2006-2007 Budget
Budget in Brief
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SHAPING THE QUÉBEC OF TOMORROW TODAY

The Generations Fund

— Reducing the debt to less than 25% of GDP by 2025.
— Using mainly water-power royalties as a source of funding.
— Ensuring inter-generational equity.

Investing in our priorities

— Health: an additional $1.3 billion—an increase of 6.3%.
  - Home support for elderly persons: $54 million more.
— Education: an extra $660 million—an increase of 5.4%.
  - $100 million more to assist students with social maladjustments or learning disabilities.
— Culture
  - Fonds culturel du patrimoine québécois: investments of $200 million over five years.
— Youth
  - A new youth strategy: $110 million over three years.
  - Fonds pour le développement du sport et de l’activité physique: investments of $500 million over five years.
— Facilitating work-family balance
  - Spring break: $12 million over three years for school childcare services.
**Equity and generosity**

- **Social housing:** $158 million
  - 1,400 more new housing units.
  - Renovation of existing housing.

- **Community action**
  - Contribution to a $58-million fund for collectively owned enterprises.

- **Philanthropy**
  - Increase in the tax credit for certain donations and gifts.

**Reducing the tax burden**

- An additional $288-million reduction in income tax through an increase in the deduction for workers from $500 to $1,000.

- Reduction in the tax burden differential with the Canadian average to less than $1 billion.

- Reduction of the tax rate of SMEs from 8.5% to 8.0%.

**Sustainable economic development**

- **Forests:** $925 million more.

- **Agriculture:** $100 million to support our farmers.

- **R&D and innovation:** $75 million over three years.
  - Capitalizing on university research.
  - Improved R&D incentives for businesses.

**Continuing the decentralization process**

- **Regions:** $150 million, half of which is for regional economic intervention funds (FIERs) and local investment funds (FLIs).

- **Municipalities:** an additional $1.7 billion over five years.

- **Public transit infrastructure** and equipment: $1.5 billion over three years.

**Public finances**

- Another balanced budget.

- Spending growth limited to 3.9%.

- Creation of the Generations Fund.

- Capital investments of $4.7 billion.
The Generations Fund

Reducing the debt to less than 25% of GDP by 2025

— The Generations Fund will be established through legislation.

— The Caisse de dépôt et placement du Québec will be responsible for administering the fund.

Capitalizing on water resources

— Starting January 1, 2007, Hydro-Québec will gradually be subject to the same water-power royalties system as private producers.
  - Hydro-Québec will be invited to absorb the cost of the royalties chiefly through efficiency gains and by increasing export earnings.
  - If necessary, the government is prepared to adjust the expected results of Hydro-Québec over time.

— As of January 1, 2007, the water-power royalties already collected by the government from private producers of hydro-electricity will gradually be paid into the Generations Fund.

— The royalties paid into the fund will amount to $73 million in 2006-2007, $374 million in 2007-2008 and $600 million as of 2008-2009.

— A portion of the profits from the sale, on foreign markets, of surplus electricity produced by the anticipated increase in Hydro-Québec's generating capacity, will also be paid into the Generations Fund.

— The work already undertaken on the terms and conditions relating to the introduction of a royalty on harnessed water will be pursued.
Other revenue may be used to build up the Generations Fund, particularly revenue from the sale of certain non-strategic government assets.

**Concrete results**

The objective of the Generations Fund is to reduce the debt to less than 25% of GDP by 2025.

- It will then have been lowered to roughly the same level as the current average of the Canadian provinces.
Investing in our priorities

$1.3 billion more for health care

— Health remains a priority in 2006-2007, with spending being increased by $1.3 billion:
  - This represents spending growth of 6.3%.
  - Close to two thirds of the growth in government spending is devoted to health.
  - The health budget will reach $22.1 billion in 2006-2007.

— Since 2003, the health budget has grown by $4.2 billion.

— Additional capital investments of $485 million will be made.
  - With the investments announced in the 2005-2006 Budget, over $2 billion in extra funding will have been invested in health.

