Increasing The Canada Health Transfer will Help Make Provinces and Territories More Financially Sustainable Over The Long Term

REPORT OF THE PROVINCIAL AND TERRITORIAL MINISTERS OF FINANCE TO THE COUNCIL OF THE FEDERATION

FEBRUARY 2021

TABLE OF CONTENTS

EXECUTIVE SUMMARY

On September 18, 2020, provincial and territorial Premiers called on the federal government to act on their number one priority, health care funding. In this regard, the federal government was asked to increase the Canada Health Transfer (CHT) to an amount equivalent to 35% of aggregate provincial and territorial health expenditures starting in 2021-2022.

At the federal-provincial-territorial First Minister's meeting on December 10, 2020, the Prime Minister said, "It's going to be important that the federal government… increases its share of the cost of health care with the Canada Health Transfer." However, he did not commit to raising the CHT to this level (or any specific level), nor as early as 2021-2022, as proposed by Premiers.

The purpose of this report is to provide arguments in support of the Premiers' position to assist them in their negotiations.

Based on projections by the Conference Board of Canada, provincial and territorial Ministers of Finance[1] wish to inform the Council of the Federation of the following:

— once the pandemic is over, the federal government's fiscal situation is projected to improve, unlike the combined fiscal situation of the provinces and territories, which is projected to deteriorate due to significant cost pressures on health care systems;

— if the federal government does not respond positively to the provincial and territorial demand, a significant fiscal imbalance will persist between the federal government and the provinces and territories;

— an increase of the CHT to an amount corresponding to 35% of provincial and territorial health expenditures will help to ensure that provinces and territories have the financial means to continue providing the level of health care sought by their citizens, without taking resources away from other key areas of provincial jurisdiction;

— a new funding partnership for health care will achieve better fiscal balance between the federal government and the provinces and territories;

— Canadians will benefit from such a revenue transfer from the federal government to the provinces and territories: it will ensure Canadians continue to receive the health care they need, both now and for future generations, at a lower cost;

— a CHT increase would result in a lower total government debt (federal-provincial-territorial combined) because the federal government can borrow at lower costs than the provinces and territories;

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[1] Newfoundland and Labrador is operating in a caretaker period due to a provincial election and is unable to participate.

— after a CHT increase, the debt burden of the federal government is expected to stabilise, even decrease, while the one of provinces and territories is projected to continue to increase;

— provincial and territorial health expenditures are projected to reach $198.5 billion in 2021-2022 and the CHT, as announced last December, will account for only 21.7% of these costs;

— over the long term, provincial and territorial health care costs are projected to increase on average by 5.0% per year according to projections by the Conference Board of Canada;

— one must keep in mind that cost estimates for budget planning could underestimate actual costs (for example, provinces and territories will have to deal with the surge in procedures needed to “catch-up” the backlogs created by the pandemic and likely increase in complications caused by these delays);

— given that the aging of Canada’s population and improvement in services will exert greater pressure on health expenditures and that uncertainty remains regarding the long-term impact of COVID-19 on health care costs, provincial and territorial health expenditures could grow at a greater pace than the 5.0% per year projected;

— if nothing is done, the federal contribution to provincial and territorial health expenditures is projected to decline over the years (20.3% in 2030-2031 and 17.6% in 2039-2040);

— for the CHT to reach the amount representing 35% of provincial and territorial health expenditures, increasing the CHT by $27.6 billion is required in 2021-2022, from $41.9 billion in 2020-2021 to $69.5 billion in 2021-2022;

— an annual escalator of 5% thereafter would maintain the CHT level at 35% of provincial and territorial health expenditures;

— a higher annual escalator would be necessary to reach an amount equivalent to 35% of aggregate provincial and territorial health expenditures if the CHT was not immediately increased to that level in 2021-2022, in order to ensure a catch-up.

1. PROJECTIONS OF FISCAL SUSTAINABILITY FOR THE NEXT 20 YEARS FOR BOTH THE FEDERAL GOVERNMENT AND PROVINCES AND TERRITORIES

1.1 The federal government will have financial flexibility in the coming years, unlike the provinces and territories

The federal government is experiencing a temporary deterioration in its financial situation due to the pandemic. In 2020-2021, the federal government deficit is projected to reach $383 billion, compared to $77 billion for the combined deficit of the provinces and territories.

