



FAO

FINANCIAL ACCOUNTABILITY
OFFICE OF ONTARIO

Expenditure Monitor 2020-21: Q2

Highlights

- This report provides an update on the Province's 2020-21 spending plan and reviews actual spending by the Province over the first two quarters of the 2020-21 fiscal year.
- During the second quarter, the Province increased its 2020-21 spending plan by \$13.8 billion, in addition to a \$759 million increase in the first quarter. Overall, as of September 30, the Province's spending plan for 2020-21 has increased by \$14.5 billion to \$179.8 billion. This represents an increase of 8.8 per cent from the spending plan presented in the March 2020 Update.
 - 96 per cent of the new planned spending in the second quarter went to the 'other programs' sector (\$3.9 billion increase, largely for municipal operations and transit, and the Social Services Relief Fund) and the Province's three unallocated funds: the COVID-19 Health Sector Response Fund (Health Fund), the Support for People and Jobs Fund (SPJF) and the Contingency Fund (combined net increase of \$9.4 billion).
 - The remaining four per cent of new planned spending went to health (\$413 million), children's and social services (\$49 million), justice (\$25 million) and education and postsecondary education (combined \$7 million).
- As of September 30, after accounting for top-ups and transfers during the first and second quarters, the combined remaining balance in the Health Fund, SPJF and Contingency Fund was \$12.0 billion. This is an increase of \$2.7 billion from the \$9.3 billion combined balance reported by the FAO as of August 26.
- The Province spent \$74.3 billion through the end of the second quarter, which was \$2.0 billion, or 2.6 per cent, less than planned.
 - Excluding the education sector, which temporarily spent more than planned,¹ all other sectors spent less than planned, led by 'other programs' (\$1.5 billion), health (\$0.8 billion), interest on debt (\$0.5 billion) and postsecondary education (\$0.5 billion).
 - On a relative basis, postsecondary education spent 13.8 per cent less than planned through the first half of the year, followed by 'other programs' (12.3 per cent under plan) and interest on debt (8.0 per cent under plan). Health sector spending was 2.6 per cent below plan as of the end of the second quarter.
 - Spending information for all of the Province's programs by ministry is available on the FAO's website at: <https://bit.ly/3nZIT0Q>.
- At \$74.3 billion, spending through the first two quarters of 2020-21 was \$5.3 billion, or 7.6 per cent, higher than during the same period in 2019-20.
 - Over 90 per cent of the year-over-year spending increase occurred in three sectors: health (\$2.1 billion), education (\$1.6 billion temporary spending increase) and 'other programs' (\$1.6 billion).

¹ See below for more details.

Introduction

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

- identifies changes to the Province's 2020-21 spending plan;
- reviews actual spending in the first and second quarters of 2020-21 (April 1, 2020 to September 30, 2020) against both planned spending and actual spending over the same time period in 2019-20; and
- tracks top-ups to, and transfers from, the Province's three unallocated funds: the COVID-19 Health Sector Response Fund (Health Fund), the Support for People and Jobs Fund (SPJF) and the Contingency Fund.

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 Supplementary Estimates, 2020-21, the 2020 Ontario Budget, and transactions recorded in the Province's Integrated Financial Information System (IFIS) as of September 30, 2020.

Changes to the 2020-21 Spending Plan

In the March 2020 Update, the Province presented a spending plan for the 2020-21 fiscal year of \$165.2 billion.² During the first quarter, the Province increased the 2020-21 spending plan by \$759 million,³ while in the second quarter the spending plan was increased by a further \$13.8 billion. Overall, as of September 30, the Province's spending plan for 2020-21 has increased by \$14.5 billion to \$179.8 billion. This represents an increase of 8.8 per cent from the spending plan presented in the March 2020 Update.