Better access to health care

— Improving access to surgery and emergency room protocol.
— Stepping up the fight against cancer.
— Enabling ongoing implementation of the action plans regarding seniors and mental health.
— Providing better support for young people in difficulty and other vulnerable groups.
— Increasing prevention and protection efforts.
— Investing in leading-edge medical equipment such as radiation oncology and cardiology facilities.
— Adding new beds in long-term care centres.
$159 million to facilitate home support for seniors

— An additional $54 million will be allocated to care and services for seniors who wish to remain in their homes, raising the amount of assistance to $159 million.

— Improvements will be made to the tax credit for home support as of January 1, 2007.

- The procedure for obtaining the tax credit is being simplified, which will enable 290,000 seniors—180,000 more than at present—to remain at home longer.

- Nursing services for seniors who need special care in a seniors’ residence or in their own home will be eligible.

- The rate of the tax credit is being increased from 23% to 25%.

- The eligible expenses limit is being raised from $12,000 to $15,000.

IMPACT OF THE ENHANCED REFUNDABLE TAX CREDIT FOR HOME SUPPORT FOR ELDERLY PERSONS BASED ON SOME TYPICAL SITUATIONS - 2007
(dollars)

<table>
<thead>
<tr>
<th>Typical situations</th>
<th>Tax credit before budget</th>
<th>Tax credit after budget</th>
<th>Gain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residence for elderly persons – eligible expenses of:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$5,000, including $1,000 for nursing services</td>
<td>920</td>
<td>1,175</td>
<td>255</td>
</tr>
<tr>
<td>$15,000, including $3,000 for nursing services</td>
<td>2,760</td>
<td>3,750</td>
<td>990</td>
</tr>
<tr>
<td>At home – eligible expenses of:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$1,000</td>
<td>–</td>
<td>175</td>
<td>175</td>
</tr>
<tr>
<td>$6,000, including $5,000 for nursing services</td>
<td>230</td>
<td>1,425</td>
<td>1,195</td>
</tr>
</tbody>
</table>

1 Expenses of $15,300 less a deductible of $300.
2 It is assumed that the elderly person will not use the tax credit before the 2006-2007 Budget.
$660 million more for education

— In 2006-2007, the government will inject an additional $660 million into education:
  - raising the budget to $13 billion;
  - which represents an increase of 5.4%.

— Since 2003, the government has added over $1.6 billion to the education system.

— Additional investments of nearly $300 million are being announced in 2006-2007:
  - bringing the total investment over the past two years to $1.2 billion.

<table>
<thead>
<tr>
<th>Supporting academic success</th>
</tr>
</thead>
</table>

— $100 million more to better assist students with social maladjustments or learning disabilities.

— An extra hour and a half of teaching time a week at the elementary level as of this fall.

— Instruction of English as of Grade one.

— Construction of the John Molson building at Concordia University.

— Updating of existing technical programs, and the creation of new ones, at the college level.

— Addition of information and communications technology equipment.

— Conversion of science laboratories in the second cycle of secondary school.
Giving priority to health and education

- The government has honoured its commitment to give priority to health and education.
  - Since 2003, the government has granted nearly $6 billion more to health and education.

- From 2003-2004 to 2005-2006, health spending grew by 5.2% per year. In 2006-2007, it should grow by 6.3%.

- From 2003-2004 to 2005-2006, education spending grew by 2.8% per year. In 2006-2007, it should grow by 5.4%.

CHANGE IN PROGRAM SPENDING – HEALTH AND EDUCATION
(percent)

- Average annual growth rate from 2003-2004 to 2005-2006
- Growth rate in 2006-2007
Developing our culture and heritage

— The Fonds culturel du patrimoine québécois will be created:
  - It will have a budget of $10 million funded by a portion of the income generated by the tobacco tax that is currently paid to the Special Olympic Fund.
  - It will finance the preservation and development of the most significant elements of Québec’s heritage.
  - The contribution of partners will enable investments of up to $200 million.

— The government is also making an extra $58 million in funding available for culture to implement capital investment projects such as:
  - the development of municipal libraries;
  - the enhancement of religious heritage.

— $5 million will be granted to support the operations of museums.