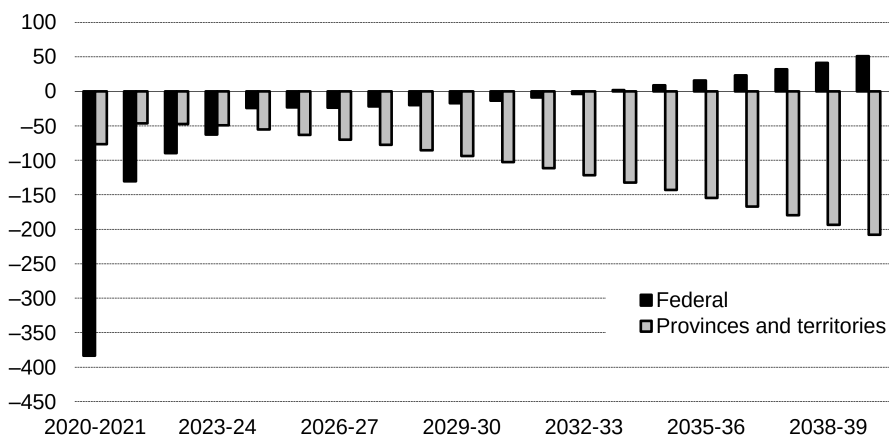
This larger deficit for the federal government is due to significant but one-time programs put in place to support individuals and businesses during the pandemic (e.g., the Canada Emergency Wage Subsidy is scheduled to end in June 2021).

However, starting in 2024-2025, according to projections produced by the Conference Board of Canada,[2] the financial situation between the federal government and the provinces and territories will be reversed.

From 2021-2022 to 2030-2031, the federal deficit is projected to decrease from $131 billion to $14 billion. Conversely, the financial situation of the provinces and territories is projected to deteriorate significantly. It is projected that their combined deficit will more than double within 10 years, from $46 billion in 2021-2022 to $103 billion in 2030-2031 (see Annex 1).

CHART 1

Budgetary balance of the federal and provincial and territorial governments
(billions of dollars)



Source: Conference Board of Canada.

2 Based on requested custom scenarios (that is, using the federal government's Fall Economic Statement 2020, including a federal recovery plan of $100 billion over 3 years, and projecting provincial and territorial health expenditures including improvement in services).

The federal government is projected to be in a surplus situation as of 2033-2034 and to post a surplus of more than $50 billion in 2039-2040, while the combined deficit of the provinces and territories could reach $208 billion.

Temporary deterioration in the federal government's financial situation

In the short term, the federal government finds itself in a deteriorated financial situation due to its strong support of the economy to counter the effects of the public health crisis.

However, in its November 30 Economic Statement, the federal government stated that:

> "While this extraordinary spending will cause significant deficits in the short term, on par with the scale of effort required to deal with this once-in-a-century kind of crisis, such deficits are distinct from the structural deficits of the 1990s."

The federal government plans to significantly reduce its deficits within five years. The federal government faces only temporary pressures while the provinces and territories face permanent pressures (health care; aging infrastructures).

TABLE 1

Fiscal projections
(billions of dollars)

	2021-2022	2025-2026	2030-2031	2035-2036	2039-2040
Federal government					
Fiscal balance	–130.5	–23.2	−13.5	15.7	50.9
Net debt / GDP (in %)	55.8%	55.1%	49.8%	42.1%	33.9%
Provinces and territories					
Fiscal balance	–46.5	–63.1	–102.5	–154.6	–207.9
Net debt / GDP (in %)	35.2%	39.8%	48.9%	60.5%	71.4%

Source: Conference Board of Canada.

The aging of Canada's population will lead to long-term dampened economic growth and lowered revenues to fund expensive government programs, like health care. In this context, provinces and territories will find it very difficult to balance their budgets.

According to projections by the Conference Board of Canada, provincial and territorial health care costs are projected to grow by 5.0% per year on average from 2023-2024 to 2039-2040,[3] assuming that the improvement in services seen on a historical basis continues.

[3] For 2020-2021 to 2022-2023, the Conference Board of Canada used provincial and territorial health expenditures forecast. The projection starts in 2023-2024 and goes on until 2039-2040.

In its October 2020 report on the drivers of rising health care costs in Canada, the Conference Board of Canada noted:

> “In the process of back-casting, or re-estimating, our health care projection model, history has shown that, on average, strategic decisions that increase access and improve health care outcomes add between 0.8 to 0.9 per cent to costs per year. […], this trend factor is projected to continue to add 0.8 to 0.9 per cent per year to overall health care costs, […].”

Given that the aging of Canada’s population will exert greater pressure on health expenditures and that uncertainty remains regarding the long-term impact of COVID-19 on health care costs, provincial and territorial health expenditures could grow at a greater pace than the 5.0% per year projected.