In the second quarter, the vast majority of new planned spending (96 per cent) went to the 'other programs' sector (\$3.9 billion increase, largely for municipal operations and transit, and the Social Services Relief Fund) and the Province's three unallocated funds: the Health Fund (\$4.1 billion net increase), the SPJF (\$1.9 billion net increase) and the Contingency Fund (\$3.3 billion net increase). The remaining four per cent of new planned spending went to health (\$413 million), children's and social services (\$49 million), justice (\$25 million) and education and postsecondary education (combined \$7 million).

As of September 30, after accounting for top-ups and transfers during the first and second quarters, the combined remaining balance in the Health Fund, SPJF and Contingency Fund was \$12.0 billion.⁴ This is an increase of \$2.7 billion from the \$9.3 billion combined balance reported by the FAO as of August 26.⁵ The increase in the balance of the three funds occurred for the following reasons:

- Funding of \$0.8 billion for some COVID-19 response measures was provided through Supplementary Estimates rather than transfers from the Health Fund and SPJF. This includes partial funding for municipal transit, the Social Services Relief Fund and health sector measures.

² This spending plan was formally tabled in the 2020-21 Expenditure Estimates. 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.

³ See FAO, "Expenditure Monitor 2020-21: Q1," 2020, for details.

⁴ See the final section of this report for details on top-ups and transfers.

⁵ See FAO, "Economic and Budget Outlook," Fall 2020 and FAO, "Federal and Provincial COVID-19 Response Measures," 2020.

- The transfer from the SPJF for the Province's \$241 million contribution to the Canada Emergency Commercial Rent Assistance program was not processed as of September 30.
- The Province topped up the Contingency Fund by an additional \$1.2 billion, through Supplementary Estimates, compared to the planned top-up reported in the Province's 2020-21 First Quarter Finances.
- Transfers from the Contingency Fund of \$0.4 billion that were reported in the Province's 2020-21 First Quarter Finances were not processed as of September 30.

The \$12.0 billion combined remaining balance in the Health Fund, SPJF and Contingency Fund cannot be spent directly by the Province but must be transferred to authorized government programs before spending can occur. Given that only six months remain in the government's fiscal year, the Province may end the fiscal year with outstanding balances in the three funds. As noted in the 2020 Ontario Budget, any remaining funds in the Health Fund, SPJF and Contingency Fund by year end (March 31, 2021) will reduce both the budget deficit and Ontario's net debt.⁶

Table 1: Changes to the 2020-21 spending plan by sector, as of September 30, 2020, \$ millions

Sector	2020-21 Spending Plan	Q1 Adjustments	Q2 Adjustments	Total Adjustments	Revised 2020-21 Spending Plan
Health	61,753	2,083	413	2,496	64,249
Education	31,358	-	5	5	31,362
Postsecondary Education	6,984	-	2	2	6,987
Children's and Social Services	17,944	158	49	208	18,152
Justice	4,948	-	25	25	4,973
Other Programs	24,734	1,010	3,857	4,868	29,602
Unallocated Funds:					
COVID-19 Health Sector Response Fund	1,823	-1,505	4,147	2,643	4,466
Support for People and Jobs Fund	1,966	-629	1,940	1,311	3,277
Contingency Fund	1,300	-359	3,340	2,981	4,281
Interest on Debt	12,407	-	-	-	12,407
Total	165,217	759	13,780	14,539	179,756

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 Supplementary Estimates, 2020-21 and information provided by Treasury Board Secretariat.

The rest of this section highlights key second 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/3nZIT0Q>.

⁶ 2020 Ontario Budget, p. 176.

Health: \$413 million increase, including:

- \$255 million increase for Long-Term Care Homes Program (Vote-Item 4502-1), which funds the operation and development of long-term care homes.
- \$107 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.
- \$44 million increase for Emergency Health Services (Vote-Item 1412-2), which funds municipal ambulance and other emergency services.

Children's and Social Services: \$49 million increase, including:

- \$37 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. This funding is for the Pandemic Pay for Eligible Workers measure.

