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## BACKGROUND PAPER



# Federal Government Finances: Questions and Answers

Publication No. 2016-23-E  
18 February 2016

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Parliamentary Information and Research Service

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*Federal Government Finances: Questions and Answers*  
(Background Paper)

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Ce document est également publié en français.

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# FEDERAL GOVERNMENT FINANCES: QUESTIONS AND ANSWERS

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This document consists of 23 questions and answers intended to provide a better understanding of economic statistics and federal government finances.

## 1 HOW IS A COUNTRY'S PRODUCTION MEASURED?

The most common statistic for measuring a region's production of goods and services is gross domestic product (GDP). For Canada, GDP is available for provinces and territories, industries, and sometimes even for metropolitan regions. GDP can be compiled based on value added, income (compensation of employees, business profits, etc.) or expenditures (consumption expenditures, government expenditures, etc.).<sup>1</sup>

Statistics Canada estimated Canada's GDP for 2014 to be \$1,973.431 billion using the income-based method, and \$1,972.655 billion using the expenditure-based method. The difference between the two results is called a "statistical discrepancy," and the official result published by Statistics Canada is the average of the two: \$1,973.043 billion.

GDP per capita is the measure generally used to compare regions or countries with different populations. As the population of Canada was 35.5 million on 1 July 2014, GDP per capita was \$55,510.

**Table 1 – Population and Gross Domestic Product, by Level and Per Capita, Canada and Provinces and Territories, 1 July 2014**

Province or Territory	Population	Gross Domestic Product	
		Level (\$ billions)	Per Capita (\$)
Newfoundland and Labrador	529,069	33.514	63,345
Prince Edward Island	146,162	6.003	41,071
Nova Scotia	942,387	39.077	41,466
New Brunswick	754,578	32.056	42,482
Quebec	8,214,885	370.064	45,048
Ontario	13,677,687	721.970	52,785
Manitoba	1,280,242	64.077	50,051
Saskatchewan	1,122,283	82.780	73,760
Alberta	4,120,897	375.756	91,183
British Columbia	4,638,415	237.188	51,136
Yukon	36,990	2.603	70,370
Northwest Territories	43,980	4.731	107,572
Nunavut	36,083	2.487	68,924
Outside Canada	–	0.738	–
<b>Total</b>	<b>35,543,658</b>	<b>1,973.043</b>	<b>55,510</b>

Note: Activities outside Canada are those that take place in territorial enclaves, such as embassies or military bases located on foreign soil, with the permission of the foreign government concerned. See Statistics Canada, "[Glossary – T](#)" ("territorial enclaves"), *System of macroeconomic accounts*.

Sources: Table prepared by the author using data obtained from Statistics Canada, "[Table 384-0037: Gross domestic product, income-based, provincial and territorial, annual](#)," and "[Table 051-0005: Estimates of population, Canada, provinces and territories, quarterly](#)," CANSIM (database), consulted 25 January 2016.

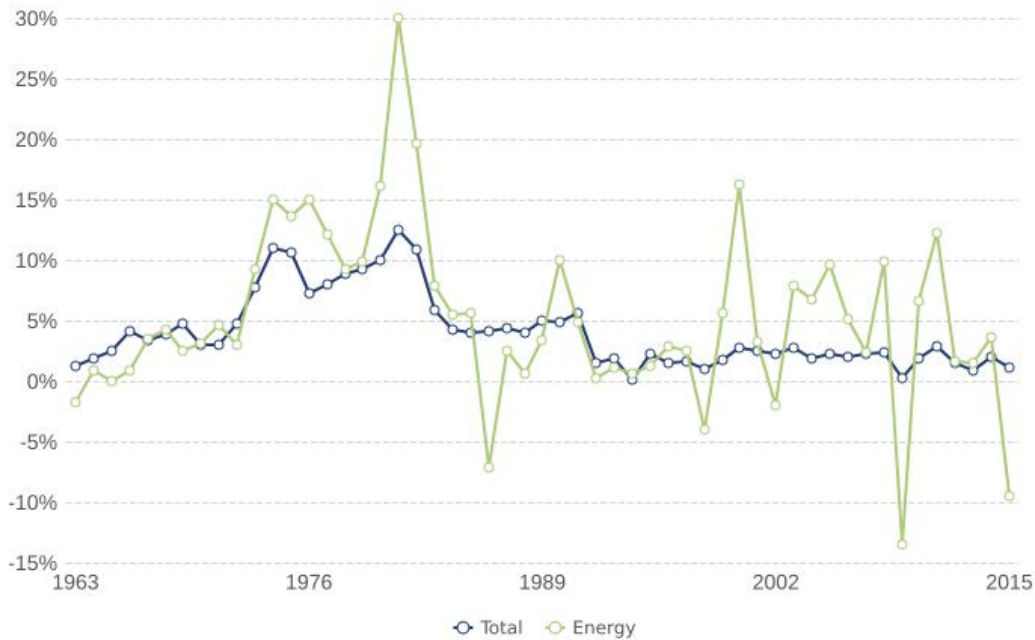
## 2 HOW DO WE MEASURE CHANGES IN THE PRICE OF GOODS AND SERVICES CONSUMED?

Statistics Canada produces the Consumer Price Index (CPI), which is used to measure the price change of a basket of goods and services typically consumed by the “average Canadian.” The importance accorded to each element in the basket is based on the Survey of Household Spending.<sup>2</sup> The basket is reviewed every two years to ensure that it accurately reflects Canadians’ new consumption habits. If the CPI increases, we speak of inflation, and if it decreases, of deflation.

The CPI is used to adjust (or index) a number of things, including some wages and pay rates, government benefits (e.g., Old Age Security benefits) and parameters of the tax system (e.g., the basic personal amount). It is available monthly, by province, territory and major city. Given that it is an index (e.g., equal to 100 everywhere in Canada in 2002), it is not used to compare price levels from region to region, but rather inflation rates. Changes in the price of certain components (e.g., shelter, food) are also available. The Bank of Canada produces other measures of the CPI that exclude its most volatile components.<sup>3</sup>

The CPI has been calculated in Canada since 1914. A basket of goods and services that cost \$6 in 1914 cost \$126.60 in 2015.<sup>4</sup> Over the years, there have been a number of significant jumps in the inflation rate of the CPI, particularly in its “energy” component (Figure 1). Since 1991, however, the Bank of Canada has targeted fluctuations of 1% to 3% for CPI inflation.<sup>5</sup>

**Figure 1 – Inflation Rate for the Consumer Price Index, Total and Energy Component, Canada, 1963–2015**



Source: Figure prepared by the author using data obtained from Statistics Canada, “[Table 326-0021: Consumer Price Index, annual](#),” CANSIM (database), consulted 25 January 2016.

### 3 WHAT IS THE DIFFERENCE BETWEEN NOMINAL PRODUCTION AND REAL PRODUCTION?

If we want to measure the real increase in the production of goods and services in Canada (gross domestic product or GDP), we must account for their price changes.<sup>6</sup> The measure of the price of goods and services is called the “Implicit Price Index [IPP] of the GDP” or, more commonly, the “GDP deflator.”

Nominal GDP is GDP in current dollars, that is, in dollars based on their present value (given year or month). Real GDP is equal to the nominal GDP from which the effect of the increase in the price of goods and services produced has been deducted (in order to determine the real increase in production). To achieve this, the value must be expressed in constant dollars, which means that prices are fixed at the level of a given year.

For example, if nominal GDP was \$2,000 billion in current dollars in 2014 and rose to \$2,200 billion in current dollars in 2015, nominal GDP increased by 10%. However, if the IPP, which is an index, had a value of 100 in 2014 and a value of 105 in 2015, this means that the price of goods and services produced rose by 5%. If prices are fixed at their 2014 level, real GDP for 2015 will be obtained as follows, in \$ billions:

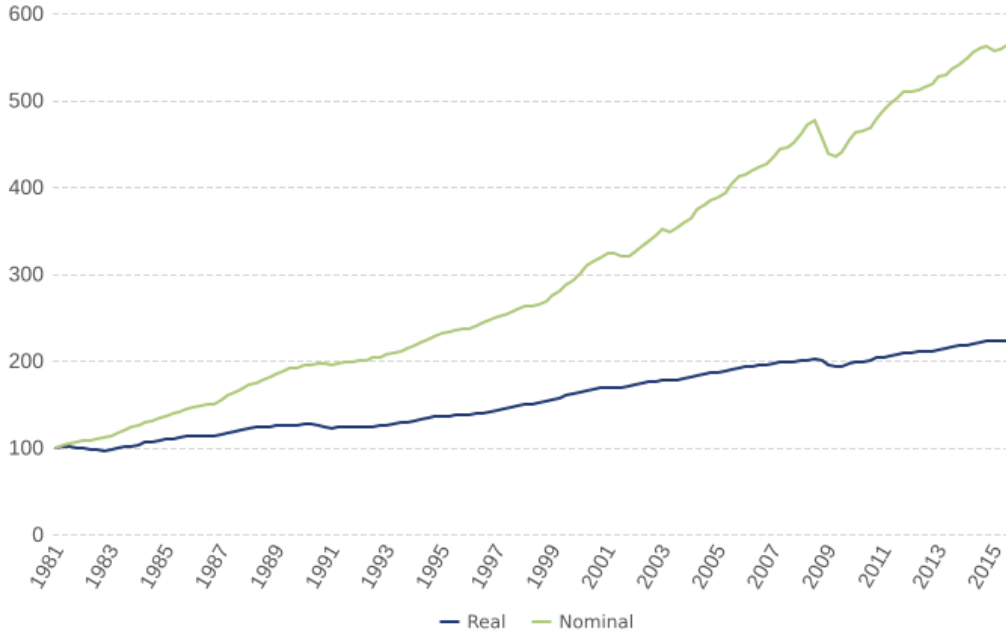
$$\text{Real GDP 2015} = \frac{\text{Nominal GDP 2015}}{\text{IPP 2015} / \text{IPP 2014}} = \frac{2,200}{105 / 100} = 2,095.2$$

Real GDP therefore increased by 4.76% between 2014 and 2015:

$$\text{Growth of real GDP (2015)} = \frac{2,095.2}{2,000.0} = 0.0476 = 4.76\%$$

Figure 2 shows that nominal GDP is growing faster than real GDP, because we have “eliminated” price changes, which are generally increases, from real GDP.

