

2010-2011 BUDGET
PRESS RELEASE No. 4

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STAYING THE COURSE TOWARDS
A BALANCED BUDGET IN 2013-2014

Québec, March 30, 2010 – “With the 2010-2011 Budget, the government is taking additional major steps to return to budget balance in 2013-2014, in accordance with the Balanced Budget Act. We ran deficits out of necessity; we are going to eliminate them out of duty,” the Minister of Finance, Raymond Bachand, stated while presenting the 2010-2011 Budget.

Deficits lower than forecast

The fall economic update forecast deficits of \$4.7 billion in 2009-2010 and in 2010-2011. “I am announcing today that the deficit should be \$4.3 billion in 2009-2010 and \$4.5 billion in 2010-2011. As a precaution, our projections include reserve funds of \$300 million for each of these fiscal years,” the Minister pointed out.

Gradual and balanced turnaround

Now that the recovery is well underway, the government intends to take advantage of an economic situation that is less difficult than that of its main economic partners by moving immediately to turn public finances around. However, this will be done in a gradual and balanced way. Accordingly:

- the government will provide 62% of the effort, mainly by restraining spending (\$6.9 billion);
- individuals and businesses will supply 38% of the effort (\$4.3 billion).

“Every Quebecer will be called upon to pull their weight, but the government will provide almost two thirds of the effort needed to turn public finances around,” the Minister pointed out.

Return to balance

“The last budget presented a plan to return to budget balance with an ambitious timetable. We are maintaining this plan. In accordance with the *Balanced Budget Act*, we will attain that balance in 2013-2014,” the Minister said. He noted that without this plan to return to budget balance, the 2013-2014 deficit would have soared to \$12.3 billion.

This budget announces measures of \$4.9 billion in addition to the \$6.3 billion identified in the 2009-2010 Budget. More than 90% of the effort needed to return to budget balance has thus been announced. There remains \$1.1 billion to be eliminated by 2013-2014. The Minister indicated that the government would determine the remainder when the time comes, in light of economic and financial conditions.

Little impact on disposable income

“The initiatives we are announcing today have little impact on Quebecers’ disposable income in 2010. They will take effect gradually so that Quebecers can prepare for them. Even taking into account all of the measures to restore budgetary balance, the purchasing power of a couple with two children and \$40 000 in income is \$7 200 higher today than in 2003. A family with two children and \$100 000 in income has a net gain of \$3 800 over 2003,” the Minister observed.

Maintain our social safety net

“Budgetary balance will not be restored at the expense of social justice. We are protecting our values by improving the living conditions of Quebecers, particularly those who are most disadvantaged, and seniors,” Minister Bachand pointed out.

Accordingly, to protect the purchasing power of less affluent households, the Minister announced the creation of a new refundable tax credit to be called the “solidarity tax credit”. It will replace the QST credit, the property tax refund and the tax credit for individuals living in a northern village. It will be simpler to apply and will benefit 2.7 million households, i.e. 200 000 more than the existing tax credits. Households will receive \$174 more per year on average. It will be paid monthly in advance as of July 2011, which will help increase the cash resources of those entitled to it. Once the tax credit is fully implemented, the government will pay out \$1.4 billion in respect of this new tax credit, i.e. \$510 million more than in respect of the existing tax credits.

The Minister also announced that the plan to combat poverty will be renewed for five years, until 2014-2015. The new plan provides for additional investments of \$1.3 billion. In particular, it maintains the existing programs for the most underprivileged. Since 2004-2005, the government has devoted \$4.5 billion to this plan that has produced results of which all Quebecers can be proud. The poverty rate of Québec families is now 20% lower than that of Canadian families.

Necessary measures

“All of the budgetary measures that are part of the effort to restore budgetary balance and reduce indebtedness will be included in an omnibus bill that I will be tabling before the National Assembly in the weeks to come. These measures are necessary to protect our values and our public services. We are acting responsible to put our public finances on a solid footing, a footing on which to build our future,” the Minister concluded.

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