

Lesson 1: The basics of the budget

INTRODUCTION:

Budgets are financial plans that illustrate the distribution of funds that are received and spent during a specific period. They are important planning documents that are used by individuals, businesses and governments to identify priorities and achieve long-term goals.

OVERVIEW:

This lesson aims to help demystify the idea that the budgets of states are complex by showing students that they are very similar to the personal budgets they use in their everyday life. Students will learn more about the budget process by simulating personal budgeting and becoming familiar with the concepts of income, spending and deficit.

In addition, note that this lesson, as well as the other two from the Student Budget Consultation program, is not intended to impose a methodology on teachers. We offer different resources that can be presented on various supports according to your classroom situation. Therefore, do not hesitate to appropriate these lessons and modify them as you see fit.

LEARNING OBJECTIVES:

Following this lesson, you will have training materials for your students to be able to:

- Develop critical thinking and take a stand on spending choices and financial decisions
- Take a stand on public and personal finance decisions
- Identify the key concepts associated with a budget and understand their importance
- Identify the main expenses and sources of revenue of the government of Quebec
- Understand what a pre-budget consultation is and why citizens should participate.

EDUCATIONAL RESOURCES:

Lesson 1—To do more

- Activity Sheet 1.1: Personal budget plan
- Activity Sheet 1.2: Financial profiles
- Activity Sheet 1.3: Checklist for expenses
- Activity Sheet 1.4: Revision of the concept
- Activity Sheet 1.5: Environmental issues

- Video: Introduction to Budget Consultations with Students with the minister of Finance (1:18)
 - o The basics of a budget (animation videos explaining budget processes)
 - o Video 1: An overview of government budgets (1' 39)
 - o Video 2: The Quebec government's expenditures (1' 50)
 - o Video 3: The Quebec government's revenues (1' 53)
- Presentations:
 - o Slide Deck A: The Budget Basics
 - o Slide Deck B: The Quebec Government's Expenditures
 - o Slide Deck C: The Quebec Government's Revenues

Notes :

It is not necessary to use all of the proposed materials. Videos and slides contain similar information and are therefore substitutable.

ACTIVITIES:

This section is divided into four parts. "Getting started", "Initiation", "Let's Go" and "Consolidation". We estimate the complete realization of the activities takes 1h30. Note that the sections IV and I can be given as homework. If necessary, additional activities are available in the document "Lesson 1—Doing more"

I. Getting started: 5 to 10 min.

General questions: What is a budget? Who is consulted by the government when it prepares a budget? What are Budget Consultations with Students?

Present the video "Introduction to Student Budget Consultation" to the class.

Additional Notes:

- Budgets are an integral part of the financial management of individuals, businesses, organizations and governments. Budgets help us keep track of our spending and make informed choices and investments, as well as borrow or save responsibly.
- As part of the budget development, governments at all levels consult citizens, stakeholders, the opposition parties and economists to gather their views and recommendations on spending priorities of the government, sources of revenue and how best to support the economy.
- Some budgets are participatory, as is the case in Rimouski, Matane, Boisbriand and in various boroughs of Montreal. In 2019, 3% of the Mercier—Hochelaga-Maisonneuve borough's budget, which amounted to \$350,000, was left to the discretion of citizens to support local initiatives. Participatory budgets allow citizens to initiate projects of their own.

- In Quebec, the Ministry of Finance holds pre-budget consultations with the public and various groups. These consultations include face-to-face meetings, briefs, online questionnaires or public meetings (virtual and online) in order to reach the general public, throughout the province.
- Young Quebecers from across Quebec were invited to participate in the 2019 Student Budget Consultation, a program coordinated by CIVIX-Quebec. The opinions of 884 students were collected through a questionnaire conducted in partnership with IPSOS and responses were collected between March 11 and April 26, 2019.