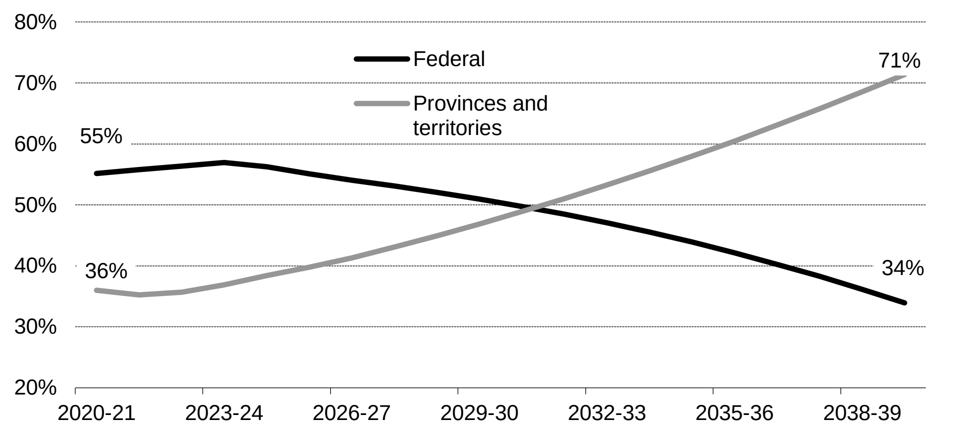
Based on these projections by the Conference Board of Canada, which are consistent with those of the Parliamentary Budget Officer and Trevor Tombe of the University of Calgary, provincial and territorial Ministers of Finance believe that the federal government will have financial flexibility in the coming years, unlike the provinces and territories.

Future changes in the net debt also reveal the federal government’s financial flexibility. It is projected that the federal government’s net debt as a proportion of GDP will decrease by 21 percentage points between 2020-2021 (55%) and 2039-2040 (34%).

However, the provinces’ and territories’ net debt as a proportion of GDP is projected to increase by 35 percentage points between 2020-2021 (36%) and 2039-2040 (71%). This is in part due to the federal decision to reduce CHT growth in 2017-2018, which improved the federal fiscal outlook while increasing the unsustainability of provinces and territories. The federal government has nothing to gain from provinces and territories facing rising debt to GDP levels and has an interest – and for the sake of the country bears some responsibility – to stop it from happening.

CHART 2

Projected net debt of the federal and provincial and territorial governments
(percentage of GDP)



Source: Conference Board of Canada.

Recent studies on the financial sustainability of governments in Canada

The Conference Board of Canada's projections showing that the federal government is in a better position than the provinces and territories concur with several other studies.

The Parliamentary Budget Officer[1]

The Parliamentary Budget Officer (PBO) publishes an annual report on the financial sustainability of governments in Canada. The 2020 report, published in February 2020, was updated last November to reflect the pandemic's impact.

Despite the significant deficit that the federal government forecasts in 2020-2021, the PBO continues to forecast that the federal government's public finances are sustainable over the long term, unlike those of the provinces and territories.

The PBO anticipates that the federal government could permanently increase its expenditures or reduce taxes by 0.8% of GDP ($19 billion actually, subsequently rising at the same pace as GDP), while stabilizing the net debt ratio over GDP at its pre-pandemic level over the long term.

The reverse is true for the provinces and territories. According to the PBO, to stabilize their debt ratio, they should permanently increase taxes or reduce their expenditures by 0.5% of GDP ($12 billion actually, subsequently rising at the same pace as GDP).

For the provinces and territories, the deficit projected by the PBO for 2039-2040 is smaller than the one projected by the Conference Board of Canada ($51 billion for the PBO compared to $208 billion for the Conference Board).

This difference is explained, among other things, by lower health expenditures ($14 billion less in 2020-2021 and $57 billion less in 2039-2040). The PBO has assumed an increase in provincial and territorial health expenditures of 4.3% per year on average from 2020-2021 to 2039-2040.

The PBO also projects stronger revenue growth for the provinces and territories (2020-2021 to 2039-2040, 3.4% per year on average compared to 3.1% for the Conference Board).

Trevor Tombe, University of Calgary[2]

Trevor Tombe of the University of Calgary also believes that the provinces' public finances are not sustainable, while the federal government's finances are. He has made available to the public an interactive tool in this respect.

For the combined net debt of the provinces to be equivalent at the end of the 50-year projection period to the current level, the provinces would have to increase their revenues or reduce their expenditures by 2.8% of GDP annually ($66 billion in 2021-2022).

Conversely, the federal government has at its disposal leeway equivalent to 1.0% of GDP (equivalent to $23 billion in 2021-2022).

1 Parliamentary Budget Officer, *Fiscal Sustainability Report 2020: Update*, November 6, 2020.

2 Trevor Tombe's Fiscal Gap Simulator is available at: **https://financesofthenation.ca/fiscal-gap-simulator/**

2. THE IMPACT OF PREMIERS' 35% REQUEST FOR INCREASING THE CHT ON THE FEDERAL DEBT TO GDP RATIO

The provinces and territories are asking that the Canada Health Transfer (CHT) budget allowance across Canada corresponds to an amount equivalent to 35% of their combined health expenditures.

