

# Lesson 2

## The Federal Government's Budget



### GUIDING QUESTIONS

- 1 How does the federal budget affect Canadians?
- 2 Why should I care about the federal budget?

### OVERVIEW

The federal government makes important decisions to serve Canadians and to address important issues facing the country.

In this lesson, students review the Government of Canada's main expenditures and sources of revenue. Afterwards, students analyze the breakdown of the government's current budget along with the new spending investments (2019-2020 fiscal year).

### LEARNING OUTCOMES

By the end of the lesson, students can:

- Describe the Government of Canada's main expenses and sources of revenue;
- Analyze the 2019 Budget and areas of new spending;
- Evaluate how the budget affects them and explain changes they would like to see in the 2020 Budget.

## Starter

1. Watch the 'Introduction to the 2020 Student Budget Consultation' video with Rosemary Barton and review the following key points.
  - Each year the federal government must create and pass a budget for the government fiscal year (April 1 to March 31).
  - In order for the budget bill to pass, it must have support from more than half of all Members of Parliament. While this is easy when you have a majority government, it can be much more challenging when you have a minority government and you must rely on support from other parties.
  - As part of the budgeting process, the government consults with citizens, stakeholders, economists, and opposition parties to hear their views and recommendations about spending priorities, revenue adjustments and how best to support the country's economy.
  - Young Canadians across the country have been invited to take part in the 2020 Student Budget Consultation, a program coordinated by CIVIX. The feedback collected will be shared with the Department of Finance and opposition parties.
2. Have a brief class discussion about involving youth in the budget or government decision-making processes.
  - Do you think it is important for you to care about the federal budget? Why or why not?
  - Why should the government be consulting with youth about the budget, or any other public policy?

## Activity

1. Prior to watching the tutorials, have students become familiar with key terminology associated with federal budgets by providing them with a copy of Handout 2.1. Alternatively, you could have them match terms with their definitions (Activity 2.2).
2. Using Video 1 and/or Slide Deck A, provide an overview of key budget terms and their relevance at the federal level of government (income/revenue, expenses/expenditures, surplus, deficit, debt).
3. Using Video 2 and/or Slide Deck B, provide a summary of the Government of Canada's expenditures:
  - Transfers (to people, governments, other organizations);

- Direct program expenses (operating expenses of approximately 128 departments, agencies and crown corporations); and
- Interest on the national debt (debt charge on the amount of total borrowings).

### TEACHER NOTE

The three departments where the government spends the most money has changed slightly: 1) National Defence, 2) Canada Revenue Agency and 3) Indigenous Services Canada.

4. Using Video 3 and/or Slide Deck C, provide a summary of the Government of Canada's revenue sources:
  - Taxes (personal, corporate, GST, other taxes);
  - Employment Insurance premiums (paid by employers and employees); and
  - Crown earnings (investments, sale of goods and services, crown corporations).
5. Using Slide Deck D, review the breakdown of expenditures and revenue sources for the current year (April 1, 2019 to March 31, 2020). Use the following guiding questions to analyze the information.
  - Do we have a surplus or deficit this year? How do you know?
  - In which area(s), do we spend the most money?
  - Is there anything that surprises you about the breakdown of expenses?
  - Which form of taxes brings in the greatest amount of money?
  - Is there anything that surprises you about the breakdown of revenues?
  - Which 2019 Budget announcement do you think has had the greatest impact on Canadians and the country? Why?

## Consolidation

Ask students to fill out the *3-2-1 Exit Card* (Activity 2.4) and provide supporting evidence for each response.

- Three ways the federal government budget impacts me;
- Two changes I would like to see in the 2020 budget;
- One aspect of the budget I would like to learn more about.

## Extension Activity

Using Activity 2.5, ask students to pick one aspect of the federal budget to learn more about by conducting research using the Government of Canada website and major news sources (e.g., *The Globe and Mail*, *CBC News*, *National Post*).

Afterwards, have students participate in a knowledge exchange activity in small groups.

Sample topics and articles:

### Equalization Programs

- “Bringing clarity to the sometimes murky world of equalization payments,” *CBC News* (September 12, 2019)
- “Equalization payments — how they work, and why some provinces are upset,” *Global News* (June 22, 2018)
- “Equalization payments prompt criticism as Ontario becomes ‘have’ province,” *The Canadian Press* (December 10, 2018)

### Children Benefits

- “Canada Child Benefit helped reduce number of families with severe food insecurity: study,” *Global News* (November 7, 2019)
- “Liberals pledge to boost Canada Child Benefit, extend leave for adoptive parents,” *CBC News* (September 17, 2019)

### Canada Social Transfer

- “Why Is the Cost Of Daycare In Canada So High?,” *Huffington Post Canada* (November 13, 2019)
- “Child-care costs ‘astronomical’ in most of Canada, despite progress in some provinces,” *CBC News* (February 7, 2019)
- “We need to start tracking the billions that go to social services,” *Policy Options* (February 22, 2019)

### Canada Health Transfer

- “Two in Three Canadians (68%) Believe that Provinces Do Not Receive Adequate Federal Funding for Healthcare,” *Ipsos* (October 18, 2019)
- “Health care, pharmacare top of mind among senior voters,” *CBC News* (October 17, 2019)