— Additional, recurring assistance of $1 million for schools that provide artistic training to prepare the artists of tomorrow will also be available.
  - This additional funding will benefit close to 100 organizations and 25,000 young people.

— Various fiscal measures totalling $3 million per year will also come into effect: in particular, an increase in artists’ income-averaging annuity.
Supporting our young people

— A new youth strategy will be made public shortly:
  - It will have a budget of more than $110 million over three years.
  - As of 2006-2007, measures totalling almost $30 million will be implemented.

— The tax credit for on-the-job training periods will be renewed permanently.
  - Annual funding of $25 million is being provided.

Fonds pour le développement du sport et de l’activité physique

— The Fonds pour le développement du sport et de l’activité physique will be created:
  - It will have a budget of $30 million funded by a portion of the income generated by the tobacco tax that is currently paid to the Fonds spécial olympique.
  - Projects will be launched by sports federations, municipalities and the private sector.
  - The federal government will be invited to take part in this program.

— With the participation of partners, the fund will generate investments of $500 million.

— This new fund will make it possible to support new projects such as:
  - the construction of pools and soccer or football fields;
  - gymnasiums, athletic tracks and sports centres.

— The new fund will provide for $6 million a year to be set aside to support Québec cities in their bids to host and organize major sporting events.
Facilitating work-family balance

The government is continuing to take steps to facilitate work-family balance.

- To help parents with school-age children during spring break, the budget for child-care services offered by schools will be increased by $4 million per year.
  - This measure will make it possible to provide these services at a reduced rate during spring break.
  - In addition, the cost of such services will be eligible for the tax credit for child-care expenses.
- In 2006-2007, $3 million will be injected to support the operation of community drop-in daycare centres.
  - These centres already provide services to close to 12 000 children.

A government that is attentive to the needs of young families

The government has already taken a number of steps that clearly demonstrate its will to facilitate work-family balance:

- the addition of over 30 000 spaces in three years to attain the objective of making 200 000 reduced-contribution day care spaces available to Québec children;
- an increase in the disposable income of young families, in particular through the Child Assistance measure: $500 million every three months for 850 000 Québec families;
- the introduction of a work premium to encourage people with low incomes to remain in the labour market, or to enter it if they are not already working;
- the introduction on January 1, 2005 of the Québec parental insurance plan—the most generous in Canada.
In the name of equity and generosity

$158 million for the construction and renovation of social housing

— The government will invest $83 million in the construction and renovation of social housing:
  - 1,400 additional social housing units will be built.
  - This will have enabled the construction of 20,000 new dwellings—7,000 more than initially promised.

— $16 million will be invested over three years to renovate low-rental housing.
  - Taking into account the contribution of the federal government, this represents an investment of $45 million.

— The budget allocated to the Société d’habitation du Québec will be increased by $29 million in order to offset the increase in construction costs.

### NUMBER OF SOCIAL HOUSING UNITS

<table>
<thead>
<tr>
<th></th>
<th>Housing units delivered</th>
<th>Housing units to be delivered</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AccèsLogis Québec</strong></td>
<td>3,161</td>
<td>7,769</td>
<td>10,930</td>
</tr>
<tr>
<td><strong>Affordable Housing Québec</strong></td>
<td>3,112</td>
<td>5,958</td>
<td>9,070</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>6,273</td>
<td>13,727</td>
<td>20,000</td>
</tr>
</tbody>
</table>

1 As at January 31, 2006.
A $58-million fund for community action

— The government will contribute $10 million over five years to the creation, with partners, including the federal government, of a $58-million investment fund for collectively owned enterprises.

Encouraging philanthropy

— The tax credit for donations and gifts of over $200 will be raised from 20% to 24% to encourage philanthropy in our society.
  - Nearly 400,000 Québec donors will benefit from this measure.
A $288-million income tax reduction

— The 2006-2007 Budget is announcing a $288-million income tax reduction.

— As of January 1, 2007, the tax deduction for workers will be doubled, from $500 to $1,000.

- A total of 3.2 million workers will be able to claim the deduction.

