote-Item 902-13), which supports economic growth and job creation in Ontario through various tax credits, grants and other supports.
- \$82 million decrease for Electricity Price Mitigation Programs (Vote-Item 2206-1), which subsidizes electricity costs for individuals and businesses.

⁵ Also includes the COVID-19 Energy Assistance Program for Small Business (\$8 million) and the COVID-19 Low-income Emergency Assistance Program (\$9 million). For more information, see FAO, “Federal and Provincial COVID-19 Response Measures,” 2020 and FAO, “A Financial Review: The Decision to Freeze Time-Of-Use Electricity Pricing,” 2020.

⁶ *Financial Administration Act*, s. 11.2(1)(a). In the 2020-21 Expenditure Estimates, the purpose of vote 2205 is to develop Ontario’s energy policy framework, and to provide leadership and support to the energy sector to ensure clean, reliable, affordable and sustainable energy supply, transmission and distribution systems. In the first quarter, the Province transferred \$615 million to the Energy Support, Engagement and Indigenous Partnership Programs transfer payment in vote 2205, which in the 2020-21 Expenditure Estimates has an allocation of \$2 million.

First Quarter Spending

Actual First Quarter Spending vs. Planned Spending

Over the first three months of the 2020-21 fiscal year, the Province spent \$37.9 billion. Overall, this is \$0.7 billion, or 1.9 per cent, more than planned.⁷ All sectors spent less than planned in the first quarter except for the education sector, which spent \$2.3 billion more than planned. This was largely the result of the government's decision, in response to the COVID-19 pandemic, to defer for 90 days Education Property Tax payments, which municipalities are required to submit to school boards.⁸ In order to ensure that school boards did not experience any change in funding timing, the Province increased the pace of spending through the Ministry of Education's School Board Operating Grants to cover the temporary shortfall. The government reports that this temporary excess funding will be recovered in the third quarter of 2020-21, when municipalities are expected to pay the remaining Education Property Tax balances to school boards.

Table 2: 2020-21 spending by sector, as of June 30, 2020, \$ millions

Sector	Revised 2020-21 Spending Plan	Planned Spending at end of Q1	Actual Spending at end of Q1	Actual vs. Planned at end of Q1	Actual vs. Planned (%)
Health	63,835	16,085	15,906	-179	-1.1%
Education	31,358	4,998	7,253	2,256	45.1%
Postsecondary Education	6,984	1,605	1,587	-18	-1.1%
Children's and Social Services	18,102	4,713	4,428	-284	-6.0%
Justice	4,948	1,155	1,098	-57	-5.0%
Other Programs	25,745	5,597	4,844	-753	-13.5%
Unallocated Funds:					
COVID-19 Health Sector Response Fund	318	-	-	-	N/A
Support for People and Jobs Fund	1,337	-	-	-	N/A
Contingency Fund	941	-	-	-	N/A
Interest on Debt	12,407	3,053	2,813	-240	-7.8%
Total	165,976	37,206	37,930	724	1.9%

Note: Figures exclude planned spending on assets and \$9.1 billion in additional planned spending by the broader public sector organizations controlled by the Province (hospitals, school boards and colleges), the Province's agencies and the legislative offices.

Source: FAO analysis of the 2020-21 Expenditure Estimates, the March 2020 Update and information provided by Treasury Board Secretariat.

The rest of this section highlights key vote-item spending that was above and below plan in the first quarter of 2020-21. For information on spending by all of the Province's transfer payment programs and ministries, visit the FAO's website at: <https://bit.ly/3mCTGhs>.

⁷ At the start of the fiscal year, ministries estimate planned spending for each program by month, based on the program's budget allocation in the Expenditure Estimates. "Planned" spending (or calendarization) for a program takes into account factors such as historical spending patterns and seasonality, and is used to monitor spending pressures and potential year-end savings (or underspending).

⁸ For more information, see FAO, "Spending Plan Analysis: 2020-21," 2020.



Health sector spending: \$179 million below plan through the first quarter, including:

- \$161 million above plan in Long-Term Care Homes Program (Vote-Item 4502-1), which funds the operation and development of long-term care homes.
- \$132 million above plan in Drug Programs (Vote-Item 1405-2), which funds a number of provincial drug programs, the largest of which is the Ontario Drug Benefit program.
- \$123 million below plan in Population and Public Health (Vote-Item 1406-4), which funds public health agencies and other public health measures.
- \$291 million below plan in Ontario Health Insurance (Vote-Item 1405-1), which administers payments to physicians.