**Figure 2 – Nominal and Real Gross Domestic Product, Canada, First Quarter to Third Quarter of 2015**



Note: GDP is shown here as an index, with a value of 100 for the first quarter of 1981.

Source: Figure prepared by the author using data obtained from Statistics Canada, "[Table 380-0064: Gross domestic product, expenditure-based, quarterly](#)," CANSIM (database), consulted 19 January 2016.



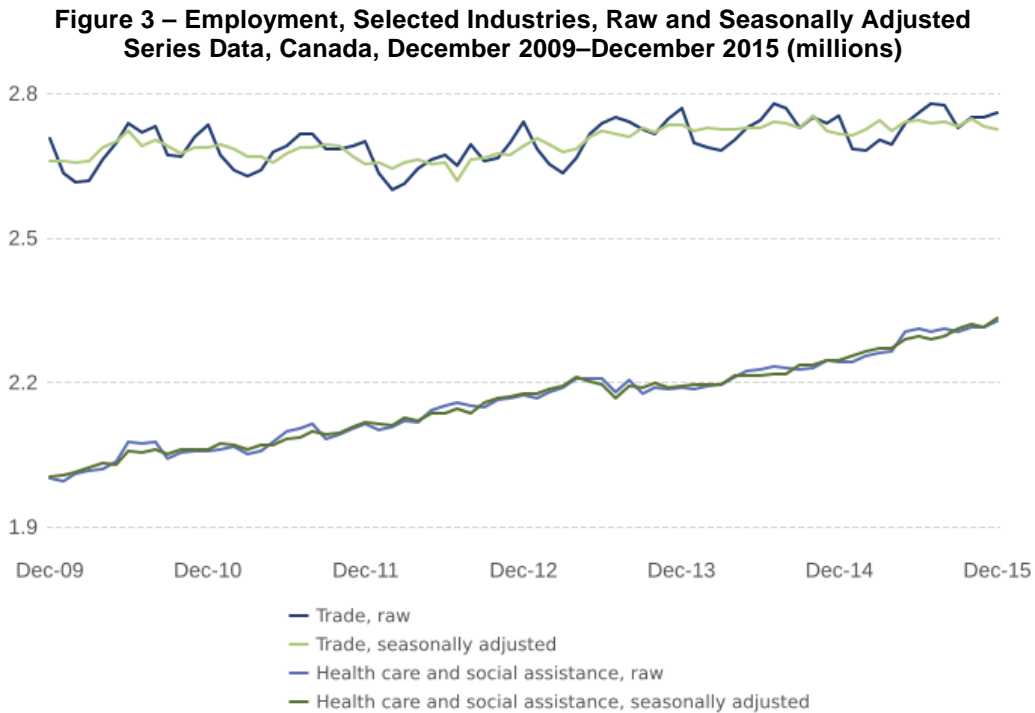
#### 4 WHAT IS THE DIFFERENCE BETWEEN RAW DATA AND SEASONALLY ADJUSTED DATA?

Statistics are often collected on a monthly or quarterly basis. For a variety of reasons, statistics as collected (known as “raw data”) seem to systematically post averages that are higher or lower than the annual average. For example, retail sales always increase in December due to the holiday season, and employment numbers increase as summer approaches, when students are hired for the season.

Statistical techniques can be used to “seasonally adjust” a series of data, thereby eliminating the seasonal effect. This makes it possible to compare two consecutive months (in the case of a monthly series) and to observe an increase that is not due to the exceptional nature of the month of December, in the case of retail sales, for example.

Raw data are generally used to compare two months or quarters from different years (e.g., December 2014 and 2015), while seasonally adjusted data tend to be used to compare different months or quarters (e.g., November and December 2015).

Figure 3 shows that there are far more fluctuations in the raw series data for trade employment over the course of one year than in the seasonally adjusted series data. There are also significantly fewer differences between the raw and seasonally adjusted data for the health care series, because employment in that sector is much less seasonal.



Source: Figure prepared by the author using data obtained from Statistics Canada, “[Table 282-0088: Labour force survey estimates \(LFS\), employment by North American Industry Classification System \(NAICS\), seasonally adjusted and unadjusted, monthly.](#)” CANSIM (database), consulted 19 January 2016.

## 5 WHAT IS THE DIFFERENCE BETWEEN ACCRUAL ACCOUNTING AND CASH-BASED ACCOUNTING?

In accrual accounting, flows (expenditures or revenues) are recorded when the economic value is created or extinguished; this would occur, for example, during the work performed by an employee.

In cash-based accounting, flows are recorded when the economic event is settled, such as through a payment.

For example, suppose a department hires a consultant for work that will take two years, and the parties agree on an immediate payment of \$100,000. Accrual accounting divides that expenditure of \$100,000 between the two fiscal years in which the work is performed,<sup>7</sup> whereas cash-based accounting records that amount in a single year, at the time of payment. Table 2 illustrates this example.

**Table 2 – Example of a Payment Recorded Using Accrual Accounting and Cash-Based Accounting**

	2014–2015	2015–2016
Full accrual accounting	\$50,000	\$50,000
Cash-based accounting	\$100,000	\$0

Source: Table prepared by the author based on a fictitious example.

Beginning with Budget 2003,<sup>8</sup> the federal government adopted full accrual accounting to replace the modified accrual accounting that had been used since the mid-1980s. The latter was a hybrid system between full accrual accounting and cash-based accounting.

However, the main estimates and supplementary estimates – in which the government asks Parliament for spending authority for the various departments – still use modified cash accounting. This is mainly due to the fact that, unlike the federal budget, which forecasts revenues and expenditures for several fiscal years, the estimates include spending authority<sup>9</sup> for expenditures to be made in the coming year. The *Public Accounts of Canada*<sup>10</sup> are also published based on accrual accounting.

## 6 WHY ARE FINANCIAL STATISTICS SOMETIMES PUBLISHED FOR A CALENDAR YEAR, AND SOMETIMES FOR A FISCAL YEAR?

The *Financial Administration Act* (FAA)<sup>11</sup> defines a fiscal year as “the period beginning on April 1 in one year and ending on March 31 in the next year.” Various sections of the FAA stipulate that the federal government’s revenues and expenditures be published in the *Public Accounts of Canada* for each fiscal year.

This practice has been in place since 1906. Before then, the fiscal year ran from 1 July of one year to 30 June of the next year. Fiscal year 1906–1907 began on 1 July 1906 and ended on 31 March 1907.<sup>12</sup> Since then, fiscal years have begun on 1 April of one year and ended on 31 March of the next year.

This change was intended to render the fiscal year “more in harmony with the active business season.”<sup>13</sup> Moving the end of the fiscal year to 31 March enabled Parliament to adjourn earlier in the summer. This allowed members to return to their ridings, and, when the sitting resumed in November, to have access to complete financial results. Given that the economy was more agricultural at the time, conducting the work of Parliament during a less busy period for business also served to “bring into public life in this country representative men from all parts of Canada.”<sup>14</sup> This practice was also in effect in the United Kingdom. Legislation regarding the fiscal year (Bill 162) was adopted in the Senate at third reading on 25 June 1906 and came into effect on 1 July 1906.<sup>15</sup>

Other statutes nevertheless provide for using the calendar year (1 January to 31 December), essentially for purposes of simplification. This is the case with the *Income Tax Act*,<sup>16</sup> pursuant to which individuals must declare their income for the calendar year, and the *Employment Insurance Act*,<sup>17</sup> under which changes to contribution rates take place as of 1 January.

Some statistics use data for the fiscal year as well as for the calendar year. By convention, that is the case for the federal debt-to-gross domestic product ratio, which indicates the value of the federal debt in relation to the annual production of goods and services in Canada. Because the results for the fiscal year become available in the summer, when the calendar year is not yet over, the debt-to-GDP ratio for 2014, for example, is determined by dividing the debt for fiscal year 2014–2015 by the 2014 GDP, both of which are already available.

## 7 WHAT STATISTICS ARE USED TO MEASURE INCOME DISTRIBUTION AND POVERTY?

A number of measures provide for estimating income distribution,<sup>18</sup> including the “Gini coefficient,” which is one of the most widely used. This coefficient varies between 0 and 1: a coefficient of 1 represents perfect inequality in income distribution, in that one person has all of the income, while a coefficient of 0 represents perfect equality, in that everyone has exactly the same income. This measure allows for comparing income inequalities across different countries, or for comparing inequalities within the same country before and after income redistribution by the state.

The income of individuals and families before or after taxes and transfers can also be organized in ascending order, and the population divided into 10 equal segments (deciles). The first decile includes, for example, the 10% of individuals or families with the lowest incomes. Once this classification is completed, it can be used for comparison purposes. If there were 100 people in the population, the 11<sup>th</sup> highest income could be divided by the 91<sup>st</sup> highest (column 3 of Table 3). This measure is used by the Organisation for Economic Co-operation and Development (OECD).<sup>19</sup>

Canada does not have an official measure of poverty, but there are three measures of low income: the Low Income Cut-Offs (LICOs), the Low Income Measure (LIM) and the Market Basket Measure (MBM).<sup>20</sup> All three define thresholds below which a family or individual is considered to have a low income. We can therefore determine the proportion of the population that has a low income using three different measures, all of which are presented in Table 3, using after-tax income and transfers.