GAIN RESULTING FROM THE $1,000 DEDUCTION FOR WORKERS – 2007
(dollars)

<table>
<thead>
<tr>
<th>Earned income</th>
<th>Couple with two children and two earned incomes</th>
<th>Single-parent family with one child</th>
<th>Person living alone</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 000</td>
<td>—</td>
<td>144</td>
<td>144</td>
</tr>
<tr>
<td>20 000</td>
<td>—</td>
<td>160</td>
<td>160</td>
</tr>
<tr>
<td>25 000</td>
<td>240</td>
<td>160</td>
<td>160</td>
</tr>
<tr>
<td>30 000</td>
<td>275</td>
<td>230</td>
<td>230</td>
</tr>
<tr>
<td>35 000</td>
<td>294</td>
<td>270</td>
<td>230</td>
</tr>
<tr>
<td>40 000</td>
<td>314</td>
<td>240</td>
<td>200</td>
</tr>
<tr>
<td>45 000</td>
<td>400</td>
<td>240</td>
<td>200</td>
</tr>
<tr>
<td>50 000</td>
<td>440</td>
<td>240</td>
<td>200</td>
</tr>
<tr>
<td>75 000</td>
<td>480</td>
<td>280</td>
<td>240</td>
</tr>
<tr>
<td>100 000</td>
<td>440</td>
<td>240</td>
<td>240</td>
</tr>
</tbody>
</table>

1. One of the spouses earns 60% of the household income and the other, 40%.
   — Means that the household does not pay income tax.
This income tax reduction is in addition to those announced in the 2004-2005 Budget and the 2005-2006 Budget.

- Taking into account the indexation of the tax system, the tax reductions granted to Québec taxpayers will reach $2.9 billion in 2007.

- The government’s actions have narrowed the tax burden differential with the other provinces from $2.2 billion to less than $1 billion.

### TAXPAYER GAIN BY INCOME BRACKET – 2007

(millions of dollars)

<table>
<thead>
<tr>
<th>Taxpayer's income</th>
<th>2004-2005 Budget</th>
<th>2005-2006 Budget</th>
<th>2006-2007 Budget</th>
<th>Indexation(^1)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $15 000</td>
<td>369</td>
<td>15</td>
<td>29</td>
<td>77</td>
<td>490</td>
</tr>
<tr>
<td>$15 000 to $25 000</td>
<td>255</td>
<td>62</td>
<td>63</td>
<td>157</td>
<td>537</td>
</tr>
<tr>
<td>$25 000 to $50 000</td>
<td>260</td>
<td>166</td>
<td>150</td>
<td>492</td>
<td>1 068</td>
</tr>
<tr>
<td>$50 000 to $75 000</td>
<td>90</td>
<td>81</td>
<td>73</td>
<td>258</td>
<td>502</td>
</tr>
<tr>
<td>$75 000 to $100 000</td>
<td>23</td>
<td>27</td>
<td>26</td>
<td>108</td>
<td>184</td>
</tr>
<tr>
<td>Over $100 000</td>
<td>12</td>
<td>21</td>
<td>21</td>
<td>83</td>
<td>137</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1 009</strong></td>
<td><strong>372</strong></td>
<td><strong>362</strong></td>
<td><strong>1 175</strong></td>
<td><strong>2 918</strong></td>
</tr>
</tbody>
</table>

Targeting sustainable economic development

$925 million more for the forest

To continue to support Québec’s workers, regions and forest industry, additional funding of $925 million will be granted over four years.

- This is in addition to the $167 million announced in the 2005-2006 Budget, bringing the total assistance to $1.1 billion.

FINANCIAL INITIATIVES TO SUPPORT THE FOREST SECTOR
(millions of dollars)