— This represents a $28-billion increase in 2021-2022 in relation to the level in 2020-2021. This 35% share would subsequently be maintained.

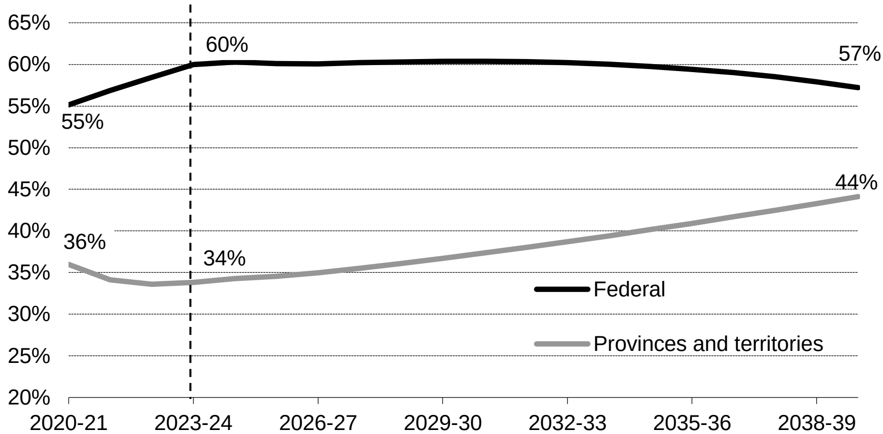
Compared to the status quo, the impact of a CHT increase to 35% of provincial and territorial health expenditures as of 2021-2022 could increase the federal government's net debt-to-GDP ratio by 5 percentage points as at March 31, 2026.

After a CHT increase, the debt burden of the federal government is however expected to stabilise, even decrease, while the one of provinces and territories is projected to continue to increase (see Chart 3).

— The debt-to-GDP ratio of the federal government is expected to stabilize at 60% as of 2023-2024 and to decrease over the long term.

CHART 3

Net debt of the federal and provincial and territorial governments – CHT at 35% starting in 2021-2022
(percentage of GDP)



Source: Conference Board of Canada.

A CHT increase would reduce the overall net debt of the federal, provincial, and territorial governments due to the federal government having lower borrowing costs than provinces and territories. <u>This would be a net benefit to Canadians</u>.

It would also ensure a better fiscal balance in the federation by giving the provinces and territories the revenues they need to meet their health care responsibilities.

Most importantly, the shift to 35% of provincial-territorial health spending would not only stabilize the current federal cost share but bring the federal support closer to the original 50-50 cost-sharing.

3. GROWTH IN PROVINCIAL AND TERRITORIAL HEALTH EXPENDITURES UNTIL 2040

❑ Health care cost drivers

On October 30, 2020 the Council of the Federation released the Conference Board of Canada's analysis report entitled *Health Care Cost Drivers in Canada*.

According to the Conference Board, these health care cost drivers are:

— Inflation (46% of the health care cost or 2.30 percentage points given a growth rate of 5.0%);

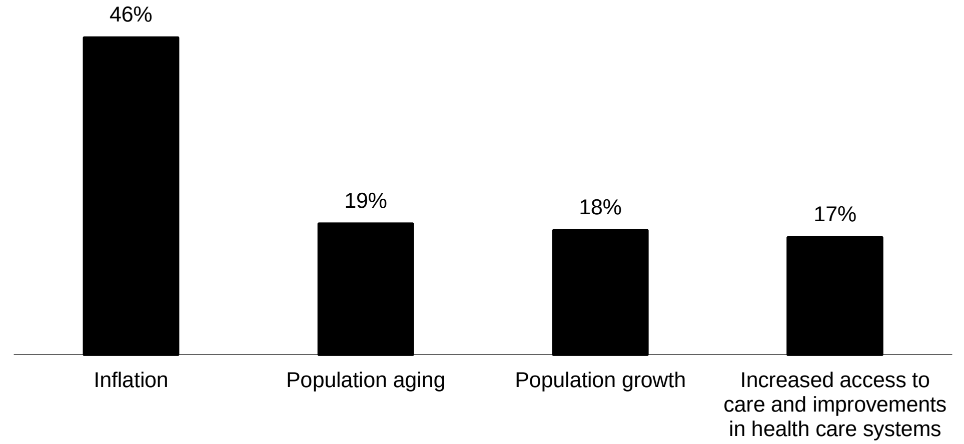
— Population aging (19% or 0.95 percentage points);

— Population growth (18% or 0.90 percentage points);

— Improved access to care and improvements in health care systems (17% or 0.85 percentage points, based on historical experience).