**Table 3 – Measures of Income Distribution and the Proportion of the Total Population with a Low Income Based on Different Measures, Canada**

Year	Income Distribution			Proportion of the Population with Low Income		
	Gini Coefficient		Income Above the 9 <sup>th</sup> Decile/Income Above the 1 <sup>st</sup> Decile <sup>a</sup> (3)	Low Income Cut-Offs (4)	Low Income Measure (5)	Market Basket Measure (6)
	Before Taxes and Transfers (1)	After Taxes and Transfers (2)				
2011	0.438	0.315	4.2	8.8	12.6	12.0
2006	0.435	0.317	4.1	10.3	12.4	11.7
2001	0.442	0.317	4.0	11.2	12.5	13.0 <sup>b</sup>

Notes: a. Income after taxes and transfers is used.

b. Because the Market Basket Measure is not available for 2001, that of 2002 is used.

Sources: Table prepared by the author using data obtained from Statistics Canada, “[Table 202-0802: Persons in low income families, annual](#),” CANSIM (database), consulted 11 December 2015; and Organisation for Economic Co-operation and Development, [OECD.Stat](#) (database; select “Social Protection and Well-being,” then “Income distribution and poverty”), consulted 11 December 2015.

## 8 WHAT ARE THE FEDERAL GOVERNMENT ACCOUNTS?

The federal government accounts can be separated into four main categories: the real accounts of financial statements, the notional accounts of financial statements, the real off-balance-sheet accounts, and the fictional off-balance-sheet accounts.

### 8.1 REAL ACCOUNTS OF FINANCIAL STATEMENTS

#### 8.1.1 THE CONSOLIDATED REVENUE FUND

The federal government's income (taxes, income taxes) and expenditures (personnel, benefits) are managed out of the Treasury, or "Consolidated Revenue Fund,"<sup>21</sup> which is defined as the "aggregate of all public moneys that are on deposit at the credit of the Receiver General."<sup>22</sup>

In practice, the federal government has accounts in Canadian financial institutions and the Bank of Canada that enable it to receive and spend money. The aggregate of all these accounts is considered to be the Consolidated Revenue Fund. As at 31 March 2015, the Consolidated Revenue Fund totalled \$35 billion,<sup>23</sup> including \$20 billion for the federal government's prudential liquidity-management plan, on deposit at the Bank of Canada.<sup>24</sup> This plan exists to enable the federal government to have sufficient liquidities to cover its net projected payments for the following month, in the event of exceptional circumstances that impede the proper functioning of financial markets.

#### 8.1.2 THE EXCHANGE FUND ACCOUNT

Pursuant to the *Currency Act*, the Exchange Fund Account is intended to "aid in the control and protection of the external value of the monetary unit of Canada."<sup>25</sup> As at 31 March 2015, it contained the equivalent of \$92 billion.<sup>26</sup>

### 8.2 NOTIONAL ACCOUNTS OF FINANCIAL STATEMENTS

This type of account does not contain any liquidities, and does not refer to "bank accounts" in the traditional sense. These accounts nevertheless have an accounting life that allows users of financial statements to examine the income and expenditures associated with certain programs.

For example, the Employment Insurance Operating Account was created on 1 January 2009. It provides for recording the expenditures and revenues of the program that are credited to this account under the provisions of the *Employment Insurance Act*.<sup>27</sup> The annual deficit or surplus in this account is therefore included in the *Public Accounts of Canada*.<sup>28</sup>

### 8.3 REAL OFF-BALANCE-SHEET ACCOUNTS

Real off-balance-sheet accounts are identical to real accounts of financial statements, except that, as their name indicates, they are not included in the federal government's financial statements.

The largest real off-balance-sheet account is that of the Canada Pension Plan (CPP). Its revenues and expenditures are also published in the *Public Accounts of Canada*,<sup>29</sup> but the CPP "is excluded from the reporting entity because changes to the CPP require the agreement of two thirds of participating provinces and it is therefore not controlled by the [federal] government."<sup>30</sup> Since 2000, CPP benefits have been considerably lower than contributions, which results in the accumulation of significant surpluses.<sup>31</sup>

### 8.4 FICTIONAL OFF-BALANCE-SHEET ACCOUNT

There is a popular belief that the federal government has a "contingency reserve," from which it can withdraw money in the event of emergencies (catastrophe, war, etc.) In reality, there is no such "account," with the exception of the previously mentioned \$20 billion on deposit at the Bank of Canada that is intended to ensure sufficient liquidity in the event of a collapse of the financial system, and which is part of the Consolidated Revenue Fund.

Rather, the contingency reserve is a precautionary measure that is included in federal budget forecasts. Since 2009 it has been called the "adjustment for risk."<sup>32</sup> It is considered when establishing budget forecasts. For example, it was \$3 billion in 2014–2015,<sup>33</sup> and \$1 billion in 2015–2016.<sup>34</sup> It will be \$6 billion in 2016–2017 and 2017–2018.<sup>35</sup>

## 9 WHAT ARE THE FEDERAL GOVERNMENT'S TOTAL REVENUES?

The revenues of the federal government include personal and corporate income taxes, excise taxes on certain products, Employment Insurance premiums and the revenues generated by federal departments and Crown corporations, but not Canada Pension Plan premiums.

In 2014–2015, the federal government's revenues totalled \$282 billion, or \$7,944 per Canadian.<sup>36</sup> They represented 14.3% of Canadian GDP, which was \$1,973 billion that year.<sup>37</sup>

**Figure 4 – Federal Government Revenues, as a Percentage of Gross Domestic Product (GDP) and Per Capita, 2014–2015**



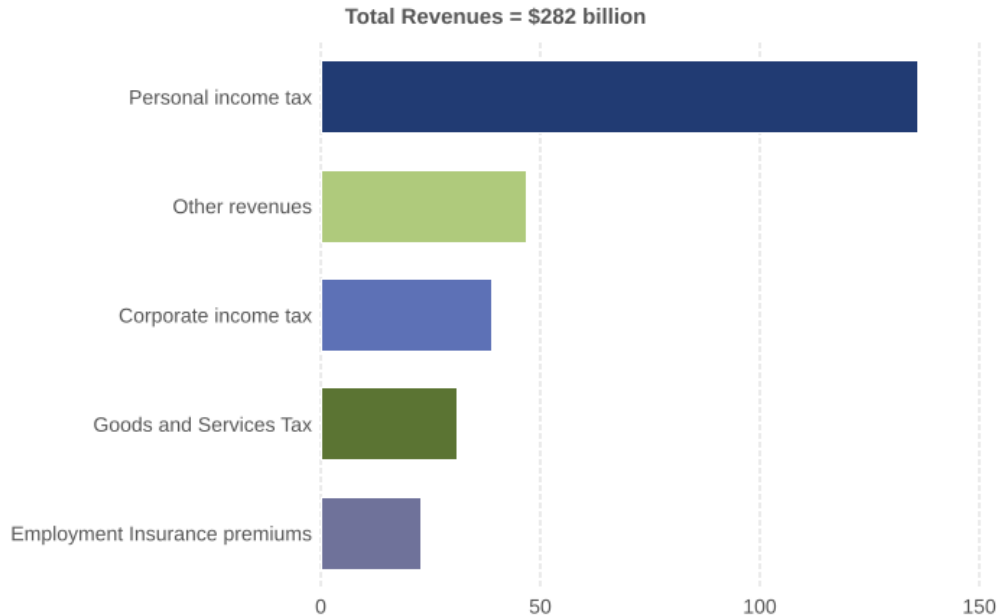
Sources: Figure prepared by the author using data obtained from Statistics Canada, "[Table 380-0063: Gross domestic product, income-based](#)," and "[Table 051-0005: Estimates of population, Canada, provinces and territories](#)," CANSIM (database), consulted 14 December 2015; and Receiver General for Canada, "Section 1: Financial Statements Discussion and Analysis," [Public Accounts of Canada 2015: Volume I – Summary Report and Consolidated Financial Statements](#), 2015, p. 1.7.

## 10 WHAT ARE THE FEDERAL GOVERNMENT'S PRIMARY SOURCES OF REVENUE?

In 2014–2015, the federal government's revenues totalled \$282 billion. The primary sources were as follows:

- Income taxes totalled \$181 billion, including \$136 billion in personal income tax, \$39 billion in corporate income tax and \$6 billion in income tax paid by non-residents. Personal income tax alone represented nearly half of the federal government's total revenues.
- The Goods and Services Tax (GST) generated revenues of \$31 billion in 2014–2015, which is approximately \$6.2 billion for each tax point (the GST is currently at 5%).
- Employment Insurance premiums represented \$23 billion.
- Of the \$47 billion in other revenues:
  - \$16.4 billion came from other programs;
  - \$13.5 billion came from Crown corporations;
  - \$5.7 billion came from other excise taxes and duties (e.g., alcohol and tobacco);
  - \$5.5 billion came from energy taxes;
  - \$4.6 billion came from customs import duties; and
  - \$1.4 billion came from foreign exchange.

**Figure 5 –Federal Government Revenues, by Source, 2014–2015 (\$ billions)**



Source: Figure prepared by the author using data obtained from Receiver General for Canada, "Section 2: Consolidated Financial Statements of the Government of Canada and Report and Observations of the Auditor General of Canada," [Public Accounts of Canada 2015: Volume I – Summary Report and Consolidated Financial Statements](#), 2015, p. 2.5.