Education sector spending: \$2,256 million above plan through the first quarter, including:

- \$2,251 million above plan in Elementary and Secondary Education Program – Policy and Program Delivery (Vote-Item 1002-1), which mainly funds school boards.
- \$29 million above plan in Child Care and Early Years – Policy Development and Program Delivery (Vote-Item 1004-1), which includes transfer payments to support child care.

Children's and Social Services sector spending: \$284 million below plan through the first quarter, including:

- \$162 million below plan in Financial and Employment Supports (Vote-Item 702-3), which includes the Ontario Disability Support Program, Ontario Works and the Ontario Drug Benefit Plan.
- \$83 million below plan in Ontario Child Benefit (Vote-Item 702-22), which provides financial support to low to moderate income families with children.

Other Programs sector spending: \$753 million below plan through the first quarter, including:

- \$115 million above plan in Ontario Shared Services (Vote-Item 1811-5), which provides internal government services such as procurement, financial processing, transfer payment administration, pay and benefits, and human resources.
- \$114 million above plan in Economic Development, Job Creation and Trade (Vote-Item 902-13), which supports economic growth and job creation in Ontario through various tax credits, grants and other supports.
- \$65 million below plan in Realty (1820-1), which is responsible for managing the Province's general real estate portfolio.
- \$79 million below plan in Ontario Trillium Foundation (Vote-Item 3806-1), which provides community-based grants.
- \$226 million below plan in Urban and Regional Transportation (Capital) (Vote-Item 2702-3), which funds infrastructure investments in provincial and municipal public transit.
- \$398 million below plan in Electricity Price Mitigation Programs (Vote-Item 2206-1), which subsidizes electricity costs for individuals and businesses.



2020-21 First Quarter Spending vs. 2019-20 First Quarter Spending

In the first quarter of 2020-21, the Province spent \$37.9 billion, which was \$4.0 billion, or 11.9 per cent, higher than in the first quarter of 2019-20. The vast majority of the year-over-year spending increase (94 per cent) occurred in two sectors: health (\$1.5 billion) and education (\$2.3 billion). The \$1.5 billion increase in health sector spending in the first quarter of 2020-21, compared to the first quarter of 2019-20, is a 10.6 per cent year-over-year increase and reflects government spending in the health sector in response to the COVID-19 pandemic. In the education sector, the \$2.3 billion spending increase in the first quarter of 2020-21, compared to the first quarter of last year, reflects the impact of the government's decision to defer for 90 days Education Property Tax payments, which municipalities are required to submit to school boards. As noted in the previous section, in order to ensure that school boards did not experience any change in funding timing, the Province increased the pace of spending through the Ministry of Education's School Board Operating Grants to cover the temporary shortfall. The government reports that this temporary excess funding will be recovered in the third quarter of 2020-21, when municipalities are expected to pay the remaining Education Property Tax balances to school boards.

Table 3: First quarter spending by sector, 2020-21 vs. 2019-20, \$ millions

Sector	2020-21 Spending at end of Q1	2019-20 Spending at end of Q1	2020-21 vs. 2019-20	2020-21 vs. 2019-20 (%)
Health	15,906	14,388	1,518	10.6%
Education	7,253	4,981	2,272	45.6%
Postsecondary Education	1,587	1,507	80	5.3%
Children's and Social Services	4,428	4,299	130	3.0%
Justice	1,098	1,178	-80	-6.8%
Other Programs	4,844	4,611	233	5.0%
Interest on Debt	2,813	2,944	-130	-4.4%
Total	37,930	33,908	4,023	11.9%

Source: FAO analysis of the 2020-21 Expenditure Estimates, the March 2020 Update and information provided by Treasury Board Secretariat.

Status of Unallocated Funds

The Province's initial \$165.2 billion spending plan for 2020-21 included \$5.1 billion in unallocated funds through three programs: the COVID-19 Health Sector Response Fund, the Support for People and Jobs Fund, and the Contingency Fund. These funds cannot be spent directly but must be transferred to government programs through Treasury Board Orders. Through the first quarter of 2020-21, the Province transferred \$2.5 billion to various programs leaving \$2.6 billion in unallocated funds.⁹

The following three tables provide information on which programs received the \$2.5 billion in funding transfers as of June 30, 2020.