Other Programs: \$3,857 million increase, including:

- \$2,000 million increase for Urban and Regional Transportation (Operating) (Vote-Item 2702-2), which mainly provides operating subsidies to Metrolinx. This funding is to help support municipal transit agencies address budget pressures related to the COVID-19 pandemic and is part of the Safe Restart Agreement with the federal government.⁷
- \$1,390 million increase for Municipal Services and Building Regulation (Vote-Item 1902-4), which oversees the implementation of the *Municipal Act, 2001* and other connected legislation and regulations. This funding is to help support municipalities' general operating pressures in connection with the COVID-19 pandemic and is part of the Safe Restart Agreement with the federal government.⁸
- \$388 million increase for Community and Market Housing (Vote-Item 1904-2), which primarily funds housing and homelessness programs. This transfer is largely related to the \$510 million Social Services Relief Fund, which provides funding to municipalities and urban Indigenous communities to support homeless shelters, food banks and other services for vulnerable people.⁹
- \$50 million increase for Business Risk Management Transfers (Vote-Item 108-4), which provides rural and farm assistance programs, including farm income stabilization.

⁷ See FAO, "Federal and Provincial COVID-19 Response Measures," 2020.

⁸ *Ibid.*

⁹ Additional funds were transferred in the first quarter.

Spending in the First and Second Quarters

Actual Spending vs. Planned Spending

Over the first six months of the 2020-21 fiscal year, the Province spent \$74.3 billion. Overall, this is \$2.0 billion, or 2.6 per cent, less than planned.¹⁰ All sectors¹¹ spent less than planned over the first and second quarters, except for the education sector, which temporarily spent \$1.4 billion more than planned due to the government's decision to defer for 90 days Education Property Tax payments.¹²

Excluding education, the Province spent \$3.4 billion less than planned through the first six months of 2020-21, led by 'other programs' (\$1.5 billion under plan), health (\$0.8 billion under plan), interest on debt (\$0.5 billion under plan) and postsecondary education (\$0.5 billion under plan). On a relative basis, postsecondary education spent 13.8 per cent less than planned through the first half of the year, followed by 'other programs' (12.3 per cent under plan) and interest on debt (8.0 per cent under plan). Health sector spending was 2.6 per cent below plan as of the end of the second quarter.

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

Sector	Revised 2020-21 Spending Plan	Planned Spending at end of Q2	Actual Spending at end of Q2	Actual vs. Planned at end of Q2	Actual vs. Planned (%)
Health	64,249	31,830	31,009	-821	-2.6%
Education	31,362	11,028	12,459	1,431	13.0%
Postsecondary Education	6,987	3,456	2,978	-477	-13.8%
Children's and Social Services	18,152	9,181	9,077	-104	-1.1%
Justice	4,973	2,339	2,328	-10	-0.4%
Other Programs	29,602	12,330	10,819	-1,511	-12.3%
Unallocated Funds:					
COVID-19 Health Sector Response Fund	4,466	-	-	-	N/A
Support for People and Jobs Fund	3,277	-	-	-	N/A
Contingency Fund	4,281	-	-	-	N/A
Interest on Debt	12,407	6,136	5,646	-490	-8.0%
Total	179,756	76,298	74,315	-1,983	-2.6%

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 Supplementary Estimates, 2020-21 and information provided by Treasury Board Secretariat.

¹⁰ 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).

¹¹ Excludes the Health Fund, SPJF and Contingency Fund, as these unallocated funds do not have planned spending until funding is transferred to program sectors.

¹² In response to the COVID-19 pandemic, the Province allowed municipalities to defer for 90 days the submission of Education Property Tax payments to school boards. In order to cover the temporary funding shortfall experienced by school boards, the Province increased the pace of its own funding transfers through the Ministry of Education over the first and second quarter. In the third quarter, when municipalities are expected to pay the remaining Education Property Tax balances to school boards, the Province plans to transfer less funds than originally planned to school boards to address the excess funding in the first and second quarters. For more information, see FAO, "Spending Plan Analysis: 2020-21," 2020.

The rest of this section highlights key vote-item spending that was above and below plan through the second 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/3nZIT0Q>.