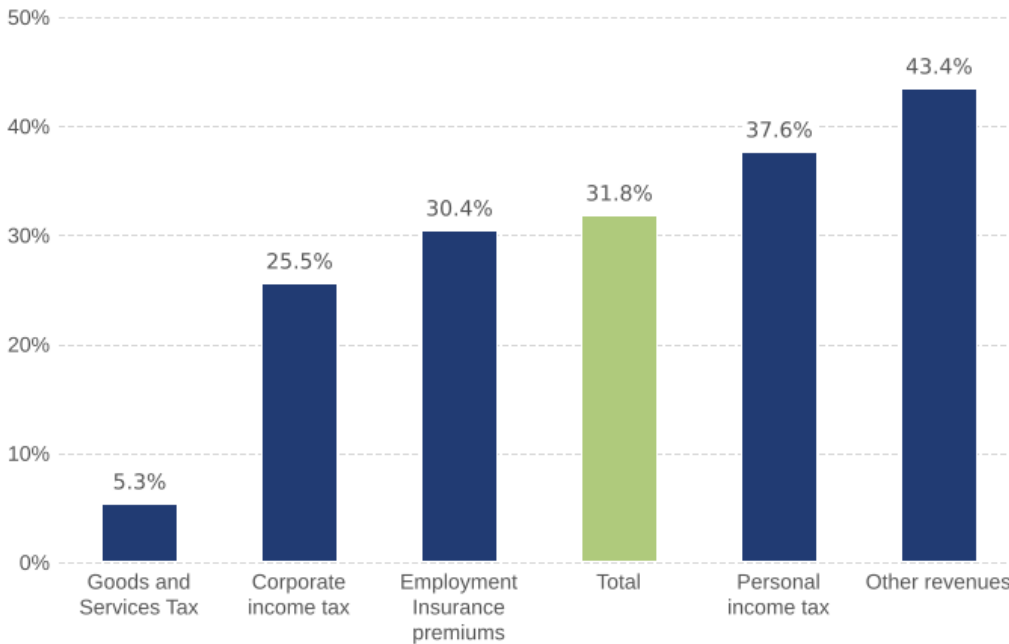


## 11 HOW HAVE THE VARIOUS SOURCES OF FEDERAL GOVERNMENT REVENUE CHANGED IN RECENT YEARS?

Between 2004–2005 and 2014–2015, the federal government’s revenues, unadjusted for inflation, rose from \$214 billion to \$282 billion, an increase of 31.8%.

- During that same period, Employment Insurance premiums rose from \$17 billion to \$23 billion, notably due to increases<sup>38</sup> in maximum insurable earnings beginning in 2006 and in premium rates in 2011, 2012 and 2013.
- Revenues from corporate income taxes were partially reduced by the recession of 2008–2009 and a decrease in taxation rates, from 21% in 2007 to 15% in 2012 (excluding the small business deduction).<sup>39</sup> They did, however, increase by 25.5% between 2004–2005 and 2014–2015.
- Goods and Services Tax (GST) revenues increased by only 5.3% over the last 10 years. This is primarily due to the decrease in the GST rate, which went from 7% to 6% on 1 July 2006, and then to 5% on 1 January 2008.<sup>40</sup>
- “Other revenues” increased by 43.4% over the last 10 years. This category includes in particular revenues from Crown corporations (+97.5%) and income tax paid by non-residents (+74.6%).

**Figure 6 – Increase in Federal Government Revenues Between 2004–2005 and 2014–2015, by Principal Source**



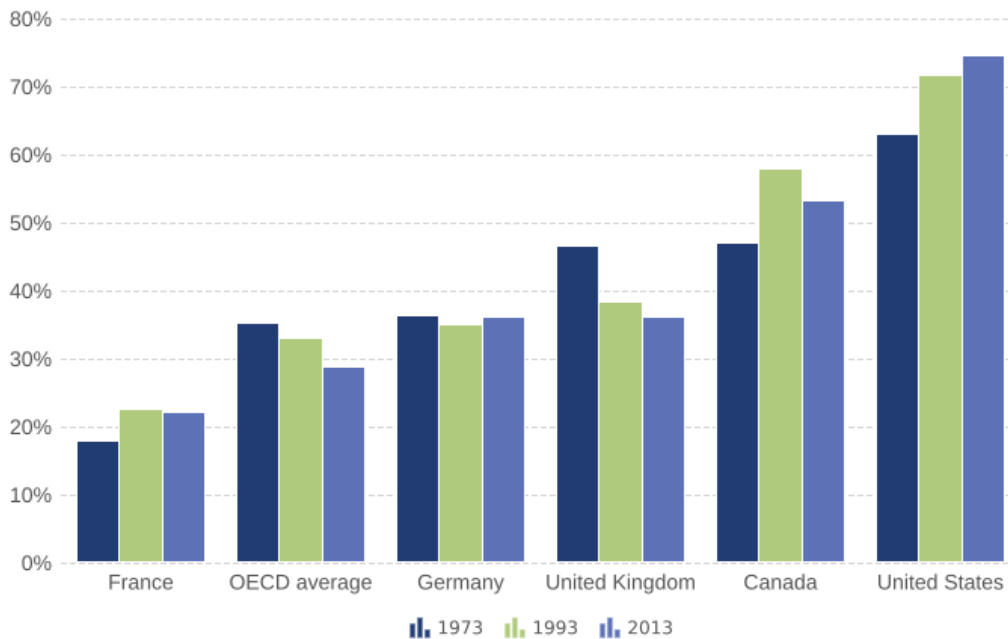
Sources: Figure prepared by the author using data obtained from Receiver General for Canada, “Ten Year Comparative Financial Information,” in “Section 1: Financial Statements Analysis and Discussion,” [Public Accounts of Canada 2015: Volume I – Summary Report and Consolidated Financial Statements](#), 2015, p. 1.23 (for 2005–2006 to 2014–2015) and “Ten Year Comparative Financial Information,” in “Section 1: Financial Statements Analysis and Discussion,” [Public Accounts of Canada 2014: Volume I – Summary Report and Consolidated Financial Statements](#), 2014, p. 1.22 (for 2004–2005).

## 12 HOW HAS THE SHARE OF PERSONAL INCOME TAX IN THE FEDERAL GOVERNMENT’S REVENUES CHANGED OVER TIME?

Introduced in 1917 to finance Canada’s participation in the First World War<sup>41</sup> and intended to be a temporary measure,<sup>42</sup> personal income tax represented only 3% of federal government revenues in 1918–1919.<sup>43</sup> This share held steady at close to 10% until 1939–1940, and then rose to 25% in 1944–1945. In 2014–2015, \$136 billion, or 48%, of the federal government’s \$282 billion in revenues came from this source.

According to the Organisation for Economic Co-operation and Development (OECD), 53.2% of the Canadian federal government’s revenues came from taxes on the income, profits and capital gains of “individuals” in 2013, which is higher than the 28.8% average for OECD member countries (see Figure 7).

**Figure 7 – Share of Personal Income Taxes in Total Federal Government Revenues, Selected Countries, 1973, 1993 and 2013**



Source: Calculations by the author using data obtained from the Organisation for Economic Co-operation and Development, [OECD.Stat](http://OECD.Stat) (database; select “Public Sector, Taxation and Market Regulation,” then “Taxation,” then “Revenue Statistics – OECD Member Countries,” then “Comparative tables”), consulted 5 January 2016.

The U.S. federal government also draws a large share of its revenues from personal income tax; it should be noted, however, that there is no general federal sales tax in that country. European countries tend to draw a larger share of their revenues from general taxes on goods and services. For example, in 2014 this figure reached 43.1% in France; 32.7% in Germany; and 28% in the United Kingdom, compared with 14% in Canada and 0% in the United States.

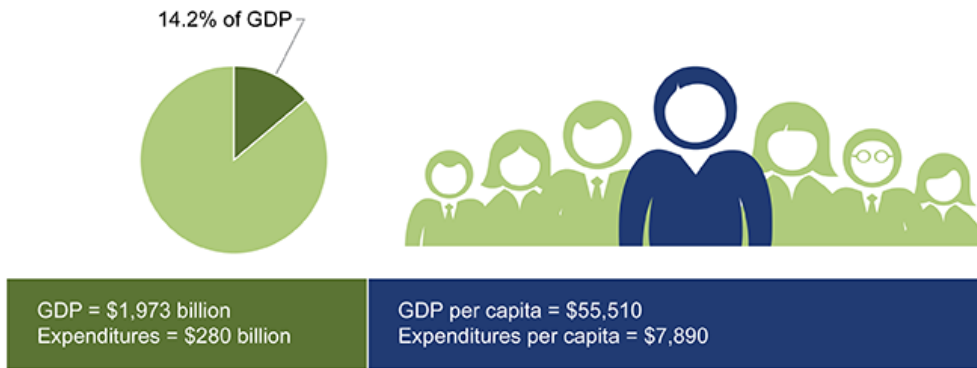
### 13 WHAT IS THE TOTAL OF THE FEDERAL GOVERNMENT’S EXPENDITURES?

Federal government expenditures are varied, and include the following in particular:

- grants and contributions;
- social benefits;
- transfers to other levels of government;
- salaries of federal government employees;
- use of goods and services; and
- interest charges.

In 2014–2015, the federal government’s expenditures totalled \$280 billion, or \$7,890 per Canadian.<sup>44</sup> They represented 14.2% of Canadian gross domestic product (GDP) in 2014, or \$1,973 billion.<sup>45</sup>

**Figure 8 – Federal Government Expenditures, as a Percentage of Gross Domestic Product (GDP) and Per Capita, 2014–2015**



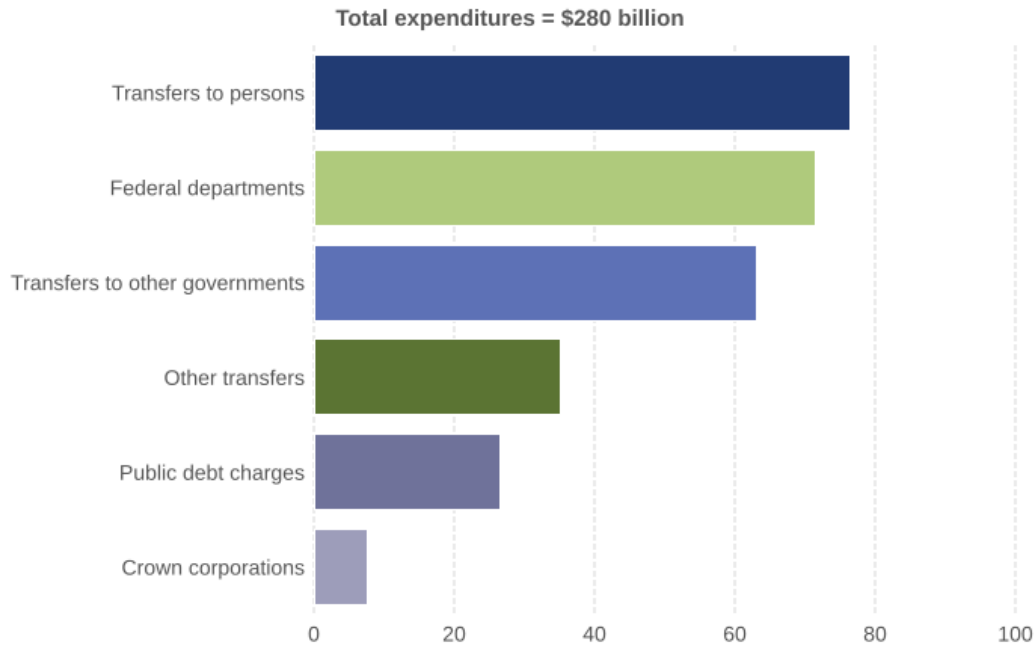
Sources: Figure prepared by the author using data obtained from Statistics Canada, “[Table 380-0064: Gross domestic product, expenditure-based](#),” and “[Table 051-0005: Estimates of population, Canada, provinces and territories, quarterly \(persons\)](#),” CANSIM (database), consulted 14 December 2015; and Receiver General for Canada, “Section 1: Financial Statements Analysis and Discussion,” *Public Accounts of Canada 2015: Volume I – Summary Report and Consolidated Financial Statements*, 2015, p. 1.10.

