MFOA | MUNICIPAL FINANCE OFFICERS' ASSOCIATION OF ONTARIO

FEDERAL BUDGET 2017: BUILDING A STRONG MIDDLE CLASS

Date: March 22, 2017

1. BUDGET AND RELATED DOCUMENTS

2017 Federal Budget

2. FEDERAL BUDGET 2017 PRIORITIES

The 2017 budget stresses a number of themes:

- Skills, innovation, and middle class jobs (p. 43)
- Communities built for change (p. 113)
- A strong Canada at home and in the world (p. 153)
- Tax fairness for the middle class (p. 197)
- Equal opportunity: gender statement (p. 217)

3. MUNICIPAL HIGHLIGHTS

INFRASTRUCTURE

- $20.1 B for public transit announced in the *2016 Fall Economic Statement* will be spent through bilateral agreements with provinces and territories, with allocations determined using a formula based on ridership (70%) and population (30%) (p. 120).
- How $21.9 B dedicated to green infrastructure announced in *the 2016 Fall Economic Statement* will be spent (p. 122):
  - Funds to flow through three streams ($9.2 B to the provinces via bilateral agreements on a base plus per capita allocation basis; $5 B through the Canada Infrastructure Bank; $2.8 B through a series of national programs).
  - National programs to include:
    - $100 M to support next generation smart grid, storage and clean electricity technology demonstration projects.
    - $200 M to support the deployment of emerging renewable energy technologies nearing commercialization.
    - $220 M to reduce the reliance of rural and remote communities on diesel fuel.
    - $120 M to deploy infrastructure for electric vehicle charging and natural gas and hydrogen refuelling stations.
    - $182 M to develop and implement new building codes to retrofit existing buildings and build new net-zero energy consumption buildings.

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    - $2 B for a Disaster Mitigation and Adaptation Fund to support national, provincial, and municipal infrastructure required to deal with the effects of climate change.
- Details provided on how $10.1 B on trade and transportation projects from the *2016 Fall Economic Statement* will be spent:
    - $2 B over 11 years to support a National Trade Corridors Fund (p. 139)
    - $50 M over 11 years for a trade and transportation information system
    - $867.3 M to VIA Rail over three years, starting in 2017/18, to support its operations and capital requirements (p. 140); $445 M to Marine Atlantic Inc.; and $278 M to support select ferry services (p. 141).
- For bilateral agreements, up to 40% federal funding for projects undertaken with municipal partners. For public transit in provinces, the federal government will provide up to 50% of eligible costs for rehabilitation projects (with funding for rehabilitation projects capped at 15% of total public transit funding), while funding for new public transit construction and expansion projects will be cost-shared at up to 40% federal funding (p. 145).
- Details provided on how the $21.9 B for social infrastructure projects will be spent (p. 266). These projects primarily relate to child care and housing and are found in other sections of the write up.
- $364 M over two years, starting in 2018/19, to the Parks Canada Agency to continue its management of national parks, national marine conservation areas and national historic sites (p. 124).
- Develop water protection measures in co-operation with provincial, territorial and Indigenous partners to protect 17% of land and inland waters, and 10% of coastal and marine waters (p. 125).
- $2 B announced in 2016 to establish the Low Carbon Economy Fund in two years has been stretched to five years (p. 126).
- Statistics Canada to collect information on infrastructure demand, usage, and to track the impacts of infrastructure investment (p. 119).
- $1.37 M in 2017/18 to Public Safety Canada for the operations of the Regional Resilience Assessment Program and the Virtual Risk Analysis Cell, which safeguards Canada's critical infrastructure (p.191).
- $4 B over 10 years, starting in 2018/19, to build and improve housing, water treatment systems, health facilities and other community infrastructure in Indigenous communities (p. 146).

HOUSING

- $3.2 B over the next 11 years to provinces and territories to support key priorities for affordable housing, which will be provided through an investment framework that will replace the existing Investment in Affordable Housing initiative, which is set to expire at the end of 2018/19 (p. 133).
- New National Housing Strategy, including a $5 B National Housing Fund to address critical housing issues (p. 133). The National Housing Fund will provide municipalities with sustained access to low-cost loans for the repair and renewal of housing units, as

well as for the construction of new affordable housing, through the Affordable Rental Housing Financing Initiative (p. 134).