CHART 4

Factors responsible for the increase in health care costs
(percentage)



Source: Conference Board of Canada.

Also, according to the Conference Board, provinces and territories will face long-term indirect costs associated with COVID-19; studies report pulmonary, cardiac, renal and neurological complications.

In addition to the many direct and indirect implications of the pandemic on provincial and territorial health expenditures, the Conference Board notes that the virus will influence the organization and delivery of care for years to come.

The report identifies two consequences: telehealth and long-term care.

- In order to maximize the benefits of telehealth, additional investments in infrastructures will be required.

- Finally, the COVID-19 pandemic has drawn attention to the systemic challenges associated with long-term care, including outdated infrastructures, overcrowded rooms, regulatory incoherence, staff shortages and suboptimal working conditions.

Given the uncertainty regarding the long-term impact of COVID-19 and the greater pressure from population aging, the health care cost driver related to improved access to care and improvements in health care systems could be greater than the historical yearly of 0.85 percentage points to the growth rate.

❑ An updated forecast of provincial and territorial health expenditures

The Conference Board of Canada has updated its forecast of provincial and territorial health expenditures.

- In 2020-2021, provincial and territorial health expenditures (including pandemic costs) are forecast to stand at $204.8 billion, an increase of 13.4% over the previous year.

- They are forecast at $198.5 billion in 2021-2022 and at $201.2 billion in 2022-2023.

As a result, in order for the CHT to reach 35% of provincial and territorial health expenditures in 2021-2022, its level would have to be raised from $41.9 billion in 2020-2021 to $69.5 billion in 2021-2022; an increase of $27.6 billion.

- In 2021-2022, relative to what the federal government has already forecast (as outlined in the November 2020 Fall Economic Statement), the increase would be $26.3 billion (see table on next page).

- The federal government is forecasting an increase in CHT funding of $1.3 billion in 2021-2022 over the previous year.

Including improved services based on the historical trend, the Conference Board estimates that provincial and territorial health expenditures will grow by 5.0% per year on average as of 2023-2024.

On this basis, maintaining the CHT at 35% of provincial and territorial health expenditures would require an annual increase in the order of 5.0% per year.

A higher annual escalator would be necessary to reach 35% if the CHT was not immediately increased to 35% in 2021-2022, in order to ensure a catch-up.

If the federal government does nothing, the CHT is expected to represent 20% in 2030-2031 and less than 18% in 2039-2040.

TABLE 2

Share of federal funding of the provinces' and territories' (PTs) health expenditures

(millions of dollars and percentage)

	CHT (status quo) (column A)	Health expenditures of PTs(1) (column B)	Federal contribution to health expenditures of PTs (column A / column B)	Amounts needed relative to the status quo for the CHT to correspond to 35% of PTs health expenditures(2)
2020-2021	41,870	204,810	20.4%	
2021-2022(2)	43,126	198,461	21.7%	26,335
2022-2023	44,393	201,239	22.1%	26,041
2023-2024	47,114	209,832	22.5%	26,327
2024-2025	49,259	220,010	22.4%	27,744
2025-2026	51,015	230,840	22.1%	29,779
2026-2027	52,770	242,697	21.7%	32,174
2027-2028	54,692	255,753	21.4%	34,821
2028-2029	56,609	269,457	21.0%	37,701
2029-2030	58,539	283,772	20.6%	40,781
2030-2031	60,531	298,712	20.3%	44,018

(1) These expenditures include the costs associated with COVID-19.
(2) The 2021-22 funding under the Home Care and Mental Health Accord is $1.5B. Any increase to the CHT base funding in 2021-22 could be positioned as including the $1.5B Health Accord funding into the CHT base, plus an additional base funding increase.
Source: Conference Board of Canada.

Why has the projected increase in health expenditures been revised downward from the Conference Board's report of October 2020?

In October 2020, based on data prepared in the summer of 2020, the Conference Board of Canada projected that provincial and territorial health expenditures would increase annually by an average of 5.4% (2020-2021 to 2030-2031) excluding costs associated with COVID-19.

It was expected that COVID-19 would add between 0.1% and 0.3% on average per year, resulting in an increase in provincial and territorial health expenditures of 5.6% on average per year until 2030-2031 or 5.3% until 2039-2040.

