

# Budget 2014-2015

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June 2014

# BUDGET SPEECH

Delivered before the National Assembly  
by Carlos Leitão, Minister of Finance  
on June 4, 2014.



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# A BUDGET FOR ECONOMIC RECOVERY AND TO RESTORE SOUND PUBLIC FINANCES

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# INTRODUCTION

Mr. President:

On May 21, in the inaugural address of this new legislature, the Premier clearly laid out the path he intends to follow.

The Premier likened the work in the coming years to building an edifice. The edifice we are going to build will be supported by two strong pillars—a growing economy and sound, balanced public finances.

Mr. President, the budget I am tabling today begins the building of these two pillars. Our government's first budget is a budget for economic recovery and to restore sound public finances.

## **□ Toward economic recovery and sound public finances**

We are doing what it takes to boost economic recovery and restore sound public finances.

- We will boost economic recovery, in order to increase wealth, create jobs and give Quebecers a sustainable social model.
  - In 2013, Québec's economic growth slowed, prompting certain analysts to say that the Québec economy was broken. The figures prove that Québec did not manage to take advantage of the recovery under way among our principal partners.
  - We are taking immediate action to restore investor and consumer confidence.
  - At the same time, we are taking the first steps to increase the productivity of our economy and counteract the shrinking labour force.

- We will restore sound public finances, for the current situation is unacceptable.
  - The report submitted to the government by two eminent experts on public finances, Luc Godbout and Claude Montmarquette, provided a realistic picture of our public finances.
  - The budget deficit for 2013-2014 is \$3.1 billion, that is, \$600 million more than the figure forecast by the previous government barely three months ago.
  - For 2014-2015 and 2015-2016, if nothing were done, Québec would be faced with deficits of \$5.9 billion and \$7.6 billion respectively, delaying again the return to a balanced budget.
  - This situation is unacceptable. Québec will return to budget balance in 2015-2016. This objective is not an obsession, it is an obligation! Achieving it will give back to us the freedom to make choices.
  - To that end, this budget and next year's budget will define the critical path we must take. Budget 2014-2015 therefore represents the first step in the effort that we are undertaking today. It puts the means in place to achieve the objective we have set.

I am announcing that the budget deficit will be trimmed to \$2.350 billion in 2014-2015, then completely erased in 2015-2016.

I have the honour of tabling today the budgetary policy for fiscal 2014-2015. I am asking for the National Assembly's consent to table the following documents:

- the tables presenting the preliminary results of the consolidated budgetary transactions for 2013-2014, as well as the forecasts for the 2014-2015 financial framework.

I am also tabling the Budget Plan and the accompanying documents, which are an integral part of the budget.

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## ❑ **Solid foundations**

This budget for economic recovery and to restore public finances will be built on solid foundations. These foundations are made of respect, transparency and integrity, as indicated by the Premier in the inaugural address. The destination is a prosperous, fair Québec that has the freedom to make choices.

The tabling of the budget and the discussion of the measures we are implementing will be marked by respect and a willingness to listen. Dialogue will give all citizens and all groups an opportunity to learn about the measures and react to the initiatives announced.

We will be transparent in our actions and in the use of public funds. Transparency is the best way to guarantee integrity in the use and management of public funds.

The mandates we entrusted, on taking power, to Mr. Godbout and Mr. Montmarquette and to the Auditor General are an example of this transparency, which we wish to be exemplary.

I am announcing that, not later than three months before the general election is held, I will release a pre-electoral report on the state of Québec's public finances.

Moreover, I am announcing that the Auditor General will be mandated to examine the report. A bill will be tabled in the National Assembly for that purpose.

On May 16, I announced that, from now on, the monthly reports on financial transactions will be made public on fixed dates, and that the Ministère des Finances will publish in advance the dates on which the reports will be disseminated.

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# 1. A BUDGET FOR ECONOMIC RECOVERY

The budget I am tabling today is therefore, first, a budget for economic recovery.

The problems we are currently experiencing with the public finances stem from spending that is structurally higher than revenue.

In addition, when we took power, there were no longer any controls on spending, and revenue was affected by weak economic growth.

- In 2013, the trust of businesses and consumers alike was gone.
- Furthermore, the Québec economy was beginning to feel the effects of demographic change on working capacity and wealth creation. In 2014, the population 15 to 64 years of age, that is, the working-age population, will shrink for the first time.

It is therefore necessary to take action and to use the best means for reviving economic activity and creating jobs, while building the foundations of robust growth over the long term.

In a difficult public-finance context, we are mobilizing the bulk of the resources available. The budgetary situation does not prevent the government from taking action. We are targeting areas that are a priority and that can yield results in the short term. We are using the right levers to that end.

On April 24, the Premier announced the introduction of a new refundable tax credit for home renovation, the LogiRénov tax credit. Some 220 000 households will receive tax relief of up to just over \$333 million in 2014-2015 and 2015-2016. This tax credit will support 20 000 jobs in the sector.

## **□ Recovery through private investment**

This renewed economic growth will be supported essentially by the vitality of private investment. It is through private investment that productivity increases, innovation spreads and exports grow. Private investment is the true engine of growth.

