

HANDOUT 2.1: Federal Budget Terminology

Below are some key terms and concepts associated with federal government's budget. Review in advance or as you watch the 'Budget Basics' video tutorials.

GENERAL

- **Budget:** A financial plan or forecast that shows a breakdown of money to be received and money to be spent for a specific period. The federal government releases an annual budget every spring.
- **Balanced Budget:** When the amount of revenue equals the amount of expenses.
- **Deficit:** When the government has more expenses than revenues, and must borrow money to fill the gap.
- **Debt:** The amount of money borrowed over time that the government needs to repay.
- **Economy:** The wealth and resources of a country, related to the production and consumption of goods and services. At times, the government tries to stimulate the economy through spending or investments.

EXPENDITURES

- **Transfer Payments:** Part of the federal government's spending relates to transfers made to individuals, provincial/territorial governments and other groups.
- **Transfers to Individuals:** Includes elderly benefits, Employment Insurance (EI) benefits (for those out of work or unable to work) and children benefits.
- **Provincial/Territorial Transfers:** There are three main types of transfers to the provinces and territories.
 - The **Canada Health Transfer** provides long-term funding for health programs and services.
 - The **Canada Social Transfer** includes funding for post-secondary education, social programs and services for children such as child care.
 - **Equalization Programs** relate to payments to address economic gaps between "have" and "have not" provinces and to provide all Canadians with public services that are reasonably comparable. (Contentious program as there is some disagreement about the structure and formula for payments.)
- **Other Transfers:** Payments made to farmers and food producers, and other groups/entities for foreign aid and infrastructure (physical and organizational structures, such as buildings, roads, power supplies).
- **Program Expenses:** The cost to run approximately 128 government departments, agencies and crown corporations (government owned businesses).
- **Interest on our Debt (Public Debt):** Interest charges on the debt (money borrowed but not yet re-paid).

REVENUE SOURCES

- **Taxes:** The federal government collects money from different sources to pay for its expenses.
 - **Personal Tax:** Money collected from individuals based on the money they make from jobs and investments.
 - **Corporate Tax:** Money collected from businesses, which is calculated as a percentage of their profits.
 - **Goods and Services Tax (GST):** Added to the cost of purchases, such as clothing and sports lessons.
 - **Other Taxes:** Includes import duties, fuel taxes and duties on alcohol and tobacco.
- **Employment Insurance (EI) Premiums:** The federal government collects Employment Insurance (EI) Premiums from employers and employees to help pay for Employment Insurance Benefits.