- $300 M over the next 11 years to provide targeted support for northern housing (p. 135).
- $2.1 B over the next 11 years to expand and extend funding for the Homelessness Partnering Strategy beyond 2018/19, when current funding is scheduled to end (p. 136).
- $39.9 M to Statistics Canada over five years to develop the Housing Statistics Framework to fill in gaps on the degree of foreign ownership and geographical data on homeowner demographic and financing characteristics (p. 30).

ATLANTIC CANADA

- To support the continued operations of Marine Atlantic Inc., Budget 2017 proposes to provide funding of up to $445.3 M over three years on a cash basis, starting in 2017–18, including existing resources (p. 141).
- Budget 2017 proposes to provide $278.3 M over five years on a cash basis, starting in 2017–18, including existing resources, to support ferry routes between Îles de la Madeleine, Quebec, and Souris, Prince Edward Island; between Saint John, New Brunswick, and Digby, Nova Scotia; and between Wood Islands, Prince Edward Island, and Caribou, Nova Scotia (p. 141).

OTHER

- Removal of the tax exemptions for non-accountable expense allowances paid to members of provincial and territorial legislative assemblies and to certain municipal office-holders (p. 208).
- $1.8 B over 10 years starting in 2018/19 to support cultural institutions. Of this amount, more than $1.3 B will be provided to provinces and territories through the second phase of social infrastructure funding (p. 142).

4. OTHER INITIATIVES

HEALTH CARE

- In 2017/18, the Government will provide over $37.1 B to the provinces and territories, under the Canada Health Transfer, an increase of $1.1 B from 2016 (p.154).
- $6 B over 10 years for home care, and $5 B over 10 years to support mental health initiatives (p.156).
- Canadian Drugs and Substances Strategy – an investment of $35 M over five years starting in 2017/18 to address the Canadian opioid crisis (p.159).

INNOVATION

- Allocate previously announced funds of $950 M over five years, starting in 2017/18, on a competitive basis in support of a small number of business-led innovation “superclusters” that have the greatest potential to accelerate economic growth (p. 79).
- Allocate $1.26 B ($1 B previously announced) to a five-year Strategic Innovation Fund to consolidate and simplify existing business innovation programming, in particular the Strategic Aerospace and Defence Initiative, Technology Demonstration Program, Automotive Innovation Fund and Automotive Supplier Innovation Program (p. 82).
- Make available through the Business Development Bank of Canada $400 M over three years, starting in 2017/18, for a new Venture Capital Catalyst Initiative that will increase late-stage venture capital available to Canadian entrepreneurs (p. 83).
- Develop a new intellectual property strategy over the coming year (p. 87).
- $1.4 B in new financing (equity investments, working capital, and project financing) to help Canada’s clean technology firms grow and expand (p. 98).
- $400 M over five years, starting in 2017/18, to recapitalize the Sustainable Development Technology Canada Tech Fund (p. 98).
- $125 M to launch a PanCanadian Artificial Intelligence Strategy for research and talent (p. 104).
- $300 M over 11 years to launch a Smart Cities Challenge Fund (p. 118).
- A summary of all innovation items can be found on (p. 109).

INDIGENOUS COMMUNITIES

- $828.2 M over five years, starting in 2017/18, to improve the health outcomes of First Nations and Inuit, including mental health services (p.164).
- Budget 2017 proposes to invest $89.9 M over the next three years to support Indigenous languages and cultures (p.167).
- An investment of $18.9 M over five years, starting in 2017/18, and ongoing funding of $5.5 M every four years thereafter, to support Indigenous youth and sport (p.168).
- Budget 2017 proposes to provide $25 M over five years, starting in 2017–18, to support a pilot Indigenous Guardians Program. This initiative will give Indigenous Peoples greater responsibility and resources to manage their traditional lands and waterways (p.170).

TAX RELIEF

- A projected $310 M in additional tax relief over the 2016-17 to 2021-22 through the creation of a more simplified caregiver credit system – the Canada Caregiver Credit (pp. 205-206).
- Widen eligibility to the Tuition Tax Credit to include occupational skills courses taken at a post-secondary institution in Canada (p. 206).
- Medical Expense Tax Credit clarified so that individuals who require medical intervention in order to conceive a child are eligible to claim the same expenses that would generally be eligible for individuals on account of medical infertility (p. 207).

- Extend the 15% Mineral Exploration Tax Credit to March 31, 2018 (p. 93).