<table>
<thead>
<tr>
<th>Measures</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment and modernization</strong></td>
<td></td>
</tr>
<tr>
<td>$425-million loan envelope for investments by sawmills, panel board mills, and pulp and paper mills</td>
<td></td>
</tr>
<tr>
<td>• $350 million - Loans to companies that have paid countervailing and antidumping duties</td>
<td>–</td>
</tr>
<tr>
<td>• $75 million - Loans to SMEs</td>
<td>20.0</td>
</tr>
<tr>
<td><strong>Reduction in the cost of operations and silvicultural investments</strong></td>
<td></td>
</tr>
<tr>
<td>Measures to reduce the cost of operations and silvicultural investments</td>
<td>210.0</td>
</tr>
<tr>
<td>Refundable tax credit of 40% for construction of and major repairs to forest access roads and bridges</td>
<td>100.0</td>
</tr>
<tr>
<td>15% capital tax credit on investments made until 2009 by primary wood processing companies</td>
<td>120.0</td>
</tr>
<tr>
<td>Income averaging for operators of private woodlots</td>
<td>6.0</td>
</tr>
<tr>
<td><strong>Subtotal – Reduction in the cost of operations and silvicultural investments</strong></td>
<td>436.0</td>
</tr>
<tr>
<td><strong>Assistance to workers</strong></td>
<td></td>
</tr>
<tr>
<td>Support program for workers</td>
<td>44.0</td>
</tr>
<tr>
<td><strong>Total fiscal and budgetary measures</strong></td>
<td>500.0</td>
</tr>
<tr>
<td>Loan envelope for investment and modernization</td>
<td>425.0</td>
</tr>
<tr>
<td><strong>Subtotal 2006-2007 Budget</strong></td>
<td>925.0</td>
</tr>
<tr>
<td><strong>Amount announced in the 2005-2006 Budget</strong></td>
<td>167.3</td>
</tr>
<tr>
<td><strong>TOTAL - 2005-2006 BUDGET AND 2006-2007 BUDGET</strong></td>
<td>1092.3</td>
</tr>
</tbody>
</table>
$100 million to support our farmers

— Investments of $79 million will be made to protect public health, particularly by building epidemiological surveillance and animal disease laboratories.

  - Financial support for the confinement of reared birds will also be introduced.

— Hog producers will benefit from a new 30% refundable tax credit for the acquisition of hog manure treatment facilities to help them make the investments necessary for a healthy environment.

— $3 million will be devoted to the marketing and distribution of local products and the development of small-scale alcoholic beverage production.

  - This measure will foster diversification of agriculture.

Protecting public health

— Two animal disease laboratories will be upgraded:

  - one in Saint-Hyacinthe and the other in Québec City.

— Québec producers of reared birds will receive financial support to make the investments necessary for the confinement of their birds.
**Improving corporate taxation**

— A new reduction in the tax rate of SMEs is announced:
  - It will decrease from 8.5% to 8.0% as of the day after the Budget.

**INCOME TAX RATE OF SMEs**

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>January 1, 2006</th>
<th>March 24, 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax rate</td>
<td>8.9</td>
<td>8.5</td>
<td>8.0</td>
</tr>
</tbody>
</table>

**Corporate taxation reform**

— Since January 2004, the exemption threshold of the tax on capital has been raised gradually to $1 million.
  - As a result, three quarters of Québec businesses no longer pay tax on capital as of January 1, 2005.
— The gradual reduction of over 50% in the rate of the tax on capital was announced in the last Budget.
— A capital tax credit equal to 5% of the value of investments in machinery and equipment was introduced.
  - This tax credit completely eliminates the tax on capital for businesses that renew their machinery and equipment.
— The tax rate of SMEs decreased from 8.9% to 8.5% last January 1.
$75 million to spur innovation

- $75 million in support measures over three years will make it possible, in particular:
  - to further capitalize on university research in order to maximize economic spin-offs;
  - to increase access to R&D tax credits;
  - to step up research and innovation by SMEs;
  - to finance organizations dedicated to research.

- The objective of the government’s economic development strategy is to devote 3% of Quebec’s GDP to R&D by 2010.
  - This additional support will help to achieve this objective.

Promoting research and innovation

- Concretely, investment in innovation will:
  - make it possible to set up a technology maturation program that will help researchers at universities and public research centres confirm the technical feasibility and economic potential of their scientific discoveries;
  - favour the hiring of technical and scientific staff in SMEs;
  - provide additional funding to leading research facilities, such as the Institut national d’optique and Génome Québec.