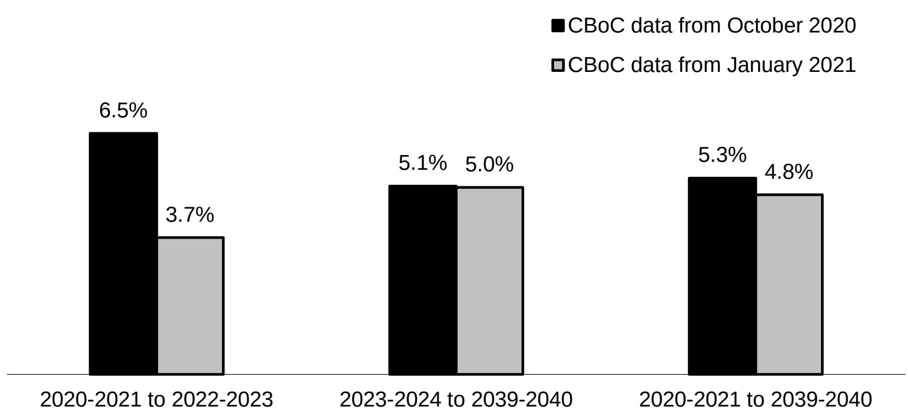
To establish the new projection to 2039-2040, the Conference Board used the most recent provincial and territorial forecasts for the years 2020-2021 to 2022-2023.

- In particular, for 2020-2021, health expenditures have been revised downward by $7.4 billion since last summer. Including the costs associated with the pandemic, the Conference Board estimated, in its last October report (scenario 2), provincial and territorial health spending at $212.2 billion; the most recent estimate totals $204.8 billion.

The result is a lower level of expenditures that drives down the long-term average annual projection for provincial and territorial health expenditures. Although, from 2023-2024 to 2039-2040, the growth rate has not changed significantly (5.1% in October 2020 versus 5.0% in January 2021).

One must keep in mind however that cost estimates for budget planning could underestimate actual costs (for example, provinces and territories will have to deal with the surge in procedures needed to "catch-up" the backlogs created by the pandemic and likely increase in complications caused by these delays).

Growth of provincial and territorial health expenditures
(percentage)



Source: Conference Board of Canada (CBoC).

The long-term health care costs trend

In recent years, the increase of health expenditures has kept pace with economic growth in Canada. As a result, the weight of provincial and territorial health expenditures as a share of the economy has remained relatively stable at nearly 8.0% between 2009-2010 and 2019-2020.

- The increase of health expenditures has served to recognize the needs related to population growth, effects of aging, inflation and improved services.
- The improvement in services is linked in particular to better access to care and a wider range of services. According to the Conference Board of Canada, this factor has contributed to a historical increase of 0.8 to 0.9 percentage points in the growth of health expenditures.

According to projections by the Conference Board of Canada, provincial and territorial health expenditures are projected to account for 10.5% of the economy by 2039-2040, an increase of 2.5 percentage points from 2010 levels.

Health economics researchers agree that various factors will exert greater pressure on health costs in the future than in the past.

- Population aging will accelerate the prevalence of chronic illnesses and home care. It will also lead to an intensification of public investment in residential centres.
- Some health problems in the population will continue to increase, such as mental health problems.
- The acquisition cost of medical technologies and medications will grow more than in the past, particularly with the arrival of innovative cancer treatments and biologic drugs.
- Inadequate use of digital technologies in several provinces, coupled with the emergence of new practices such as telemedicine, will also put significant pressure on technological costs.
- Public health costs will be higher due to behavioural changes associated with the COVID-19 pandemic.

These factors call for an acceleration of the importance of health expenditures in the economy.

- As such, experts agree that the weight of health expenditures in advanced economies will accelerate in the coming years. They forecast increases in health expenditures of almost 7% of GDP on average for advanced economies between 2010 and 2060.[1]

1 2020, Marc Robinson, *Bigger government: The future of government expenditure in advanced economies*, chapter 3.