EMPLOYMENT

- Amend the *Employment Insurance Act* and the *Canada Labour Code* to (p. 63):
    - Allow parents to choose to receive EI parental benefits over an extended period of up to 18 months at a lower benefit rate of 33% of average weekly earnings.
    - Allow women to claim EI maternity benefits up to 12 weeks before their due date, expanded from the current standard of 8 weeks, if they so choose.
- $691.3 M over five years, starting in 2017/18, and $168.1 M per year thereafter, to create a new EI caregiving benefit of up to 15 weeks (p. 63).
- To help workers upgrade skills, $1.8 B over six years, starting in 2017/18, to expand the Labour Market Development Agreements, amendments to the EI eligibility rules, and $900 M over six years, starting in 2017/18, for new Workforce Development Agreements (p. 53).
- An additional $395.5 M over three years, starting in 2017/18, for the Youth Employment Strategy (p. 59).

OTHER

- Amend the *Immigration and Refugee Protection Act* to ensure that the Express Entry system, the system that manages Canada's economic permanent residence programs, is responsive to the needs of the Canadian labour market (p. 67).
- $279.8 M over five years, starting in 2017/18, and $49.8 M per year thereafter, to support the continued delivery of the Temporary Foreign Worker Program and the International Mobility Program (p. 70).
- $7 B over 10 years, starting in 2018/19, to support and create more high quality, affordable child care spaces across the country (p. 132).
- $152 M in 2017/18 for the Canadian Air Transport Security Authority, Transport Canada, and the Royal Canadian Mounted Police for security screening of travelers (p. 142).
- An additional investment of $523.9 M over five years to prevent tax evasion and improve tax compliance. The investment will be used to fund new initiatives and extend existing programs (p. 201).
- Eliminate Public Transit Tax Credit (p. 207).
- $80 M over five years, starting in 2018/19, and $20 M thereafter, to support the establishment of a tax-free Community Heroes benefit to be implemented in cooperation with provinces, territories, and municipalities (p. 189).
- Increase tax on tobacco and for alcohol, the excise duty rates are going up 2% and starting 2018/19 will be adjusted every April 1, based on the consumer price index (p. 209).
- Ride-share services to be subject to the same GST/HST rules as traditional taxis (p. 209).

5. STATE OF THE ECONOMY

OVERVIEW

Private sector economists expected a real gross domestic product (GDP) growth of 1.9% in 2017 and 2.0% in 2018. They projected real GDP growth to slow to about 1.7% on average per year through 2021 (p. 243).

Private sector economists projected the unemployment rate to stand at 6.9% in 2017 and to gradually decline to 6.4% by 2021 (p. 244).

Economic growth in Canada strengthened notably in the second half of last year, in part reflecting a rebound in oil production following the Fort McMurray wildfires. Stronger growth was fueled by solid consumer spending, and bolstered by an easing of cuts to investment in the oil and gas sector. Non-oil-related sectors in particular have remained firm, growing by over 3% since the end of 2014 (p. 24).

Household spending continued to grow at a solid pace in 2016, supported by still-low interest rates and continued gains in disposable incomes. Although consumption has been driven by non-oil-producing provinces, retail trade in Alberta has shown indications of picking up since July 2016 (p. 26).

Oil and gas investment activity is expected to stabilize in 2017. By 2018, it is expected that higher capital expenditures required to sustain output for existing oil sands projects, along with increased drilling of conventional wells, should result in additional investment in the sector (p. 28).

Oil prices are expected to remain relatively low (for example, current futures contracts suggest prices could remain around US$50 over the next five years), reflecting persistently high U.S. crude oil inventories, the potential for increased output from U.S. shale oil producers, concerns over the durability of the Organization of the Petroleum Exporting Countries production cuts, and a weak overall global economic environment (p. 28).

Canada's housing market continued to be marked by four distinct regional patterns in 2016. The most notable developments have taken place in the Vancouver market, where sales dropped sharply between March and August 2016. However, this drop followed a sharp run-up in sales and prices between June 2015 and January 2016. During this latter period, year-over-year growth in housing sales reached 40%, while house price growth peaked at over 30%. Despite the decline, sales volumes in Vancouver remain close to their average pace over the 2010 to 2014 period (p. 29).

Resale housing market activity continues to be very strong in Toronto and its surrounding areas. This strong demand, in the face of relatively flat supply growth, has resulted in a notable acceleration in price gains since late 2015. In major oil-producing provinces, the housing market is generally soft, though Alberta has shown signs of picking up in recent months. The market is more positive elsewhere (p. 29).

Rising house prices in some markets has coincided with rising household debt. The household debt-to-income ratio continued to trend upward in 2016, as did the share of highly indebted households in many Canadian cities (p. 29).