Health sector spending: \$821 million below plan through the second quarter, including:

- \$234 million above plan in 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.
- \$193 million above plan in Long-Term Care Homes Program (Vote-Item 4502-1), which funds the operation and development of long-term care homes.
- \$171 million above plan in Health Capital Program (Vote-Item 1407-1), which provides capital funding to hospitals and other health care facilities.
- \$106 million below plan in Programs and Administration (Vote-Item 1416-2), which primarily funds cancer treatment and screening programs, as well as Ontario Health operations, digital health programs, organ transplant services and other programs.
- \$278 million below plan in Population and Public Health (Vote-Item 1406-4), which funds public health agencies and other public health measures.
- \$374 million below 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.
- \$600 million below plan in Ontario Health Insurance (Vote-Item 1405-1), which administers payments to physicians.

Education sector spending: \$1,431 million above plan through the second quarter, including:

- \$1,686 million above plan in Elementary and Secondary Education Program – Policy and Program Delivery (Vote-Item 1002-1), which mainly funds school boards. This above plan spending is a temporary increase to offset the 90-day deferral of municipal Education Property Tax payments.
- \$109 million below plan in Child Care and Early Years – Policy Development and Program Delivery (Vote-Item 1004-1), which includes transfer payments to support child care.
- \$135 million below plan in the Ontario Teachers' Pension Plan.

Postsecondary Education sector spending: \$477 million below plan through the second quarter, including:

- \$77 million below plan in Support for Postsecondary Education (Vote-Item 3002-3), which provides capital funding to colleges and universities.
- \$349 million below plan in Colleges, Universities and Student Support (Vote-Item 3002-1), which provides operating grants for colleges and universities, and financial aid for students.

Children's and Social Services sector spending: \$104 million below plan through the second quarter, including:

- \$77 million above plan in 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.
- \$78 million below plan in Ontario Child Benefit (Vote-Item 702-22), which provides financial support to low to moderate income families with children.

- \$84 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.

Other Programs sector spending: \$1,511 million below plan through the second quarter, including:

- \$203 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.
- \$159 million above plan in Urban and Regional Transportation (Operating) (Vote-Item 2702-2), which provides operating subsidies to Metrolinx and includes funding for municipal transit agencies to address budget pressures in connection with the COVID-19 pandemic.
- \$110 million below plan in Infrastructure Programs (Capital) (Vote-Item 4003-2), which funds infrastructure projects, such as Municipal Infrastructure, Toronto Waterfront Revitalization, Broadband and Cellular Infrastructure, and Federal-Provincial Infrastructure Programs.
- \$439 million below plan in Electricity Price Mitigation Programs (Vote-Item 2206-1), which subsidizes electricity costs for individuals and businesses.
- \$622 million below plan in Urban and Regional Transportation (Capital) (Vote-Item 2702-3), which funds infrastructure investments in provincial and municipal public transit.

2020-21 Spending vs. 2019-20 Spending

In the first six months of 2020-21, the Province spent \$74.3 billion, which is \$5.3 billion, or 7.6 per cent, more than was spent in the first six months of 2019-20. All sectors spent more during the first six months of 2020-21, compared to the first six months of 2019-20, except for the postsecondary education sector and interest on debt. Over 90 per cent of the year-over-year spending increase occurred in three sectors: health (\$2.1 billion), education (\$1.6 billion) and 'other programs' (\$1.6 billion).

- The \$2.1 billion, or 7.2 per cent, year-over-year spending increase in the health sector largely reflects government spending in response to the COVID-19 pandemic.
- The \$1.6 billion, or 14.8 per cent, year-over-year spending increase in the education sector is a temporary timing change and is not a permanent funding increase.¹³ Third quarter spending in the education sector is projected to be below 2019-20 third quarter levels.
- The \$1.6 billion, or 17.1 per cent, year-over-year spending increase in the 'other programs' sector largely reflects new government spending in response to the COVID-19 pandemic, including:
 - \$916 million in Urban and Regional Transportation (Operating) (Vote-Item 2702-2), which provides operating support to Metrolinx and is also the program through which the Province and federal government will provide funding support to municipal transit agencies as part of the Safe Restart Agreement.
 - \$559 million in Energy Development and Management – Policy and Programs (Vote-Item 2205-1), 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.¹⁴

Finally, the postsecondary education sector spent \$298 million, or 9.1 per cent, less in the first six months of 2020-21, compared to the first six months of 2019-20. The year-over-year spending decrease occurred in Colleges, Universities and Student Support (Vote-Item 3002-1), which provides operating grants for colleges and universities, and financial aid for students.