## 14 WHAT ARE THE MAIN CATEGORIES OF FEDERAL GOVERNMENT EXPENDITURE?

In 2014–2015, federal government expenditures totalled \$280 billion. The primary categories of expenditure were the following:

- Transfer payments to persons – Old Age Security program (\$44.1 billion), Employment Insurance benefits (\$18.1 billion) and children’s benefits (\$14.3 billion) – totalled \$76.5 billion in 2014–2015, or 27.3% of total expenditures.
- Transfer payments to other levels of government – Canada Health Transfer (\$32.1 billion), fiscal arrangements such as equalization and territorial financing, excluding the Quebec Abatement<sup>46</sup> (\$16.3 billion), the Canada Social Transfer (\$12.6 billion) and other transfers (\$2.1 billion) such as the federal Gas Tax program – totalled \$63.1 billion in 2014–2015, or 22.5% of total expenditures.
- Other transfer payments – such as assistance for farmers, students and businesses, support for research and development and international assistance – totalled \$35.1 billion, or 12.5% of total expenditures.
- Allocations of \$71.6 billion (25.5% of the total) and \$7.6 billion (2.7% of the total) were made to federal departments and Crown corporations respectively for their operating expenses.
- Public debt charges represented \$26.6 billion (9.5% of total expenditures).

**Figure 9 – Federal Expenditures, by Category, 2014–2015 (\$ billions)**



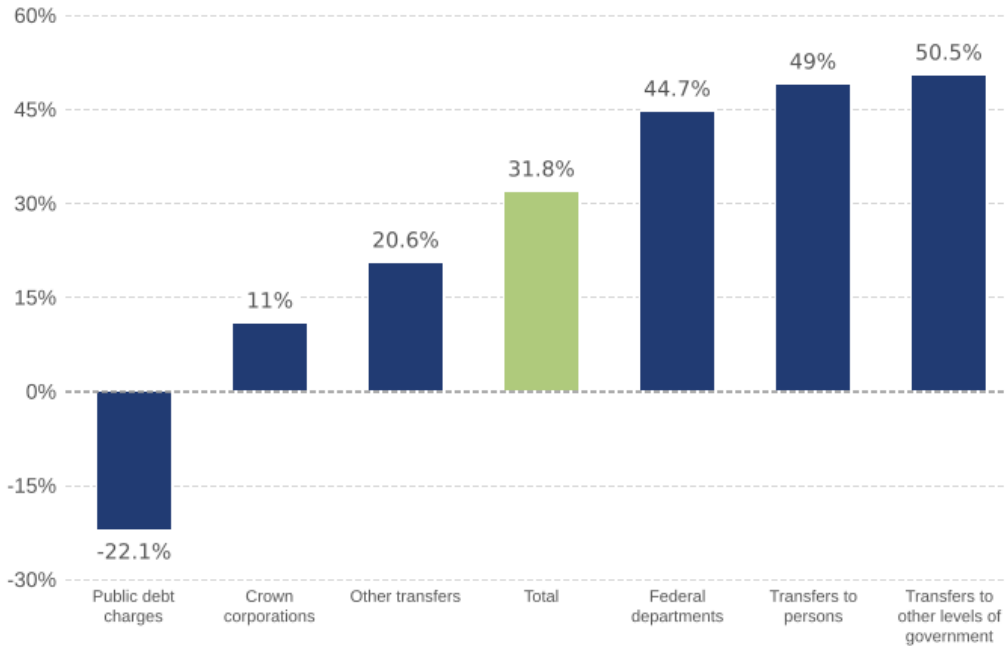
Source: Figure prepared by the author using data obtained from Receiver General for Canada, “Section 2: Consolidated Financial Statements of the Government of Canada and Report and Observations of the Auditor General of Canada,” *Public Accounts of Canada 2015: Volume I – Summary Report and Consolidated Financial Statements*, 2015, pp. 2.5. and 2.16.

## 15 HOW HAVE THE VARIOUS CATEGORIES OF FEDERAL GOVERNMENT EXPENDITURE CHANGED IN RECENT YEARS?

From 2004–2005 to 2014–2015, federal government expenditures, unadjusted for inflation, rose from \$214 billion to \$282 billion (+31.8%). Transfers to other levels of government (+50.5%) and to persons (+49%) increased the most, while public debt charges decreased by 22.1%:

- Transfers to other levels of government experienced the largest increase, rising from \$42 billion to \$63 billion, an increase of 50.5%.
- Transfers to persons increased significantly, due in large part to children’s benefits (+65%) and the Old Age Security program (+58%). Employment Insurance benefits increased somewhat less (+22%)
- Public debt charges decreased by 22.1%, despite an increase in the public debt. This is because the increase was offset by lower interest rates. In 2004–2005, the average interest rate paid on the federal debt was 4.61%, whereas it was only 2.27% in 2014–2015.<sup>47</sup>

**Figure 10 – Rate of Change of Primary Categories of Federal Government Expenditure, 2004–2005 to 2014–2015**



Sources: Figure prepared by the author using data obtained from Receiver General for Canada, “Ten Year Comparative Financial Information,” in “Section 1: Financial Statements Analysis and Discussion,” [Public Accounts of Canada 2015: Volume I – Summary Report and Consolidated Financial Statements](#), 2015, p. 1.23 (for 2005–2006 to 2014–2015), and “Ten Year Comparative Financial Information,” in “Section 1: Financial Statements Analysis and Discussion,” [Public Accounts of Canada 2014: Volume I – Summary Report and Consolidated Financial Statements](#), 2014, p. 1.22 (for 2004–2005).

## 16 WHAT ARE THE SIZE AND COST OF THE PUBLIC SERVICE WORKFORCE, AND HOW HAVE THEY CHANGED IN RECENT YEARS?

Table 4 presents the federal public service workforce, which includes the core public administration – the employees of the federal departments listed in Schedules I and IV of the *Financial Administration Act*<sup>48</sup> – and the separate agencies listed in Schedule V of that Act.<sup>49</sup>

**Table 4 – Federal Public Service Workforce, by Type, 2008–2009 to 2014–2015**

Type of Agency	2008–2009	2009–2010	2010–2011	2011–2012	2012–2013	2013–2014	2014–2015
Core public administration	209,523	216,596	217,224	212,028	200,516	195,330	195,565
Separate agencies	64,847	66,384	65,128	66,064	62,301	61,808	61,469
<b>Total</b>	<b>274,370</b>	<b>282,980</b>	<b>282,352</b>	<b>278,092</b>	<b>262,817</b>	<b>257,138</b>	<b>257,034</b>

Note: The total includes all active employees (permanent, temporary, casual, students working full- and part-time, federal judges and deputy ministers), but does not include employees on leave without pay, employees hired locally outside Canada, members of the Royal Canadian Mounted Police (RCMP) or Canadian Forces, or employees of certain agencies not covered by the Regional Pay System (including employees of the Canadian Security Intelligence Service and the National Capital Commission). As at 1 September 2015, the workforce of the RCMP was composed of 28,461 employees, including 6,331 public servants (see RCMP, [Organizational structure](#), the heading “Actual strength”). Employees of Crown corporations are not included in Table 4. Their numbers and financial data are available through Treasury Board of Canada Secretariat, [Crown Corporations’ Employment and Financial Data](#).

Source: Treasury Board of Canada Secretariat, [Population of the Federal Public Service by Department](#).

Table 5 shows federal government expenditures on personnel. These expenditures include those for employees of the Senate, the House of Commons, the Library of Parliament, the RCMP and the Canadian Forces, and comprise employees’ salaries, insurance and benefits.

**Table 5 – Federal Government Expenditures on Personnel, 2010–2011 to 2014–2015 (in billions of current dollars)**

	2010–2011	2011–2012	2012–2013	2013–2014	2014–2015
Expenditures	37.4	39.7	40.7	39.7	39.1

Source: Treasury Board of Canada Secretariat, [Report Builder – Expenditures by Standard Object from 2010–11 to 2014–15](#).

