

2021

Expenditure Monitor 2021-22: Q1



FAO

FINANCIAL ACCOUNTABILITY
OFFICE OF ONTARIO



Highlights

- This report provides an update on the Province's 2021-22 spending plan and reviews unaudited spending by the government over the first quarter of the 2021-22 fiscal year (April 1, 2021 to June 30, 2021).
- In the first quarter, the Province made program budget reallocations that added \$466 million in planned program spending.
 - The largest budget increases were \$202 million for the Ontario COVID-19 Worker Income Protection Benefit transfer payment program and \$235 million for the Property Tax and Energy Cost Rebate Grants program.
 - The \$466 million net increase in planned program spending was offset by a \$474 million drawdown from the Contingency Fund. Overall, the Province's 2021-22 spending plan decreased by \$7 million to \$178.3 billion.¹
- The Province spent \$36.9 billion in the first quarter of 2021-22, which was \$2.6 billion (6.6 per cent) less than planned.
 - Most sectors spent less than planned, led by **'other programs'** (\$1.0 billion or 16.6 per cent under plan), **health** (\$1.0 billion or 5.4 per cent under plan) and **children's and social services** (\$0.5 billion or 11.6 per cent under plan).
 - Key programs with below plan spending include:
 - In the **health** sector, the Province did not spend any of the \$2.7 billion COVID-19 Response transfer payment.
 - In the **'other programs'** sector, the Province recorded a \$554 million negative adjustment for the Ontario Small Business Support Grant.²
 - In the **children's and social services** sector, the programs with the lowest relative spending include the Ontario Drug Benefit Plan, Autism, Supportive Services, and Children's Treatment and Rehabilitation Services.
 - Spending information for all of the Province's programs by ministry is available on the FAO's website at: <https://bit.ly/3zGVe06>
- Spending in the first quarter of 2021-22 was \$1.1 billion (2.8 per cent) lower than during the same period in 2020-21.
 - **Health** spent \$0.9 billion (5.8 per cent) more in the first quarter of 2021-22 compared to 2020-21, largely due to higher spending on long-term care homes and payments to physicians.
 - **Education** spent \$1.7 billion (24.1 per cent) less in the first quarter of 2021-22 compared to 2020-21, largely due to the government's decision in 2020 to temporarily defer municipal Education Property Tax payments for 90 days.³

¹ The Province transferred \$7 million from the Contingency Fund to a capital asset program which will be expensed over the life of the asset. See Table 4 for more information on the first quarter transfers from the Contingency Fund.

² The \$554 million negative adjustment accounts for differences in the timing of the accrual expense and cash payments for the Ontario Small Business Support Grant and reflects total cash spending for the grant, as of June 30, 2021, of \$2.9 billion. See next section for more information.

³ In response to the COVID-19 pandemic, in 2020, the Province allowed municipalities to defer for 90 days the quarterly submissions on June 30 and September 30 of Education Property Tax payments to school boards. In order to ensure that the deferrals did not have a financial impact on school boards, the Province temporarily increased education spending in the first quarter of 2020-21.

- As of June 30, 2021, the remaining balance in the Contingency Fund was \$1.6 billion. In the government's 2021-22 First Quarter Finances, the Province announced that an additional \$2.2 billion in unallocated funds would be made available through a new program called the Time-Limited COVID-19 Fund. As of the end of the first quarter, this new program was not included in the government's financial accounts and so is not reflected in the 2021-22 spending plan information in this report. The FAO expects that the Time-Limited COVID-19 Fund will be available in the second quarter.

Introduction

This report provides information on spending by the Government of Ontario (the Province) through the first quarter of the 2021-22 fiscal year, from April 1, 2021 to June 30, 2021. The report:

- identifies changes to the Province's 2021-22 spending plan;
- reviews unaudited actual spending in the first quarter of 2021-22 against both planned spending and first quarter spending in 2020-21; and
- tracks transfers from the Province's Contingency Fund.

The information in this report is based on the FAO's analysis of the 2021-22 Expenditure Estimates and transactions recorded in the Province's Integrated Financial Information System (IFIS) as of June 30, 2021.