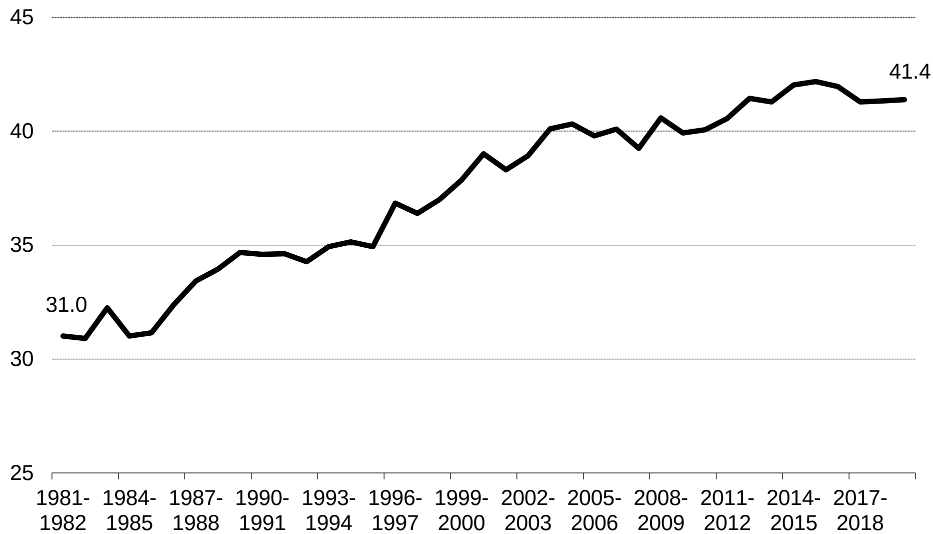
❑ A growing share of provincial budgets

In 1981-1982, provincial and territorial health expenditures accounted for 31.0% of their total portfolio expenditures. In 2019-2020, they accounted for 41.4%. Hence, the resources available for other government missions have decreased as a proportion of the total budget.

Given the significant cost pressures on health care systems, this share is expected to continue to increase. An increase in the CHT to 35% of provincial and territorial health expenditures is essential to ensure that health investments do not continue to be made at the expense of other provincial and territorial missions.

CHART 5

Health expenditures as a share of total portfolio expenditures of the provinces and territories
(percentage)



Source: Conference Board of Canada.

Measuring provincial and territorial health expenditures

How to explain the differences between how the Parliamentary Budget Officer (PBO), the Canadian Institute for Health Information (CIHI) and the Conference Board of Canada calculate health spending.

Overall, for any given year, they all produce similar data.

The Conference Board bases its data on provincial and territorial public accounts and, compared to the CIHI, produces long-term forecasts. That is why in this report its data were used.

Provincial and territorial (PT) health expenditures, 2019-2020
(millions of dollars)

	Conference Board of Canada	Canadian Institute for Health Information (CIHI)	Parliamentary Budget Officer
PT health expenditures	180,546	174,203	176,685
Federal contribution (CHT over PT health expenditures)	22.4%	23.2%	22.9%
Variation from the Conference Board of Canada data	*0.0%*	*0.8%*	*0.5%*

Note: The Conference Board of Canada and CIHI data are from January 2021, while the Parliamentary Budget Officer's data is from November 2020.
Sources: Conference Board of Canada, Canadian Institute for Health Information and Parliamentary Budget Officer.

ANNEX 1: FEDERAL GOVERNMENT'S AND PROVINCES' AND TERRITORIES' FINANCIAL PROJECTIONS UNDER THE STATUS QUO

TABLE 3

Federal government's financial projections (status quo)

(billions of dollars, unless indicated otherwise)

	Revenue	Expenditure	Balance	Net debt	Net debt to GDP
2020-2021	276.4	–659.8	–383.4	1,202	55.1%
2021-2022	346.0	–476.6	–130.5	1,338	55.8%
2022-2023	373.0	–462.7	–89.7	1,432	56.4%
2023-2024	393.9	–456.6	–62.7	1,498	56.9%
2024-2025	408.9	–432.8	–23.9	1,525	56.3%
2025-2026	423.8	–447.0	–23.2	1,551	55.1%
2026-2027	440.9	–464.6	–23.7	1,577	54.0%
2027-2028	459.5	–481.4	–21.9	1,602	53.1%
2028-2029	478.3	–498.1	–19.8	1,624	52.1%
2029-2030	497.7	–514.8	–17.1	1,644	51.0%
2030-2031	517.5	–531.0	−13.5	1,660	49.8%
2031-2032	538.1	–547.1	–9.0	1,672	48.5%
2032-2033	559.5	–563.3	–3.8	1,679	47.1%
2033-2034	581.7	–579.6	2.0	1,680	45.5%
2034-2035	604.8	–596.2	8.6	1,674	43.9%
2035-2036	628.8	–613.1	15.7	1,661	42.1%
2036-2037	653.5	–630.2	23.3	1,641	40.3%
2037-2038	679.0	–647.2	31.8	1,613	38.3%
2038-2039	705.5	–664.4	41.1	1,575	36.2%
2039-2040	732.7	–681.8	50.9	1,527	33.9%

Source: Conference Board of Canada.