Canada maintained a significant trade deficit in non-energy goods and services with the United States in 2016. Despite the recent improvement in U.S. growth, U.S. goods imports have been relatively flat since early 2015, which has weighed on Canadian non-energy goods exports. Export categories that have historically been more sensitive to exchange rate movements—such as motor vehicle engine and parts manufacturing, the lumber industry and industrial machinery manufacturing—have generally performed better over the last two years. However, this has not resulted in as strong a boost to Canadian export growth as in the past, in part because the currencies of some of Canada's competitors have depreciated by even more than the Canadian dollar versus the U.S. dollar (p. 32).

GLOBAL OUTLOOK

The International Monetary Fund expects that global growth will accelerate from 3.1% in 2016 to 3.4% in 2017. China's economy continues to expand at a robust pace. In Russia and Brazil, economic conditions are improving as recessions related to the oil shock and political uncertainty ease. Euro area growth remains steady, but modest. The U.S. economy strengthened in the second half of 2016 after a disappointing start to the year, and is expected to continue expanding at a relatively healthy pace (p. 31).

Private sector forecasts for short-term U.S. growth and inflation have been revised upward since the November presidential election, owing largely to expected tax cuts, infrastructure spending and energy sector deregulation (p. 31).

Expectations of stronger U.S. growth, in particular as a result of anticipated fiscal measures in that country, have led to expectations of higher inflation going forward, in turn resulting in a rapid uptick in government bond yields in late 2016. Meanwhile, equity markets in advanced economies have continued to reach new highs, buoyed by solid current and expected earnings growth (p. 33).

Global financial conditions remain supportive of economic activity. Nonetheless, a number of uncertainties and risks could result in renewed financial market volatility, including high and rising debt levels in China, and the potential for sharp capital outflows from emerging markets (p. 33).

6. STATE OF FEDERAL FINANCES

After accounting for Budget 2017 proposals, the budgetary balance is expected to show deficits of $23.0 B in 2016–17 and $28.5 B in 2017–18. Over the remainder of the forecast horizon, deficits are expected to decline gradually from $27.4 B in 2018–19 to $18.8 B in 2021–22 (p. 251).

Budget 2017 includes an adjustment for risk of $3.0 B in 2017–18 and future years, to account for risks and uncertainty in the economic and fiscal forecast (p. 37).

Overall, a slight pick-up in economic growth drives a 4.3% increase in projected revenues in 2017–18, up from a 1.1% decline in 2016–17. Budgetary revenues are then projected to grow at an average of 4.0% per year from 2018–19 to 2021–22, in line with the outlook for nominal GDP (p. 252).

Major transfers to persons are projected to increase from $91.2 B in 2016–17 to $110.6 B in 2021–22. Major transfers to persons consist of elderly, EI and children's benefits (p. 257).

The federal debt-to-GDP ratio is projected to decline gradually after 2018–19 to the end of the fiscal horizon, reaching 30.9% in 2021–22 (p. 251).

Table A1.1

Average Private Sector Forecasts

per cent, unless otherwise indicated

	2016	2017	2018	2019	2020	2021	2016–2021
Real GDP growth							
Budget 2016	1.4	2.2	2.2	2.0	1.9	–	–
2016 *Fall Economic Statement*	1.4	2.1	1.8	1.8	1.8	1.9	1.8
Budget 2017	1.3	1.9	2.0	1.7	1.7	1.8	1.7
GDP inflation							
Budget 2016	0.9	2.4	2.1	2.1	2.1	–	–
2016 *Fall Economic Statement*	0.6	2.2	1.8	2.1	2.0	2.1	1.8
Budget 2017	0.6	2.1	2.0	1.8	2.1	2.0	1.8
Nominal GDP growth							
Budget 2016	2.3	4.6	4.3	4.2	4.1	–	–
2016 *Fall Economic Statement*	2.0	4.3	3.7	4.0	3.9	4.0	3.7
Budget 2017	2.0	4.1	4.0	3.5	3.8	3.8	3.5
Nominal GDP level (billions of dollars)							
Budget 2016	2,033	2,126	2,218	2,310	2,404	–	–
2016 *Fall Economic Statement*	2,026	2,114	2,191	2,279	2,368	2,463	–
Budget 2017	2,025	2,109	2,194	2,271	2,357	2,447	–
Difference between 2016 *Fall Economic Statement* and Budget 2017	-1	-5	3	-8	-11	-16	-6
3-month treasury bill rate							
Budget 2016	0.5	0.7	1.6	2.4	2.7	–	–
2016 *Fall Economic Statement*	0.5	0.6	1.0	1.6	1.9	2.4	1.3
Budget 2017	0.5	0.6	0.9	1.4	1.8	2.3	1.2
10-year government bond rate							
Budget 2016	1.6	2.3	3.0	3.4	3.6	–	–
2016 *Fall Economic Statement*	1.2	1.6	2.1	2.5	2.8	3.3	2.2
Budget 2017	1.3	1.8	2.3	2.7	3.0	3.3	2.4
Exchange rate (US cents/C$)							
Budget 2016	72.1	75.9	79.1	81.5	83.1	–	–
2016 *Fall Economic Statement*	75.8	77.6	79.5	80.2	81.7	83.2	79.7
Budget 2017	75.5	74.5	76.1	77.4	79.3	81.3	77.4
Unemployment rate							
Budget 2016	7.1	6.9	6.5	6.4	6.3	–	–
2016 *Fall Economic Statement*	7.0	6.9	6.8	6.7	6.5	6.2	6.7
Budget 2017	7.0	6.9	6.7	6.7	6.6	6.4	6.7