Changes to the 2021-22 Spending Plan

In the 2021-22 Expenditure Estimates, the Province tabled a 2021-22 spending plan of \$178.3 billion.⁴ In the first quarter of 2021-22 (April 1, 2021 to June 30, 2021), the Province made internal program budget reallocations that added \$445 million in planned spending to the 'other programs' sector, followed by justice (\$10 million increase), education (\$6 million increase) and health (\$5 million increase). The net increase to the program sectors was offset by transfers from the Contingency Fund, which had a net drawdown of \$474 million in the first quarter. Overall, the Province's spending plan of \$178.3 billion decreased by \$7 million.⁵

The Province started the 2021-22 fiscal year with a total of \$2.1 billion in unallocated funds in the Contingency Fund. After accounting for the \$474 million in transfers from the Contingency Fund in the first quarter, the remaining balance in the Contingency Fund as of June 30, 2021 was \$1.6 billion.

In the government's 2021-22 First Quarter Finances, the Province announced that an additional \$2.2 billion in unallocated funds would be made available through a new program called the Time-Limited COVID-19 Fund. As of the end of the first quarter, June 30, 2021, this new program was not included in the government's financial accounts and so is not reflected in the 2021-22 spending plan. The FAO expects that the Time-Limited COVID-19 Fund will be available in the second quarter.

⁴ Excludes \$7.8 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 \$4.0 billion in additional planned spending on capital assets and \$1.2 billion on operating assets.

⁵ The Province transferred \$7 million from the Contingency Fund to a capital asset program which will be expensed over the life of the asset. See Table 4 for more information on the first quarter transfers from the Contingency Fund.

Table 1: Changes to the 2021-22 spending plan by sector, \$ millions

Sector	2021-22 Spending Plan	Q1 Changes	Revised 2021-22 Spending Plan
Health	71,184	5	71,188
Education	32,847	6	32,853
Postsecondary Education	6,987	-	6,987
Children's and Social Services	18,108	-	18,108
Justice	5,192	10	5,203
Other Programs	29,472	445	29,917
Unallocated Funds:			
Contingency Fund	2,080	-474	1,607
Interest on Debt	12,419	-	12,419
Total	178,290	-7	178,282

Note: Figures exclude planned spending on some assets and \$7.8 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 2021-22 Expenditure Estimates 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/3zGVe06>

Other Programs: \$445 million increase, including:

- \$216 million increase for Employment Standards (Vote-Item 1605-1), consisting of \$202 million for the Ontario COVID-19 Worker Income Protection Benefit transfer payment program, which provides employees up to three days of paid infectious disease emergency leave for COVID-19-related reasons, and \$15 million for services.
- \$135 million increase for Tax and Benefits Administration (Vote-Item 1209-1), which is for the property tax component of the Property Tax and Energy Cost Rebate Grants program.
- \$117 million increase for Energy Development and Management – Policy and Programs (Vote-Item 2205-1), which includes \$100 million for the energy costs component of the Property Tax and Energy Cost Rebate Grants program.
- A net \$23 million decrease for 12 additional vote-items in the 'other programs' sector. For more information, visit the FAO's website at: <https://bit.ly/3zGVe06>

First Quarter Spending

Unaudited Actual Spending vs. Planned Spending

Over the first three months of the 2021-22 fiscal year, the Province spent \$36.9 billion. Overall, this is \$2.6 billion, or 6.6 per cent, less than planned.⁶ Most sectors spent less than planned, led by 'other programs' (\$1.0 billion or 16.6 per cent under plan), health (\$1.0 billion or 5.4 per cent under plan), children's and social services (\$0.5 billion or 11.6 per cent under plan), interest on debt (\$0.1 billion or 4.6 per cent under plan) and postsecondary education (\$33 million or 2.3 per cent under plan). Spending was above plan for two sectors: education (\$17 million or 0.3 per cent above plan) and justice (\$25 million or 2.2 per cent above plan).⁷

Table 2: 2021-22 spending by sector, as of June 30, 2021, \$ millions

Sector	Revised 2021-22 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	71,188	17,776	16,824	-952	-5.4%
Education	32,853	5,489	5,506	17	0.3%
Postsecondary Education	6,987	1,447	1,414	-33	-2.3%
Children's and Social Services	18,108	4,566	4,034	-531	-11.6%
Justice	5,203	1,142	1,167	25	2.2%
Other Programs	29,917	6,074	5,067	-1,007	-16.6%
Unallocated Funds:					
Contingency Fund	1,607	-	-	-	-
Interest on Debt	12,419	3,001	2,861	-139	-4.6%
Total	178,282	39,495	36,873	-2,622	-6.6%

Note: Figures exclude spending on some assets and additional 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 2021-22 Expenditure Estimates 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 2021-22. For information on spending by all of the Province's transfer payment programs and ministries, visit the FAO's website at: <https://bit.ly/3zGVe06>

Health sector spending: \$952 million (5.4 per cent) below plan, including:

- \$94 million above plan in Long-Term Care Homes Program (Operating) (Vote-Item 4502-1), which funds the operation and development of long-term care homes.
- \$191 million below plan in Ontario Health Insurance (Vote-Item 1405-1), which administers payments to physicians.
- \$193 million below 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.