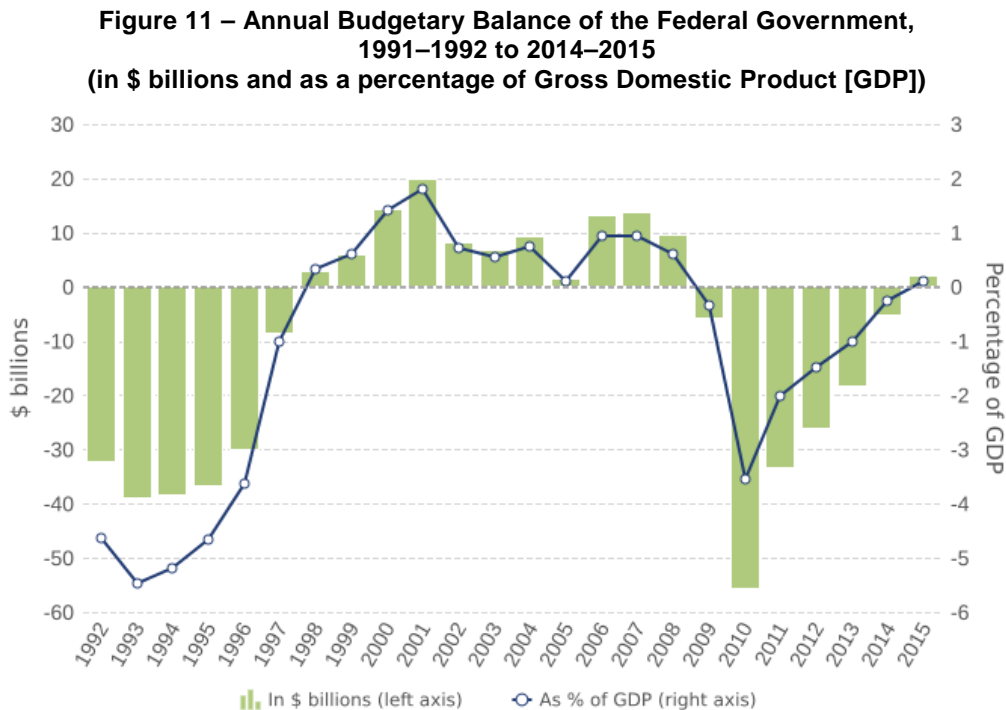
## 17 WHAT IS AN ANNUAL DEFICIT OR SURPLUS, AND WHAT HAVE ANNUAL DEFICITS OR SURPLUSES TOTALLED IN RECENT YEARS?

If the federal government’s expenditures are subtracted from its revenues for a given fiscal year, the result is the annual budgetary balance. It is called a “surplus” when it is positive, and a “deficit” when it is negative.

Another concept that is often used is the primary or operating balance. This represents the annual budgetary balance, minus charges related to interest payments on the debt.

In 2014–2015, the primary surplus totalled \$28.5 billion, while the budgetary surplus was \$1.9 billion, which means that interest charges represented \$26.6 billion. Interest charges reached a peak of \$49.4 billion in 1995–1996, when interest rates were higher.<sup>50</sup>

Figure 11 presents the annual budgetary balance of the federal government from 31 March 1992 to 31 March 2015. The balance is also shown as a percentage of gross domestic product (GDP) from the previous calendar year.<sup>51</sup>



Sources: Figure prepared by the author using data obtained from the Department of Finance Canada, “Table 1: Fiscal transactions,” in [Fiscal Reference Tables: September 2015](#); and Statistics Canada, “[Table 380-0064: Gross domestic product, expenditure-based](#),” CANSIM (database), consulted 24 November 2015.

Budgetary balances are influenced by the economic situation. For example, after the recessions of 1990–1991 and 2008–2009, government revenues decreased and expenditures increased, generating significant annual deficits that affected balances for subsequent years.

## 18 WHAT HAPPENS WHEN THERE IS A BUDGETARY SURPLUS OR DEFICIT?

A budgetary surplus has an impact on the federal government's financial resources (and a budgetary deficit, on its financial requirements), which are also affected by changes in non-budgetary transactions (loans, foreign exchange activities) and cash balances. The latter are composed of liquidities held by the federal government at the Bank of Canada and financial institutions. They are primarily determined by actual requirements for the current year.

In 2014–2015, there was a budgetary surplus of \$1.9 billion. However, non-budgetary transactions generated financial requirements of \$4.6 billion, resulting in net financial requirements of \$2.7 billion.<sup>52</sup> In addition, the federal government's cash balances increased by \$3.6 billion that year. The government was therefore required to obtain financing in the amount of \$6.2 billion.<sup>53</sup>

Where did this \$6.2 billion come from? On the one hand, the government issued \$14.6 billion in marketable bonds (Canadian currency) and \$9.6 billion in other financing. In addition, it had to pay \$17.3 billion in Treasury bills and \$0.7 billion in retail debt that had matured (which is somewhat the equivalent of "paying back part of its debt"). All of this led to the requirement for net financing of \$6.2 billion.

### 18.1 NON-BUDGETARY TRANSACTIONS

Net financial requirements of \$4.6 billion from non-budgetary transactions in 2014–2015 were notably the result of:

- an increase of \$4.2 billion in the value of non-financial assets (essentially prepaid expenses);
- an increase of \$12.8 billion in the value of foreign exchange reserves; and
- an increase of \$5.2 billion in deferred revenue.

These are transactions that either reduce the federal government's cash flow without affecting its net result, or increase its net result without affecting its cash flow.

All of this was partially offset by two elements that influence the government's net result without affecting its cash flow:

- a net increase of \$3.4 billion in current or future pension plan obligations and other liabilities; and
- a net increase of \$11.9 billion in payable and accrued liabilities.

In 2013–2014, non-budgetary transactions resulted in net financial resources of \$22.7 billion.



## 19 WHAT IS THE DIFFERENCE BETWEEN GROSS DEBT, NET DEBT AND ACCUMULATED DEFICIT?

The gross debt is the total of liabilities and interest-bearing debt resulting from past deficits that had to be financed through loans, as well as debts associated with pension plans. It is called “gross” because it does not take into account the financial assets held by the federal government.

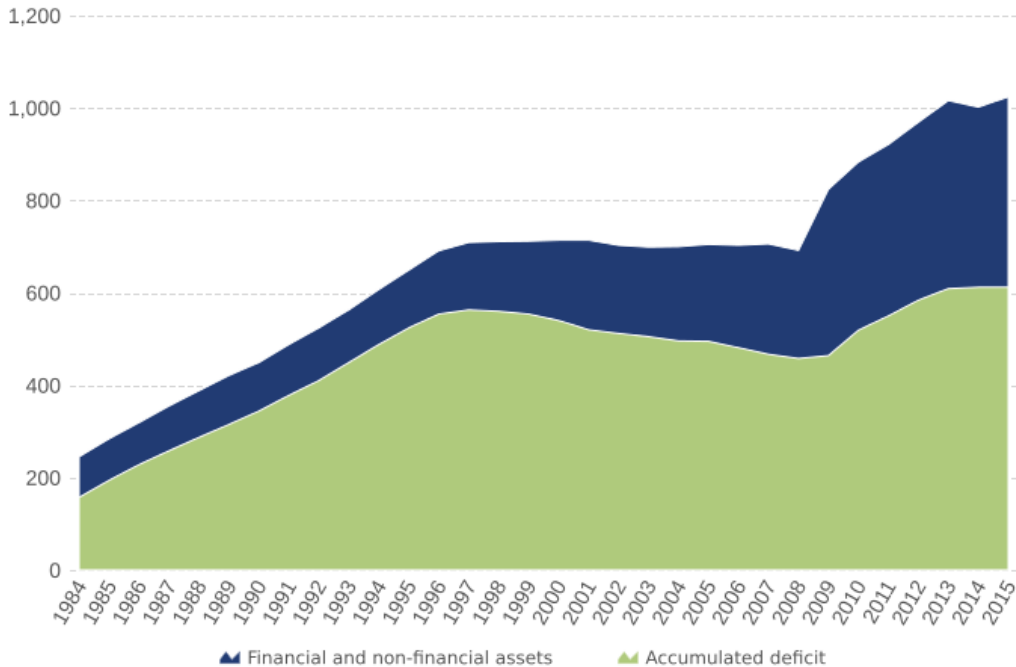
Net debt is obtained by subtracting financial assets from the gross debt.

Finally, the government’s non-financial assets, such as the buildings and infrastructure it owns, can be deducted from the net debt to obtain the accumulated deficit, which is also known as the “federal debt.”<sup>54</sup>

As at 31 March 2015, the gross federal debt totalled \$1,024 billion. When \$337 billion in financial assets is deducted, the net debt is \$687 billion. If non-financial assets of \$75 billion are further deducted, the accumulated deficit – the federal debt – is \$612 billion.

Figure 12 shows changes in the gross federal debt and the accumulated deficit – the federal debt – from 1983–1984 to 2014–2015. The difference between the two is equal to the sum of financial and non-financial assets.

**Figure 12 – Gross Federal Debt, 1983–1984 to 2014–2015 (\$ billions)**



Note: The gross federal debt is the sum of the accumulated deficit and financial and non-financial assets. Data prior to 1983–1984 are not based on the same accounting method.

Source: Department of Finance Canada, “Table 15: Gross and net debt,” in [Fiscal Reference Tables: September 2015](#).

## 20 WHAT ARE THE FEDERAL GOVERNMENT'S FINANCIAL AND NON-FINANCIAL ASSETS?

The federal government's assets totalled \$411.3 billion as at 31 March 2015, and can be broken down into two main categories:

- financial assets (\$336.7 billion); and
- non-financial assets (\$74.6 billion).