$20 million for trade

- $20 million will be paid over three years to bolster Québec’s international policy, particularly to support and develop trade with emerging economies such as China, India and Brazil.
Venture capital: promising results

— The annual amount that Capital régional et coopératif Desjardins is authorized to raise will be maintained at $150 million with an applicable tax credit of 35%.

- This funding will enable the development of high-performance companies and cooperatives throughout Québec.

Improving business capitalization

— The State’s role in venture capital has been changed so as to increase the presence of the private sector, in particular foreign investors.

— Since 2003, the government’s role consists more in providing leverage to facilitate private investment, rather than in assuming the risks and role of the private sector.

— This approach has had encouraging results.

- Venture capital investment has risen for the second consecutive year, increasing by 11.7% in 2005. This increase is fully attributable to the private sector.

- The presence of foreign investors is growing. Indeed, in 2005, their investments in Québec amounted to $122 million, an increase of 130% compared with 2002.

- In 2005, Québec ranked ninth in venture capital investment among North American jurisdictions.

- Tax-advantaged funds are very active in this sector. They made 44.8% of venture capital investments in Québec in 2005.
Regionalization and decentralization

Supporting the regions

— The budgets of the regional conferences of elected officers (CREs) will be raised by $8 million per year.

— The head office of the Société québécoise d’exploration minière (SOQUEM), a subsidiary of the Société générale de financement, will be relocated to Val-d’Or.

— To meet the challenge of finding new mineral reserves:
  - $3 million will be devoted over two years to pursuing the geological survey.
  - A geological exploration office, the Bureau de l’exploration géologique du Québec, will be established, also in Val-d’Or.

— The tax credit for new graduates working in remote resource regions will be adjusted:
  - It will now apply without regard to the employer’s location.
  - Certain changes will be made to the tax credit to encourage young people to stay longer in the regions.

— The tax credits aimed at stimulating economic activity in the regions will be maintained and overseen more effectively.
  - Changes will be made in regard to installation activities.
Increased funding for FIERs and FLIs

- The regional component of the Fonds d’intervention économique régional (FIER) has invested over $156 million in 11 of Québec's 17 regions.
  - Additional funding of $30 million will be paid into the FIER-Régions.

- To date, the government has granted $126 million to the local investment funds (FLIs) administered by the 120 CLDs that are present in Québec.
  - The budget will be increased by $15 million per year for the next three years.

- An additional $12.5 million will be allocated for developing new businesses in the niches of excellence identified in the various regions of Québec.

Major spin-offs for the FIERs and the FLIs

- For the FIERs:
  - Every dollar invested by the private sector entails a capital outlay of $2 by the government.
  - 22 FIER-Régions have been created.

- Summary of FLI actions from 1998 to 2004:
  - 47,099 jobs were created or maintained.
  - 4,733 businesses obtained financial assistance.

Tourism

- Over $15 million will be invested this year to support the tourism industry:
  - including an additional $12.5 million annually for the Tourism Partnership Fund, whose mission is to promote tourism in all regions of Québec.
A new financial partnership with municipalities

— An agreement in principle on a new partnership has been reached between the government and the municipalities.

  - The partnership includes the gradual reimbursement to municipalities of the sales tax they pay on purchases of goods and services.

— The government will increase its contribution to the cost of Sûreté du Québec services to 50% between now and 2010.

  - For this purpose, the government will grant an additional $112.5 million over five years.

— As of January 1, 2007, the government will pay all property taxes in respect of museums, the Grande Bibliothèque and the Grand Théâtre de Québec.

  - This measure will lead to additional revenue of close to $8 million for cities.

— The government will take part in funding the improvement of Québec City’s airport infrastructures.

Public transit

— $1.5 billion will be allocated for making major investments over the next three years to maintain and renew transportation infrastructure and equipment. Priority projects include:

  - renovating Montréal’s metro stations and replacing the metro cars;
  - developing a new commuter train service in northeastern Montréal;
  - setting up maintenance facilities for the Réseau de transport de la Capitale.

— Public transit authorities will be able to obtain a full refund of the fuel tax.
Public transit: an environmentally responsible choice

— One bus can replace 40 cars.