Recommended readings:

- [Budget participatif Mercier-Ouest : les citoyens se sont prononcés!](#) *City of Montreal* (November 14, 2019) (French Only)
- [January 22: Public consultation on the issue of vacant storefronts in Pierrefonds-Roxboro,](#) *City of Montreal* (January 7, 2020)
- [Montreal consults residents to develop its 2020 budget,](#) *City of Montreal* (November 14, 2019)

II. Initiation: 20 to 25 min.

1. Introduce students to the concept of a budget. Ask students if they are thinking in advance about how they spend their money or if they have ever had to think about how they should go about saving or spending a large amount of money.

2. After showing or distributing worksheet 1.1 to your pupils, invite them to develop an example of a typical personal budget and the ways in which it can be used.

3. First, form small groups of students and give each group a copy of Sheet 1.1 (Personal Budget Plan). Then assign one of the financial profiles from Sheet 1.2 to each group, ensuring that each assigned profile will be processed by a minimum of two groups.

Using the assigned “Financial Profiles,” ask students to plan their monthly expenses according to the scenario assigned to them. Some expenses will be fixed, while others will be left to their discretion.

4. Ask each group to review and explain their budget choices with the class. Then invite the class to create a common budget on which they will all agree.

5. Review the activity with the class using the following questions:

- Was it difficult to make a budget? Why or why not?

Notes:

It may be useful to use sheet 1.3 (the handout for expenses) in order to have an actual estimate of potential expenses.

- Have you had enough income every month? Were you able to save or did you have to borrow money to fill the gap?
- Was it easy to agree on a group budget? Why?
- Did you have the same priorities as your classmates?
- What could be the consequences if you don't budget?

III. Let's Go: 15 to 30 min.

General questions: What are the main concepts of the budget? What are the main sources of revenue and expenses for the Government of Quebec?

1. Using Video 1 (An overview of the government budget) and/or presentation A, review the main terms related to the budget:

- **Budget:** a financial plan for a given period used to plan income and expenses;
- **Income/revenue:** "entry" of money, money that one receives, money that one earns;
- **Expenses:** "outflow" of money, money spent to pay for goods or services, money spent;
- **Surplus:** a surplus happens when revenues are greater than expenses, a positive budget;
- **Deficit:** lack of money, a deficit happens when expenses are higher than income, a negative budget;
- **Debt:** the total amount that you borrowed over time and that you have to repay, an accumulation of months or years of deficit, the amount of unpaid loans.

2. Using Video 2 (Quebec government's expenditures) and/or presentation B, summarize Quebec government's spending:

- **Mission expenditures:** this money is used to cover the expenses of the ministries which guarantee services to the population.
- **Debt service expenditures:** debt interest charges on the total amount of loans contracted by the government.

3. Using Video 3 (The Quebec Government's Revenues) and/or presentation C, summarize the sources of revenue of the government of Quebec.

- **Income Taxes:** Individuals, companies
- **Taxes:** QST, other taxes
- **Government enterprises:** Investments, sale of goods and services, government businesses
- **Federal transfers:** Federal transfer in health matters, Federal transfer in social programs, equalization payment

4. Assign, in class or as homework, the Sheet 1.4 to students for them to analyze the information and draw connections to their own experiences. Students can use the videos and slides for information, or they can seek additional sources.

Here are some questions that could accompany this exercise:

- In your own words, write a definition for the term budget.
- Would you rather have a surplus or a deficit? Why?
- Explain the terms deficit and debt and how they relate to each other.
- Describe the different types of transfer payments and give examples.
- Identify three ministries or programs and explain how they relate to or affect your life.
- Identify two ways in which the Quebec government receives income, and establish links with you or your family.
- If you were the Quebec Minister of Finance and you realized that you did not have enough income, what would you do? Why? What if there is an excess of funds?

IV. Consolidation: 5 to 10 min.

Start a closing discussion on Budget Consultations with students. You could also ask students to reflect in writing:

- Do you think it is important that you, as a young person, take an interest in the provincial budget?
- Why should the government consult young people on budgets or other public policies?

ADDITIONAL RESOURCES:

- [Lesson 1—To do more](#)
- [The Student Budget Consultation website](#)
- [Dollars and \(smart\) sense: WHY every Canadian child needs to be financially literate](#), *The Globe and Mail* (February 6th, 2018)
- [Finances Quebec](#)