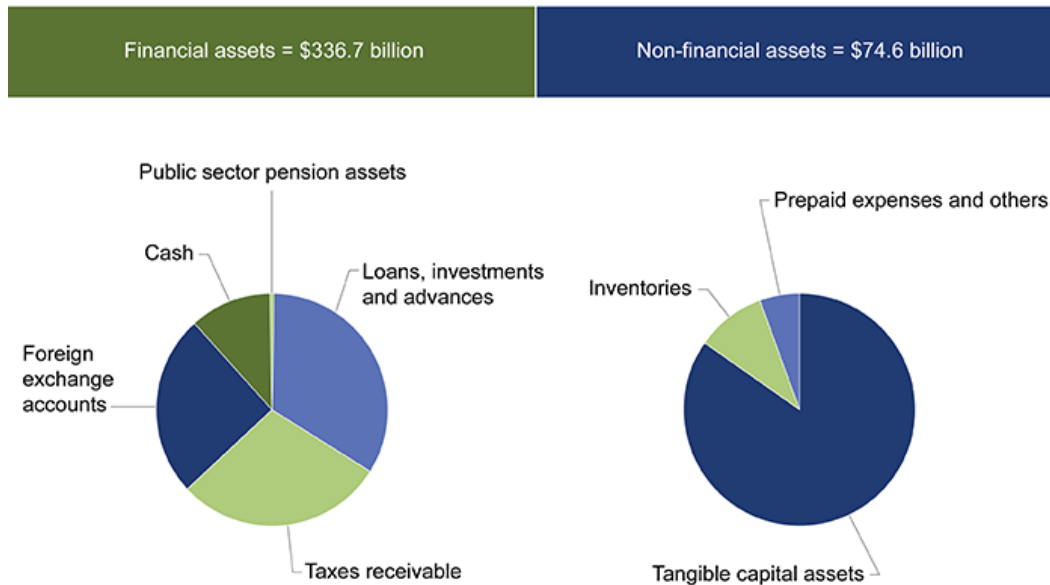
Financial assets consist of money in the government's possession (e.g., cash) or money that is receivable (e.g., taxes receivable or loans granted). Loans, investments, advances and taxes receivable represent almost two thirds of these assets.

Non-financial assets include tangible goods, such as buildings and land.

Figure 13 shows the breakdown of federal government assets by category.

**Figure 13 – Federal Government Assets, by Category, as at 31 March 2015**

Assets = \$411.3 billion



Source: Figure prepared by the author using data obtained from the Department of Finance Canada, [Annual Financial Report of the Government of Canada: Fiscal Year 2014–2015](#), pp. 24–25.

Compared with the previous year, financial and non-financial assets increased by \$17.2 billion and \$4.2 billion respectively.

## 21 WHAT ELEMENTS ARE INCLUDED IN THE FEDERAL GOVERNMENT’S LIABILITIES?

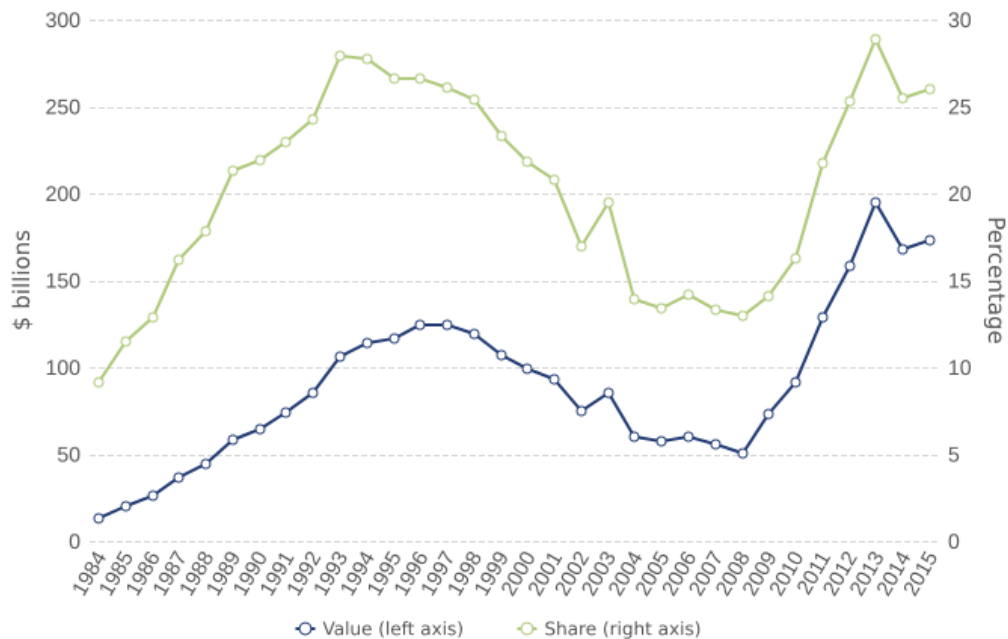
Between 2013–2014 and 2014–2015, the federal government’s gross debt – or liabilities – rose from \$1,002 billion to \$1,024 billion. In 2014–2015, this debt could be broken down as follows:

- \$900 billion in interest-bearing debt; and
- \$124 billion in accounts payable and accrued liabilities.

Most of the interest-bearing debt (\$665 billion) was unmatured debt (to be repaid later) such as marketable bonds (\$508 billion) and Treasury bills (\$136 billion). The rest (\$235 billion) included future benefits of public service employees (notably \$153 billion in pension benefits) and other types of liability.<sup>55</sup>

Figure 14 shows changes in the value and share of unmatured debt held by non-residents, which amounted to \$173 billion in 2014–2015, or 26% of the total value of unmatured debt.

**Figure 14 – Value and Share of Unmatured Debt Held by Non-Residents, 1983–1984 to 2014–2015**

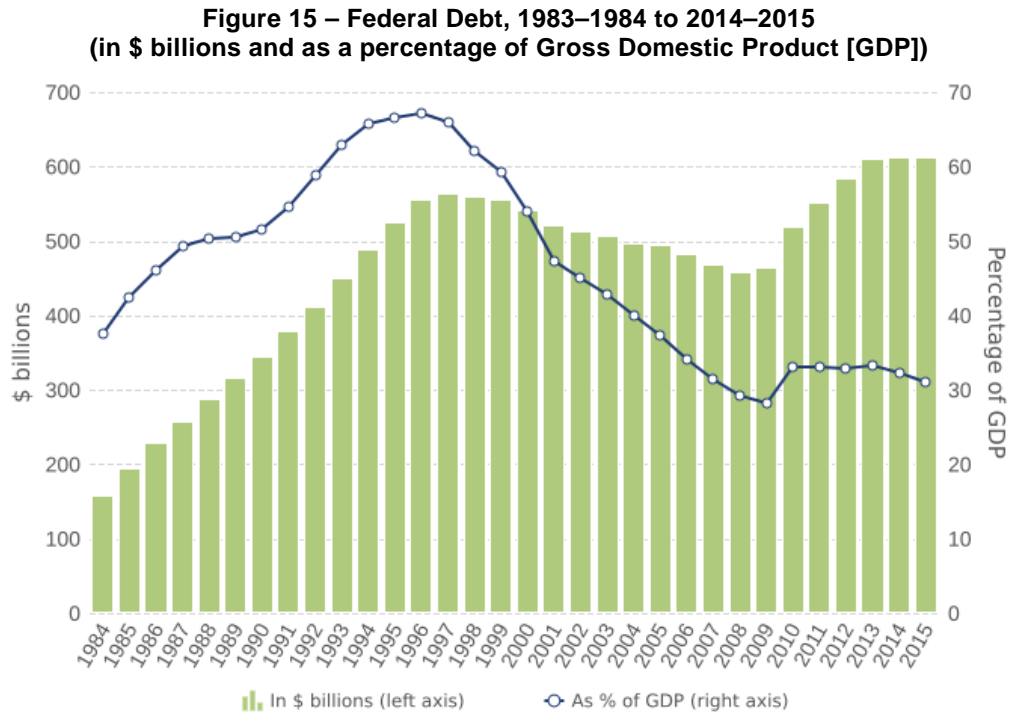


Source: Department of Finance Canada, “Table 14: Interest-bearing debt,” in [Fiscal Reference Tables: September 2015](#).

## 22 WHAT IS THE RELATIONSHIP BETWEEN THE FEDERAL DEBT AND GROSS DOMESTIC PRODUCT?

A country’s debt is often divided by its annual gross domestic product (GDP) to gain an idea of its “ability to repay” this debt. If the GDP increases faster than the debt, the debt-to-GDP ratio decreases, which means that the capacity to repay the debt increases.

Figure 15 presents changes in Canada’s federal debt (accumulated deficit) and debt-to-GDP ratio between 1983–1984 and 2014–2015.



Sources: Figure prepared by the author using data obtained from the Department of Finance Canada, “Table 15: Gross and net debt,” in [Fiscal Reference Tables: September 2015](#); and Statistics Canada, “[Table 380-0064: Gross domestic product, expenditure-based, quarterly](#),” CANSIM (database), consulted 26 November 2015.

The federal debt increased until 1997, when it reached \$563 billion. One year earlier, the debt-to-GDP ratio had peaked at 67%. The debt then decreased until 2008, when it totalled \$458 billion, and the debt-to-GDP ratio decreased until 2009, when it came in at 28%. After the recession of 2008–2009, the debt increased until it reached \$612 billion as at 31 March 2015. The debt-to-GDP ratio, meanwhile, increased to 33% in 2013, and then declined slightly to 31% as at 31 March 2015.

## 23 HOW DOES THE FEDERAL GOVERNMENT’S LEVEL OF INDEBTEDNESS COMPARE WITH THAT OF OTHER COUNTRIES?

It can sometimes be difficult to draw comparisons between countries, as some central governments may play a greater role in certain areas (spending on health care, education, etc.) than local governments, thereby generating a higher percentage of spending by central governments than local governments.

Public debt (all governments combined) can nevertheless be compared with GDP. The reality is that few countries can boast of having repaid their debt. According to data from the International Monetary Fund, in 2013 only a few countries, like Norway, Finland and Sweden, had positive gross debt and negative net debt.<sup>56</sup>

In 2013, for example, the government’s net-debt-to-GDP ratio was -205% in Norway, 37% in Canada, 79% in the United States and 172% in Greece (see Table 6).

**Table 6 – Government Gross Debt and Net Debt as a Percentage of Gross Domestic Product (GDP), Selected Countries, 2013**

Country	Gross Debt (% of GDP)	Net Debt (% of GDP)
Norway	30%	-205%
Finland	56%	- 48%
Canada	88%	37%
Germany	77%	53%
United Kingdom	87%	79%
United States	103%	79%
France	92%	85%
Italy	129%	108%
Japan	243%	123%
Greece	175%	172%

Source: International Monetary Fund, “[5. Report for Selected Countries and Subjects](#),” *World Economic Outlook Database*, April 2015.