Table A1.1

Average Private Sector Forecasts

per cent, unless otherwise indicated

	2016	2017	2018	2019	2020	2021	2016–2021
Consumer Price Index inflation							
Budget 2016	1.6	2.0	2.0	2.0	2.0	–	–
2016 *Fall Economic Statement*	1.6	2.1	1.9	2.0	1.9	2.0	1.9
Budget 2017	1.5	2.0	2.0	1.9	1.9	2.0	1.9
U.S. real GDP growth							
Budget 2016	2.3	2.4	2.4	2.2	2.1	–	–
2016 *Fall Economic Statement*	1.6	2.2	2.0	2.0	2.0	2.1	2.0
Budget 2017	1.6	2.3	2.3	1.8	1.9	2.0	2.0
WTI crude oil price ($US per barrel)							
Budget 2016	40	52	59	63	63	–	–
2016 *Fall Economic Statement*	44	54	57	59	60	65	57
Budget 2017	43	54	59	56	59	64	56

Notes: For Budget 2016 and the 2016 *Fall Economic Statement*, GDP figures have been restated to reflect the historical revisions to the Canadian System of National Accounts, which were published along with data for the third quarter of 2016, released on November 30, 2016. Figures for Budget 2017 (the December 2016 survey) have not been restated to reflect the historical revisions to the Canadian System of National Accounts, which were published along with data for the fourth quarter of 2016, released on March 2, 2017.

Sources: For Budget 2016, Department of Finance Canada February 2016 survey of private sector economists; for the 2016 Fall Economic Statement, Department of Finance Canada September 2016 survey of private sector economists; for Budget 2017, Department of Finance Canada December 2016 survey of private sector economists; Statistics Canada.

FEDERAL TRANSFERS

Transfer	**Details**
Canada Health Transfer (CHT)	• Projected to grow from $36.1 B in 2016-17 to $42.9 B in 2021-22. Legislated to grow by 6.0% in 2016-17, the CHT will grow in line with a three-year moving average of nominal GDP growth, with a guaranteed funding increase of at least 3% per year.
Canada Social Transfer (CST)	• Legislated to grow at 3% per year, it will grow from $13.3 B in 2016-17 to $15.5 B in 2021-22.
Gas Tax Fund	• Indexed at 2% per year, it is projected to grow from $2.1 B in 2016-17 to $2.3 B in 2021-22 (increases to be applied in $100 M increments).
Equalization and Territorial Formula Financing	• Equalization payments are projected to grow from $17.9 B in 2016-17 to $21.1 B by 2021-22. • Territorial Formula Financing is projected to increase from $3.6 B in 2016-2017 to $3.9 B by 2021-22.