⁶ 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).

⁷ Analysis excludes the Contingency Fund, as unallocated funds do not have planned spending until funding is transferred to program sectors.

- \$691 million below plan in Population and Public Health (Vote-Item 1406-4), as the Province did not spend any of the \$2.7 billion COVID-19 Response transfer payment in the first quarter.

Children's and Social Services sector spending: \$531 million (11.6 per cent) below plan, including:

- \$71 million above plan in Ontario Child Benefit (Vote-Item 702-22), which provides financial support to low- to moderate-income families with children.
- \$149 million below plan in Supports to Individuals and Families (Vote-Item 702-21), which administers a variety of programs such as Autism, Residential Services, and Child and Youth Community Supports.
- \$469 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: \$1,007 million (16.6 per cent) below plan, including:

- \$176 million above plan in Urban and Regional Transportation (Capital) (Vote-Item 2702-3), which funds infrastructure investments in provincial and municipal public transit.
- \$92 million below plan in Infrastructure Programs (Vote-Item 4003-2), which funds infrastructure projects, such as Municipal Infrastructure, Toronto Waterfront Revitalization, Broadband and Cellular Infrastructure, and Federal-Provincial Infrastructure Programs.
- \$294 million below plan in Electricity Price Mitigation Programs (Vote-Item 2206-1), which subsidizes electricity costs for individuals and businesses.
- \$639 million below plan in Economic Development, Job Creation and Trade (Vote-Item 902-13), largely due to a \$554 million negative adjustment for the Ontario Small Business Support Grant. This negative adjustment is the net of payments processed up to June 30, 2021 and the reversal of an accrual expense that was recorded in 2020-21.⁸
- A net \$158 million below plan in the remaining 280 vote-items in the 'other programs' sector. For more information, visit the FAO's website at: <https://bit.ly/3zGVe06>

⁸ The \$554 million negative adjustment accounts for differences in the timing of the accrual expense and cash payments for the Ontario Small Business Support Grant. The FAO estimates that cash spending for the Ontario Small Business Support Grant was approximately \$1.3 billion in the fourth quarter of 2020-21 and \$1.6 billion in the first quarter of 2021-22, for a total of \$2.9 billion as of June 30, 2021.

2021-22 Spending vs. 2020-21 Spending

In the first quarter of 2021-22, the Province spent \$36.9 billion, which was \$1.1 billion (2.8 per cent) less than was spent in the first quarter of 2020-21. Education (-\$1.7 billion), children's and social services (-\$0.4 billion) and postsecondary education (-\$0.2 billion) all spent less in the first quarter of 2021-22 compared to 2020-21. Conversely, spending on health (\$0.9 billion), 'other programs' (\$0.2 billion), justice (\$0.1 billion) and interest on debt (\$48 million) was higher in the first quarter of 2021-22 compared to 2020-21.

Table 3: First quarter spending by sector, 2021-22 vs. 2020-21, \$ millions

Sector	2021-22 Spending at end of Q1	2020-21 Spending at end of Q1	2021-22 vs. 2020-21	2021-22 vs. 2020-21 (%)
Health	16,824	15,906	917	5.8%
Education	5,506	7,253	-1,747	-24.1%
Postsecondary Education	1,414	1,587	-174	-10.9%
Children's and Social Services	4,034	4,428	-394	-8.9%
Justice	1,167	1,098	69	6.3%
Other Programs	5,067	4,844	223	4.6%
Interest on Debt	2,861	2,813	48	1.7%
Total	36,873	37,930	-1,057	-2.8%

Note: Figures exclude spending on some assets and additional 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 2021-22 Expenditure Estimates and information provided by Treasury Board Secretariat.

