

# SEEA Process Bulletin 2024-6: Evaluating Thresholds for Economic Assessment

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As noted in the Cabinet Directive on Strategic Environmental and Economic Assessment (SEEA), a strategic economic analysis must be conducted when proposals are identified as having important effects on the economy. Proposals involving net-spending (spending less revenues) of \$15 million or more in absolute value in any year of implementation require a qualitative economic assessment. Additionally, proposals involving \$150 million or more in net-spending in any year of implementation, where feasible, will be modelled quantitatively by the Department of Finance. These two thresholds are referred to as the "financial thresholds" in the remainder of this bulletin.

## Testing the application of financial thresholds

Carry-out the following steps to test whether a proposal crosses financial thresholds:

**Step 1:** Obtain year-by-year costing tables for the proposals.

**Step 2:** Deduct from the total outlays for the proposal any amounts associated with the following types of transactions or activities (see further guidance and examples on these in Appendix A):

- Accounting treatment changes that affect government or department financial statements
- Funding to maintain operational capacity within the public service (e.g., program integrity, IT modernization or other back-office modernization, etc.).
- Funding to expand public service policy development or analytical capacity.
- Litigation settlement payments or negotiating mandates.
- Funding for international development assistance and contributions to international organizations.

**Step 3:** Identify the year with the largest net-spending<sup>1</sup>. If net-spending in this largest year exceed \$15 million, then a qualitative economic assessment is required. If it exceeds \$150 million, then a review and likely quantitative modelling by Finance Canada will be required.

The above steps may be omitted if Departments have a high degree of confidence that highest year net-spending for the proposal lies in the \$15 - \$150 million range. In this case, Departments may simply complete the qualitative analysis without doing the above noted calculations.

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<sup>1</sup> If the proposal involves revenues, net-spending is defined as spending less revenue collection. If reallocations are involved, the incremental amounts needing to be appropriated to departments, agencies, etc., constitute the amount to be considered as net-spending. For revenue changes, use the absolute value of the revenue impact. For example, an increase in taxes/user fees with a fiscal impact of -\$20M per year (i.e., raising \$20 million in revenues) should be viewed as a \$20 million (i.e., positive) change in net-spending.

## **Additional Resources**

For additional resources and guidance, please contact SEEA experts within your department or agency. Additional questions can be directed to the SEEA Secretariat at [eees-seea@ec.gc.ca](mailto:eees-seea@ec.gc.ca).

## **Appendix A: Further Guidance on Excluded Activities**

### **Accounting treatment changes**

These are accounting changes that result in budgetary impacts (i.e., changes in the deficit) for the Government of Canada, but no material changes in the activities of the affected departments. Examples could include recognizing losses on unrecoverable loans, changes to the amortization schedule of assets or liabilities, recognizing contingent liabilities, etc.

### **Funding to maintain operational capacity within the public service**

This predominately applies to program integrity pressures. Generally, proposals for which this exclusion applies, will satisfy three tests:

- The funding will be used to pay for salaries for federal public servants and/or buildings and equipment used by federal public servants
- Failure to receive funding will require a Department or Agency to cease certain activities that they are already doing and have been going for some time.
- The activities that would cease are integral to the department's core mandate responsibilities.

Some examples could include:

- Funding required to offset salary increases pursuant to a new collective agreement
- Changes in operating environment, costs, etc., that would prevent a department from fulfilling its core mandate without additional funding. Some hypothetical examples could include:
  - A new food-borne illness emerges that is making Canadians ill and requires the Canadian Food Inspection Agency to purchase new testing equipment and deploy additional staff to detect it.
  - A Department has repeatedly been asked to absorb operating costs associated with the deployment of new programs and now has insufficient funding to deliver on its core mandate.

### **Funding to expand public service analytical or policy development capacity**

This inclusion shares some common traits with the previous one. It would again typically (but not always) see funding spent on federal public servant's salaries and/or buildings and equipment used by federal public servants. However, the purpose of the funding would be to expand a department's capacity to give advice to the Government on policy, regulatory, or legislative changes.

Hypothetical examples could include:

- A new government displays an increased appetite for policy reform in a Department's area of responsibility and the Department has insufficient capacity to provide the analytical support needed for the scale and pace of the new government's reform ambitions.
- Technological, social, commercial, or economic changes are creating pressure for the federal government to reform existing regulations, legislation, policies, etc., in a Department's area of responsibility, but the Department lacks sufficient resources to analyze and develop the necessary reforms.
- Additional research (e.g., of a technical, quantitative, or scientific nature) is needed support legislative, regulatory, or policy reforms in which the Government is interested and a Department requires additional funding to procure that research from non-government institutions such as universities, independent research institutions, etc.

#### **Litigation settlement payments or negotiating mandates**

This is funding to make payments pursuant to a court decision or to negotiate a settlement to litigation against the federal government.

#### **Funding for international development assistance and contributions to international organizations**

Broadly this will include funding aimed at supporting residents of another country. Whether the funding is paid to Canadian-based institutions or foreign ones is of no consequence. The key test for this exclusion is whether foreign residents are expected to be the ultimate beneficiaries of this type of programming.