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

Sector	2020-21 Spending at end of Q2	2019-20 Spending at end of Q2	2020-21 vs. 2019-20	2020-21 vs. 2019-20 (%)
Health	31,009	28,933	2,076	7.2%
Education	12,459	10,854	1,604	14.8%
Postsecondary Education	2,978	3,276	-298	-9.1%
Children's and Social Services	9,077	8,590	487	5.7%
Justice	2,328	2,308	20	0.9%
Other Programs	10,819	9,237	1,582	17.1%
Interest on Debt	5,646	5,849	-203	-3.5%
Total	74,315	69,047	5,268	7.6%

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

¹³ See previous section for details.

¹⁴ For more information on the Province's suspension of time-of-use electricity pricing, see FAO, "A Financial Review: The Decision to Freeze Time-of-Use Electricity Pricing," 2020.

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 (Health Fund), the Support for People and Jobs Fund (SPJF) and the Contingency Fund. In the second quarter, the Province added \$10.7 billion in 'top-ups' to these three programs through the tabling of Supplementary Estimates.

The unallocated funds in the Health Fund, SPJF and Contingency Fund cannot be spent directly by the Province but must be transferred to government programs through Treasury Board Orders. In the first quarter, the Province transferred \$2.5 billion from the three unallocated funds to various programs,¹⁵ while in the second quarter the Province transferred \$1.3 billion. Consequently, as of the end of the second quarter (September 30, 2020), the combined remaining balance of the Health Fund, SPJF and Contingency Fund was \$12.0 billion.

The following three tables provide information on balances, top-ups and transfers for the Health Fund, SPJF and Contingency Fund as of September 30, 2020.

Table 4: COVID-19 Health Sector Response Fund status as of September 30, 2020, \$ millions

Opening Balance	1,823
Add: Top-Ups	4,344
Less: First Quarter Transfers	-1,505
Less: Second Quarter Transfers:	
Ministry of Health	
Home Care	197
Total Second Quarter Transfers	-197
Balance as of September 30, 2020	4,466

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

¹⁵ For details on first quarter transfers from the Health Fund, SPJF and Contingency Fund, see FAO, "Expenditure Monitor 2020-21: Q1," 2020.

Table 5: Support for People and Jobs Fund status as of September 30, 2020, \$ millions

Opening Balance	1,966
Add: Top-Ups	3,000
Less: First Quarter Transfers	-629
Less: Second Quarter Transfers:	
Ministry of Agriculture, Food and Rural Affairs	
Ontario Risk Management Program	50
Ministry of Economic Development, Job Creation and Trade	
New Economy Stream	23
Ministry of Municipal Affairs and Housing	
Safe Restart Agreement Municipal Operating Fund	379
Homelessness Programs	150
Ministry of Transportation	
Municipal Transit	457
Total Second Quarter Transfers	-1,060
Balance as of September 30, 2020	3,277

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

Table 6: Contingency Fund status as of September 30, 2020, \$ millions

Opening Balance	1,300
Add: Top-Ups	3,394
Less: First Quarter Transfers	-359
Less: Second Quarter Transfers:	
Cabinet Office	
International Disaster Relief	2
Ministry of Government and Consumer Services	
Realty Transactions	1
Ministry of Transportation	
Road User Safety	2
Treasury Board Secretariat	
Bulk Media Buy	48
Total Second Quarter Transfers	-54
Balance as of September 30, 2020	4,281

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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