- The **health sector** spent \$917 million (5.8 per cent) more in the first quarter of 2021-22 compared to 2020-21, largely due to:
 - \$362 million increase in Long-Term Care Homes Program (Operating) (Vote-Item 4502-1).
 - \$157 million increase in Long-Term Care Homes Program (Capital) (Vote-Item 4502-2).
 - \$328 million increase in Ontario Health Insurance (Vote-Item 1405-1), largely for payments to physicians.
- The **education sector** spent \$1,747 million (24.1 per cent) less in the first quarter of 2021-22 compared to 2020-21, largely due to the government's decision in 2020 to temporarily defer municipal Education Property Tax payments for 90 days.^{9,10}
- The **postsecondary education sector** spent \$174 million (10.9 per cent) less in the first quarter of 2021-22 compared to 2020-21, largely due to lower spending on student financial aid.
- The **children's and social services sector** spent \$394 million (8.9 per cent) less in the first quarter of 2021-22 compared to 2020-21, largely due to lower spending for Ontario Works and the Ontario Drug Benefit Plan.

⁹ In response to the COVID-19 pandemic, in 2020, the Province allowed municipalities to defer for 90 days the quarterly submissions on June 30 and September 30 of Education Property Tax payments to school boards. In order to ensure that the deferrals did not have a financial impact on school boards, the Province temporarily increased education spending in the first quarter of 2020-21. For more information, see FAO, "Expenditure Monitor 2020-21: Q1," 2020.

¹⁰ In addition, there was a timing difference for recorded spending with the Ontario Teachers' Pension Plan.

- The **'other programs' sector** spent \$223 million (4.6 per cent) more in the first quarter of 2021-22 compared to 2020-21, including:
 - \$665 million increase in infrastructure investments in provincial and municipal public transit.
 - \$251 million increase in Electricity Price Mitigation Programs (Vote-Item 2206-1), due to the new program to subsidize the cost of green energy contracts for industrial and large commercial ratepayers.¹¹
 - \$241 million increase in Urban and Regional Transportation (Operating) (Vote-Item 2702-2), which mainly provides operating subsidies to Metrolinx.
 - \$107 million increase for the Property Tax and Energy Cost Rebate Grants program, which supports businesses that are required to shut down or restrict services due to the COVID-19 pandemic.
 - \$497 million decrease for Energy Support, Engagement and Indigenous Partnership Programs, due to the conclusion of temporary COVID-19-related supports, including the deferral of a portion of the Global Adjustment charge for commercial and industrial ratepayers in the first quarter of 2020-21 and the suspension of time-of-use electricity pricing at the “off-peak” rates from April 1, 2020 until May 31, 2020.
 - \$554 million decrease due to a negative adjustment in 2021-22 for the Ontario Small Business Support Grant.¹²

¹¹ See, FAO, “[The Cost of Subsidizing Green Energy Contracts for Industrial and Large Commercial Ratepayers](#),” 2021.

¹² The \$554 million negative adjustment accounts for differences in the timing of the accrual expense and cash payments for the Ontario Small Business Support Grant. See previous section for more information.

Status of Unallocated Funds

The Province started the 2021-22 fiscal year with a total of \$2.1 billion in unallocated funds in the Contingency Fund. Unallocated funds cannot be spent directly by the Province but must be transferred to government programs through Treasury Board Orders. Through the first quarter of 2021-22, the Province transferred a net \$474 million from the Contingency Fund to various programs, resulting in a remaining Contingency Fund balance as of June 30, 2021 of \$1.6 billion.

In the government's 2021-22 First Quarter Finances, the Province announced that an additional \$2.2 billion in unallocated funds would be made available through a new program called the Time-Limited COVID-19 Fund. As of the end of the first quarter, June 30, 2021, this new program was not included in the government's financial accounts and so is not reflected in the 2021-22 spending plan. The FAO expects that the Time-Limited COVID-19 Fund will be available in the second quarter.

The following table provides information on first quarter transfers from / to the Contingency Fund as of June 30, 2021.

Table 4: First quarter transfers from / to the Contingency Fund, \$ millions

Ministry/Program	\$ millions
Ministry of Agriculture, Food and Rural Affairs	
Farmers' Risk Management Premium Fund	-30
Cabinet Office	
International Disaster Relief	2
Main Office	1
Ministry of Energy, Northern Development and Mines	
COVID-19 Response - Energy Rebate Grant	100
Remote Air Carrier Support Program	8
Ministry of Finance	
COVID-19 Response - Business Property Tax Rebate Grant	135
Ministry of Government and Consumer Services	
ServiceOntario - Capital Assets	7
Realty	< 1
Ministry of Heritage, Sport, Tourism and Culture Industries	
Agencies and Attractions Sector Support	33
Ministry of Labour, Training and Skills Development	
Ontario COVID-19 Worker Income Protection Benefit	202
Employment Standards - Services	15
Net Total First Quarter Transfers	474

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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