Appendix A: Revenue Outlook

Table A1.6

Revenue Outlook

billions of dollars

		Projection					
	2015–2016	**2016–2017**	**2017–2018**	**2018–2019**	**2019–2020**	**2020–2021**	**2021–2022**
Income taxes							
Personal income tax	144.9	143.2	152.1	157.8	164.4	171.0	178.6
Corporate income tax	41.4	42.5	43.6	44.4	45.7	47.6	50.1
Non-resident income tax	6.5	6.6	6.9	7.1	7.5	7.8	8.0
Total income tax	192.8	192.4	202.6	209.3	217.5	226.3	236.8
Excise taxes/duties							
Goods and Services Tax	33.0	33.7	35.1	36.4	37.8	39.3	41.0
Customs import duties	5.4	5.4	4.9	5.0	5.2	5.5	5.7
Other excise taxes/duties	11.5	11.6	11.7	11.7	11.8	12.0	12.0
Total excise taxes/duties	49.8	50.6	51.7	53.2	54.8	56.7	58.7
Total tax revenues	**242.7**	**243.0**	**254.3**	**262.5**	**272.3**	**283.1**	**295.5**
Employment Insurance premium revenues	23.1	22.3	21.2	22.4	23.2	24.1	25.0
Other revenues							
Crown corporations	12.5	10.1	11.4	11.9	12.5	12.6	13.5
Other programs	15.0	14.7	15.8	16.6	17.3	17.9	19.0
Net foreign exchange	2.3	1.9	1.9	2.2	2.4	2.7	3.0
Total other revenues	29.7	26.7	29.1	30.6	32.2	33.1	35.5
Total budgetary revenues	**295.5**	**292.1**	**304.7**	**315.6**	**327.7**	**340.3**	**356.0**
Per cent of GDP							
Personal income tax	7.3	7.1	7.2	7.2	7.2	7.3	7.3
Corporate income tax	2.1	2.1	2.1	2.0	2.0	2.0	2.0
Goods and Services Tax	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Total tax revenues	12.2	12.0	12.1	12.0	12.0	12.0	12.1
Employment Insurance premium revenues	1.2	1.1	1.0	1.0	1.0	1.0	1.0
Other revenues	1.5	1.3	1.4	1.4	1.4	1.4	1.5
Total budgetary revenues	**14.9**	**14.4**	**14.4**	**14.4**	**14.4**	**14.4**	**14.5**

Note: Totals may not add due to rounding.

Appendix B: Expense Outlook

Table A1.7

Program Expenses Outlook

billions of dollars

		Projection					
	2015–2016	2016–2017	2017–2018	2018–2019	2019–2020	2020–2021	2021–2022
Major transfers to persons							
Elderly benefits	45.5	48.3	51.1	53.9	57.0	60.2	63.7
Employment Insurance benefits[1]	19.4	21.0	22.0	22.0	22.6	23.2	23.7
Children's benefits	18.0	21.9	23.0	22.8	22.5	22.8	23.2
Total	82.9	91.2	96.1	98.8	102.1	106.2	110.6
Major transfers to other levels of government							
Canada Health Transfer	34.0	36.1	37.1	38.4	39.9	41.4	42.9
Canada Social Transfer	13.0	13.3	13.7	14.2	14.6	15.0	15.5
Equalization	17.3	17.9	18.3	18.9	19.6	20.3	21.1
Territorial Formula Financing	3.6	3.6	3.7	3.8	3.8	3.8	3.9
Gas Tax Fund	2.0	2.1	2.1	2.2	2.2	2.2	2.3
Other fiscal arrangements[2]	-4.0	-4.3	-4.7	-4.8	-5.1	-5.3	-5.6
Total	65.9	68.7	70.2	72.5	74.9	77.5	80.1
Direct program expenses							
Transfer payments	34.9	42.7	45.4	47.8	47.9	49.5	51.1
Capital amortization	4.7	5.0	5.5	5.8	6.2	6.5	6.7
Operating expenses	82.5	83.2	88.3	88.8	88.6	88.9	89.9
Total	122.1	130.9	139.1	142.4	142.7	144.9	147.8
Total program expenses	**270.8**	**290.9**	**305.4**	**313.7**	**319.8**	**328.6**	**338.5**
Per cent of GDP							
Major transfers to persons	4.2	4.5	4.6	4.5	4.5	4.5	4.5
Major transfers to other levels of government	3.3	3.4	3.3	3.3	3.3	3.3	3.3
Direct program expenses	6.1	6.5	6.6	6.5	6.3	6.1	6.0
Total program expenses	13.6	14.4	14.5	14.3	14.1	13.9	13.8

Note: Totals may not add due to rounding.

1 EI benefits include regular EI benefits, sickness, maternity, parental, compassionate care, fishing and work-sharing benefits, and employment benefits and support measures. These represent about 90 per cent of total EI program expenses. The remaining EI costs relate mainly to administration and are part of direct program expenses.

2 Other fiscal arrangements include the Youth Allowances Recovery; Alternative Payments for Standing Programs, which represent a recovery from Quebec of a tax-point transfer; statutory subsidies; payments under the 2005 Offshore Arrangements; and advance fiscal stabilization payments to Alberta and Newfoundland and Labrador with respect to 2015–16.

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