TABLE 4

Provinces' and territories' financial projections (status quo)
(billions of dollars, unless indicated otherwise)

	Revenue	Expenditure	Balance	Net debt	Net debt to GDP
2020-2021	440.6	–509.6	–76.5	785	36.0%
2021-2022	452.4	–498.8	–46.5	845	35.2%
2022-2023	462.7	–510.2	–47.5	907	35.7%
2023-2024	479.9	–529.0	–49.1	971	36.9%
2024-2025	495.2	–550.4	–55.2	1,041	38.4%
2025-2026	511.6	–574.7	–63.1	1,120	39.8%
2026-2027	529.9	–599.8	–69.9	1,205	41.3%
2027-2028	548.7	–626.0	–77.4	1,299	43.1%
2028-2029	567.9	–653.4	–85.4	1,401	44.9%
2029-2030	587.9	–681.7	–93.8	1,511	46.8%
2030-2031	608.6	–711.1	–102.5	1,631	48.9%
2031-2032	630.2	–741.8	–111.6	1,760	51.0%
2032-2033	652.4	–774.0	–121.7	1,899	53.2%
2033-2034	675.3	–807.5	–132.2	2,050	55.6%
2034-2035	699.2	–842.3	–143.1	2,211	58.0%
2035-2036	723.9	–878.5	–154.6	2,385	60.5%
2036-2037	749.1	–916.0	–166.9	2,571	63.1%
2037-2038	775.3	–955.1	–179.8	2,770	65.8%
2038-2039	802.4	–995.9	–193.5	2,984	68.5%
2039-2040	830.4	–1,038.3	–207.9	3,212	71.4%

Source: Conference Board of Canada.

ANNEX 2: FEDERAL GOVERNMENT'S AND PROVINCES' AND TERRITORIES' FINANCIAL PROJECTIONS WITH A CHT INCREASE

TABLE 5

Federal government's financial projections (CHT increase)
(billions of dollars, unless indicated otherwise)

	Revenue	Expenditure	Balance	Net debt	Net debt to GDP
2020-2021	276.4	–659.8	–383.4	1,202	55.1%
2021-2022	346.0	–502.9	–156.9	1,364	56.9%
2022-2023	373.0	–489.1	–116.1	1,485	58.4%
2023-2024	393.9	–483.7	–89.8	1,578	60.0%
2024-2025	408.9	–461.9	–53.0	1,634	60.3%
2025-2026	423.8	–478.8	–55.0	1,692	60.1%
2026-2027	440.9	–499.7	–58.8	1,753	60.1%
2027-2028	459.5	–520.0	–60.5	1,816	60.2%
2028-2029	478.3	–540.5	–62.2	1,881	60.3%
2029-2030	497.7	–561.3	–63.6	1,947	60.4%
2030-2031	517.5	–581.8	–64.3	2,014	60.4%
2031-2032	538.1	–602.4	–64.3	2,081	60.3%
2032-2033	559.5	–623.4	–63.9	2,148	60.2%
2033-2034	581.7	–644.8	–63.2	2,214	60.0%
2034-2035	604.8	–666.8	–62.0	2,279	59.8%
2035-2036	628.8	–689.3	–60.5	2,343	59.4%
2036-2037	653.5	–712.3	–58.8	2,405	59.0%
2037-2038	679.0	–735.6	–56.6	2,465	58.5%
2038-2039	705.5	–759.4	–53.9	2,522	57.9%
2039-2040	732.7	–783.7	–50.9	2,576	57.2%

Source: Conference Board of Canada.

TABLE 6

Provinces' and territories' financial projections (CHT increase)

(billions of dollars, unless indicated otherwise)

	Revenue	Expenditure	Balance	Net debt	Net debt to GDP
2020-2021	440.6	–509.6	–76.5	785	36.0%
2021-2022	478.7	–498.8	–20.1	819	34.1%
2022-2023	488.8	–509.3	–20.5	854	33.6%
2023-2024	506.2	–527.1	–20.9	889	33.8%
2024-2025	523.0	–547.4	–24.5	929	34.3%
2025-2026	541.4	–570.3	–28.9	973	34.6%
2026-2027	562.1	–593.8	–31.7	1,021	35.0%
2027-2028	583.5	–618.3	–34.8	1,072	35.5%
2028-2029	605.6	–643.8	–38.1	1,126	36.1%
2029-2030	628.7	–670.0	–41.4	1,184	36.7%
2030-2031	652.6	–697.2	–44.5	1,246	37.3%
2031-2032	677.6	–725.4	–47.8	1,311	38.0%
2032-2033	703.4	–754.9	–51.5	1,380	38.7%
2033-2034	730.1	–785.4	–55.2	1,454	39.4%
2034-2035	757.9	–816.9	–59.0	1,531	40.2%
2035-2036	786.7	–849.4	–62.8	1,613	40.9%
2036-2037	816.1	–883.0	–66.9	1,699	41.7%
2037-2038	846.8	–917.9	–71.1	1,790	42.5%
2038-2039	878.4	–953.9	–75.5	1,885	43.3%
2039-2040	911.1	–991.3	–80.2	1,986	44.1%

Source: Conference Board of Canada.