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### NOTES

1. Statistics Canada – By industry: “[Table 379-0031: Gross domestic product \(GDP\) at basic prices, by North American Industry Classification System \(NAICS\), monthly](#)”; by activity sector and province or territory: “[Table 379-0030: Gross domestic product \(GDP\) at basic prices, by North American Industry Classification System \(NAICS\), provinces and territories, annual](#)”; by census metropolitan area: “[Table 381-5000: Metropolitan gross domestic product, experimental estimates, annual](#),” CANSIM (database).
2. Statistics Canada, [Survey of Household Spending](#).
3. See Statistics Canada, “[Table 176-0003: Consumer Price Index \(CPI\) statistics, alternative measures, unadjusted and seasonally adjusted, Bank of Canada, monthly](#),” CANSIM (database).
4. Statistics Canada, “[Table 326-0021: Consumer Price Index, annual](#),” CANSIM (database), consulted 25 January 2016.

5. Bank of Canada, [Agreement on the Inflation-Control Target](#).
6. Goods produced are not exactly the same as goods consumed, because some goods are produced in Canada, but exported. A different price index must therefore be used for consumption (Consumer Price Index or CPI) and GDP.
7. Statistics Canada, "Section 2.B.2: Accrual accounting," [Overview of the Canadian Government Finance Statistics](#).
8. Department of Finance Canada, "[Annex 6: Implementation of Full Accrual Accounting in the Federal Government's Financial Statements](#)," in *Budget 2003: Budget Plan*.
9. Treasury Board Secretariat of Canada, [2015–16 Estimates](#), p. I-1.
10. Receiver General for Canada, [Public Accounts of Canada](#).
11. [Financial Administration Act](#), R.S.C. 1985, c. F-11, s. 2.
12. See House of Commons, [Debates](#), 2<sup>nd</sup> Session, 10<sup>th</sup> Parliament, 8 March 1906, p. 7. There is reference to "the estimates for the nine months ... terminating on the thirty-first of March, 1907."
13. House of Commons, [Debates](#), 2<sup>nd</sup> Session, 10<sup>th</sup> Parliament, 8 March 1906.
14. House of Commons, [Debates](#), 1<sup>st</sup> Session, 10<sup>th</sup> Parliament, 10 July 1905.
15. Senate, [Debates](#), 2<sup>nd</sup> Session, 10<sup>th</sup> Parliament, 25 June 1906.
16. [Income Tax Act](#), R.S.C. 1985, c. 1 (5<sup>th</sup> Supp.), s. 249.
17. [Employment Insurance Act](#), S.C. 1996, c. 23, s. 2(1).
18. For more information on income inequality, see Dominique Fleury and James Gauthier, [Income Inequality in Canada: Current Situation](#), HillNotes, Library of Parliament, 28 January 2016.
19. See OECD, [OECD.Stat](#) (database). Select "Social Protection and Well-being," "Income distribution and poverty," and then select the measure "P90/P10 disposable income ratio."
20. Government of Canada, [Glossary – Measuring Low Income](#).
21. The *Constitution Act, 1867*, 30 & 31 Victoria, c. 3 (U.K.), [ss. 102–106](#), refers to the Treasury, under the name "Consolidated Revenue Fund."
22. [Financial Administration Act](#), s. 2.
23. Receiver General for Canada, "Table 7.2: Cash and Cash Equivalents," in "Section 7: Cash and Accounts Receivable," [Public Accounts of Canada 2015: Volume I – Summary Report and Consolidated Financial Statements](#), 2015.
24. Bank of Canada, [2015 Third-Quarter Financial Report](#), 30 September 2015, p. 6. For more details, see Tamara Gomes and Carolyn Wilkins, "[The Basel III Liquidity Standards: An Update](#)," *Financial System Review*, Bank of Canada, June 2013.
25. [Currency Act](#), R.S.C. 1985, c. C-52, s. 17.
26. Receiver General for Canada, "Table 8.2: International Reserves Held in the Exchange Fund Account," in "Section 8: Foreign Exchange Accounts," [Public Accounts of Canada 2015: Volume I – Summary Report and Consolidated Financial Statements](#), 2015.
27. [Employment Insurance Act](#), S.C. 1996, c. 23, ss. 66(1) and 70.2–77.1.
28. Receiver General for Canada, "Supplementary Statement: Employment Insurance Operating Account," in "Section 4: Consolidated Accounts," [Public Accounts of Canada 2015: Volume I – Summary Report and Consolidated Financial Statements](#), 2015.

29. Receiver General for Canada, “Canada Pension Plan,” in “Section 6: Interest-Bearing Debt,” [Public Accounts of Canada 2015: Volume I – Summary Report and Consolidated Financial Statements](#), 2015.
30. Receiver General for Canada, “Section 2: Consolidated Financial Statements of the Government of Canada and Report and Observations of the Auditor General of Canada,” [Public Accounts of Canada 2015: Volume I – Summary Report and Consolidated Financial Statements](#), 2015, p. 2.9.
31. These surpluses are invested by the CPP Investment Board, and will be used once contributions are insufficient to pay the benefits for a much higher number of retirees, beginning in 2023, according to the Board’s forecasts. See CPP Investment Board, [CPPIB at a Glance](#).
32. For more details, see André Léonard, [Economic Forecasts Used for the Federal Budget and Adjustment for Risk](#), Publication no. 2015-15-E, Parliamentary Information and Research Service, Library of Parliament, Ottawa, 9 March 2015.
33. Department of Finance Canada, [The Road to Balance: Creating Jobs and Opportunities](#), Budget 2014: Budget Plan, 11 February 2014, pp. 50 and 264.
34. Department of Finance Canada, [Strong Leadership: A Balanced-Budget, low-Tax Plan for Jobs, Growth and Security](#), Budget 2015: Budget Plan, April 2015, p. 66, 21.
35. Department of Finance Canada, [Backgrounder: Canadian Economic Outlook](#), 22 February 2016.
36. The population of Canada on 1 July 2014 was 35.5 million.
37. Fiscal data such as revenues are always expressed per fiscal year (e.g., 2014–2015). Economic data such as for the GDP are always expressed per calendar year (e.g., 2014). The population for a given year is that on 1 July.
38. Canada Revenue Agency, [EI premium rates and maximums](#).
39. For more details, see Brett Stuckey and Adriane Yong, [A Primer on Federal Corporate Taxes](#), Publication no. 2011-44-E, Parliamentary Information and Research Service, Library of Parliament, Ottawa, 16 June 2011.
40. [2006 Budget Implementation Act](#), S.C. 2006, c. 4, ss. 2(1)–2(3); and [2007 Budget Implementation Act](#), S.C. 2007, c. 35, ss. 183(1)–183(3).
41. Brett Stuckey and Adriane Yong, [A Primer on Federal Personal Income Taxes](#), Publication no. 2011-43-E, Parliamentary Information and Research Service, Library of Parliament, Ottawa, 8 June 2011.
42. On 25 July 1917, the Minister of Finance, the Honourable Sir Thomas White, told the House: “Therefore I have placed no time limit upon this measure, but merely have placed upon Hansard the suggestion that, a year or two after the war is over, the measure should be deliberately reviewed by the Minister of Finance and the Government, with the view of judging whether it is suitable to the conditions which then prevail.” (House of Commons, [Debates](#), 7<sup>th</sup> Session, 12<sup>th</sup> Parliament, 25 July 1917.)
43. Statistics Canada, [Section H: Government Finance](#), *Historical Statistics of Canada*. Select “Federal Government Finance,” then “Table H1–18: Federal government budgetary revenue, by major source, 1867 to 1975,” available in CSV format.
44. The population of Canada on 1 July 2014 was 35.5 million.
45. Fiscal data such as expenditures are always expressed per fiscal year (e.g., 2014–2015). Economic data such as for the GDP are always expressed per calendar year (e.g., 2014). The population for a given year is that on 1 July.

46. The Quebec Abatement is a reimbursement by the federal government to the Government of Quebec for federal programs in which Quebec does not participate. See Department of Finance Canada, [Quebec Abatement](#).
47. Receiver General for Canada, "Table 6.8: Market Debt as at March 31, from 2011 to 2015, with the Average Rate of Interest Thereon," in "Section 6 – Interest-Bearing Debt," [Public Accounts of Canada 2015: Volume I – Summary Report and Consolidated Financial Statements](#), 2015, p. 6.9, and "Table 6.9: Unmatured Debt as at March 31, from 2001 to 2005, with the Average Rate of Interest Thereon," in "Section 6, Interest-Bearing Debt," [Public Accounts of Canada 2005: Vol. 1 – Summary Report and Financial Statements](#), p. 6.10.
48. [Financial Administration Act](#).
49. In 2014–2015, 86% of employees in "separate agencies" worked for the Canada Revenue Agency, the Canadian Food Inspection Agency, the National Research Council of Canada and Parks Canada.
50. Department of Finance Canada, "Table 1: Fiscal transactions," in [Fiscal Reference Tables: September 2015](#).
51. For example, the annual budgetary balance for 2014–2015 is divided by the GDP for 2014.
52. The data for this topic were all obtained from the Department of Finance Canada, [Annual Financial Report of the Government of Canada: Fiscal Year 2014–2015](#), pp. 23–25.
53. Some amounts, like the \$2.7 billion that is added to the \$3.6 billion (change in cash balances), may not generate the expected amount (\$6.2 billion rather than \$6.3 billion) due to rounding.
54. See, for example, Department of Finance Canada, [Update of Economic and Fiscal Projections](#), 20 November 2015, p. 39.
55. Department of Finance Canada, "Table 14: Interest-bearing debt," in [Fiscal Reference Tables: September 2015](#).
56. Other countries, particularly oil-producing countries (e.g., Saudi Arabia and Libya), find themselves in this situation. These countries do not repay all of their debt, because they invest in sovereign funds (investment funds held by a state) and their domestic financial markets probably require risk-free government bonds.