Table 4: Transfers from the Contingency Fund as of June 30, 2020, \$ millions

Ministry/Program	Transfers
Ministry of Energy, Northern Development and Mines	
Energy Support, Engagement and Indigenous Partnership Programs	340
Ministry for Seniors and Accessibility	
Seniors Affairs Transfer Payment	18
Ministry of Transportation	
Transport Canada School Bus Seatbelt Guidelines Pilot	1
Total Transfers as of June 30, 2020	359

Source: FAO analysis of information provided by Treasury Board Secretariat.

⁹ In the 2020-21 First Quarter Finances, the Province announced its intention to top up the three unallocated funds by an additional \$9.6 billion. However, as of June 30, 2020, the end of the first quarter, the \$9.6 billion top-up was not reflected in IFIS (the government's expenditure management system) and will be implemented by the Province in the second quarter of 2020-21.

Table 5: Transfers from the COVID-19 Health Sector Response Fund as of June 30, 2020, \$ millions

Ministry/Program	Transfers
Ministry of Children, Community and Social Services	
Residential Services	12
Children and Youth at Risk	6
Child Protection Services	4
Supports to Individuals and Families	3
Children's Treatment and Rehabilitation Services	1
Supports to Victims of Violence	1
Youth Justice Services	1
Complex Special Needs	1
Supports to Community Living	0
Ministry of Economic Development, Job Creation and Trade	
Jobs and Prosperity Fund and Other Business Support Programs	50
Ministry of Health	
Operation of Hospitals	591
Outbreaks of Diseases	225
Home Care	110
Population and Public Health	80
Payments for Ambulance and related Emergency Services: Municipal Ambulance	75
Teletriage Services	50
Payments made for services and for care provided by physicians and practitioners	26
Community Mental Health	12
Digital Health Strategy and Programs	19
Clinical Education	11
Ontario Drug Programs	10
Ministry of Long-Term Care	
Long-Term Care Homes - Operations	218
Total Transfers as of June 30, 2020	1,505

Source: FAO analysis of information provided by Treasury Board Secretariat.

Table 6: Transfers from the Support for People and Jobs Fund as of June 30, 2020, \$ millions

Ministry/Program	Transfers
Ministry of Agriculture, Food and Rural Affairs	
COVID-19 Programming	15
AgriRecovery	10
Grassroots Growth Program and Better Public Health and Environment	1
Ministry of Children, Community and Social Services	
Ontario Works - Financial Assistance	27
Child Welfare - Indigenous Community and Prevention Supports	10
Ministry of Economic Development, Job Creation and Trade	
Sector Support Grants	8
Ministry of Energy, Northern Development and Mines	
Energy Support, Engagement and Indigenous Partnership Programs	193
Northern Development Capital Assets	10
Ministry of Environment, Conservation and Parks	
Environmental Planning and Action	5
Ministry of Finance	
Guaranteed Annual Income System	75
Ministry of Health	
Ontario Drug Programs	45
Community Mental Health	14
Assistive Devices and Supplies Program	5
Ministry of Indigenous Affairs	
Indigenous Economic Development Fund	10
Participation Fund	4
Ministry of Municipal Affairs and Housing	
Homelessness Programs	148
Ministry for Seniors and Accessibility	
Seniors Affairs Transfer Payment	10
Ministry of Transportation	
Municipal Transit	15
Transportation Infrastructure Assets	15
Connecting Links	10
Total Transfers as of June 30, 2020	629

Source: FAO analysis of information provided by Treasury Board Secretariat.

About this Document

Established by the *Financial Accountability Officer Act, 2013*, the Financial Accountability Office (FAO) provides independent analysis on the state of the Province's finances, trends in the provincial economy and related matters important to the Legislative Assembly of Ontario.

This report has been prepared with the benefit of publicly available information and information provided by Treasury Board Secretariat.

All dollar amounts are in Canadian, current dollars (i.e., not adjusted for inflation) unless otherwise noted.

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ISSN 2562-9883

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