— Increased use of public transit will contribute effectively to:
  - reducing greenhouse gases;
  - promoting sustainable development.

— Employers who pay all or part of the cost of their employees’ transit passes will be able to deduct double the amount paid; this benefit will not be taxable for employees.

— A refund of up to $1 000 of the QST paid on the purchase of the most fuel-efficient hybrid vehicles will be granted.

— The fuel tax paid on the purchase of biodiesel fuel will be reimbursed.
Reaping the rewards of budgetary discipline

— Over the past three years, i.e. from 2003 to 2006, spending growth was limited to an average of 3.7% per year.
  - In comparison, federal government spending increased by an average of 7.0% over the same period.
  - For the provinces as a whole, spending grew by 6.4%.

— The government will pursue its rigorous management and limit growth in spending to 3.9% in 2006-2007.

— Program spending as a percentage of GDP will be 17.6% in 2006-2007 and 17.5% in 2007-2008, the lowest level in 35 years.

— Control of spending has enabled the government to honour its commitment to give priority to:
  - health;
  - education;
  - tax relief for Quebecers;
  - modernization of our infrastructures.

— This year, the government will make capital investments of $4.7 billion:
  - including an envelope of nearly $1.6 billion for maintaining assets.

— Rigorous management and the good economic performance will make it possible to achieve a balanced budget again in 2006-2007.

— The government also plans to achieve a balanced budget in 2007-2008.
  - Spending growth will be limited to 3.1%.
  - Public finances will continue to be managed rigorously.

— The government will pursue its efforts to counter tax evasion.
Modernizing governance

Overhauling the governance of government corporations

- The Minister of Finance will soon table a policy statement on the governance of government corporations.

- This policy statement will make it possible to take another step toward improving governance:
  - Henceforth, the positions of chair of the board of directors and of president and chief executive officer will be separated.
  - The mandate of boards of directors will be changed and the accountability of government corporations improved.
  - The Auditor General will be given additional responsibilities.
  - The statutes establishing government corporations will be systematically reviewed every 10 years.

Improved governance

- The government’s objective with its policy statement on governance is to foster management that meets demanding criteria of:
  - transparency;
  - integrity;
  - accountability.
Improving the transparency of public finances

— As of 2006-2007, the government will innovate by publishing a monthly financial report monitoring the change in its financial position.

  - Québec will thus be the first province to publish information on its financial activities so frequently.

— To complete this portrait, the government will publish each fall a report that takes stock of Québec’s economic and financial situation.

— At the same time, it will publish a report on tax expenditures.

Toward better transparency

— Since 2003-2004, a new appendix to the Public Accounts presents the annual and accumulated surpluses and deficits of the health and social services and education networks.

— The 2004-2005 Public Accounts innovated by including a section on financial analysis and financial indicators.

— As of 2005-2006, federal transfer revenues have been recorded on an accrual basis rather than on a cash basis.

— The method for calculating the allowance for losses on guaranteed financial initiatives has been improved.

— The Generations Fund will ensure better transparency regarding efforts devoted to repaying the debt.
APPENDIX
# A FEW ECONOMIC INDICATORS

(percentage change)

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<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
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<tbody>
<tr>
<td>Real GDP</td>
<td>2.2</td>
<td>2.5</td>
<td>2.4</td>
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<tr>
<td>Nominal GDP</td>
<td>4.5</td>
<td>4.2</td>
<td>4.0</td>
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<tr>
<td>Exports (real percentage change)</td>
<td>3.8</td>
<td>4.2</td>
<td>4.7</td>
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<tr>
<td>Nominal consumption</td>
<td>5.6</td>
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<td>Housing starts (thousands)</td>
<td>50.9</td>
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<tr>
<td>Consumer prices</td>
<td>2.3</td>
<td>2.3</td>
<td>1.9</td>
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<tr>
<td>Job creation (thousands)</td>
<td>36.8</td>
<td>55.2</td>
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<tr>
<td>Unemployment rate (%)</td>
<td>8.3</td>
<td>8.2</td>
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<tr>
<td>Canadian dollar (in US cents)</td>
<td>82.5</td>
<td>85.1</td>
<td>81.6</td>
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