Consequently, to revitalize the economy, it is necessary to regain the confidence of investors and send a clear message that Québec welcomes those interested in contributing to our economic activity. At the same time, it is necessary to start building a more productive economy.

## □ Action according to five thrusts

With Budget 2014-2015, the government is taking action according to five thrusts.

- We are providing new support to private investors, by focusing on SMEs, particularly manufacturing SMEs.
- We are beginning immediately to implement the maritime strategy, a major initiative piloted by our government.
- We are reviving the economic, social and environmental components of the Plan Nord.
- We are capitalizing on natural resources.
- We are continuing to invest in infrastructure, while controlling the debt and staying within Quebecers' ability to pay.

This action will be accompanied by tax reform, which we will undertake to build robust, lasting economic growth. This reform will be based on the work of a taxation committee.

Along with these recovery measures, we are implementing a number of initiatives, by taking action relative to cities and regions, investing in families and increasing assistance for the most vulnerable.

\* \* \*

## **SUPPORT FOR PRIVATE INVESTORS, INCLUDING SMEs**

The government is undertaking a first series of initiatives to support investors, by focusing on SMEs.

SMEs are the heart of the Québec economy. In every sector of activity and in every region, several of them are genuine standard-bearers of which we are especially proud. SMEs alone account for half of total jobs and 70% of new jobs.

\* \* \*

## **❑ Across-the-board reduction of the tax rate for manufacturing SMEs**

SMEs create a lot of jobs and wealth, in all regions of Québec. They are also very active on export markets. Québec's economic recovery depends on their vitality and investments.

I am announcing that the tax rate applicable to the revenue of manufacturing SMEs will be lowered from 8% to 6% as of the day following that of the budget speech and decreased to 4% on April 1, 2015, at which time it will correspond to the Canadian average.

This, then, is an across-the-board reduction in the tax rate that benefits all manufacturing SMEs. Some 7 500 SMEs will benefit from it as of this year.

I am also announcing an additional deduction for transportation costs of manufacturing SMEs that are far from large centres. This deduction will increase according to the remoteness of the SMEs.

The deduction will enable SMEs in remote regions to improve their competitiveness despite their geographic location with respect to their market. For example, manufacturing SMEs in Îles-de-la-Madeleine will receive, in particular, tax relief to partially offset the fact that they do not have direct access to road transportation.

Mr. President, Budget 2014-2015 thus formally recognizes the unique character of the Îles-de-la-Madeleine due to its insularity.

In addition, \$20 million will be allocated over three years to the Ministère de l'Économie, de l'Innovation et des Exportations to fund Export Québec. These resources will help Québec businesses, particularly SMEs, to develop, consolidate and diversify their markets outside Québec.

\* \* \*

## **❑ Regulatory streamlining**

The efforts already undertaken to reduce the red tape and administrative burden of businesses must be continued and stepped up. The Audet report on regulatory streamlining identified the necessary measures. It will be recalled that the objective is to cut the cost of administrative formalities imposed on businesses by 20% by 2015.

I am announcing the creation of a standing oversight committee on regulatory streamlining, to be chaired by the Minister for Small and Medium Enterprises, Regulatory Streamlining and Regional Economic Development.

\* \* \*

## ☐ **Support for innovation**

To improve the productivity of our SMEs, we must ensure that they are more innovative, more creative and better performing.

I am announcing the creation of the Créativité Québec program, with a budget envelope of \$150 million over three years, to support the innovation and performance of SMEs.

I am also announcing that, in addition to this program, a holiday from the contribution to the Health Services Fund on salaries paid will be granted to eligible SMEs that hire a specialized employee to foster innovation.

These measures are simple to apply and adapted to the specific context of SMEs.

This contribution holiday will apply very broadly, because it will be available to more than 175 000 SMEs carrying on their activities in the various regions of Québec.

\* \* \*

Québec must do more to promote innovation stemming from university research. Such promotion depends on better synergy between the business community and university organizations.

University entrepreneurship centres raise awareness of entrepreneurship among students, by supporting them at every stage in the business start-up process. The Université de Sherbrooke has developed an integrated model of support for student entrepreneurs, known as the Accélérateur de création d'entreprises technologiques, which can serve as an example in many respects. Participating students receive an ongoing, structured service, with the cooperation of the business community.

I am announcing that an envelope of \$500 000 will be allocated per year, over three years, to support the establishment and development of accelerators for the creation of technology companies within our universities throughout Québec.

\* \* \*

## ❑ **Business start-ups**

The government intends to provide more support for business start-ups. Québec is already a leader in financing business start-ups, in particular through venture capital. That leadership must be confirmed.

I am announcing that the government is increasing the capitalization of the Anges Québec Capital fund by \$25 million, to raise it to \$100 million.

I am announcing that the Québec government will participate in the creation of a venture capital fund in Québec, in partnership with the private sector and the federal government, whose capitalization should reach \$375 million.

Starting up businesses presupposes the development of entrepreneurship in Québec.

We must support efforts to encourage more women to become entrepreneurs. It is with this in mind that the Minister of the Economy, Innovation and Exports will dispose of \$9.5 million over five years to support the Réseau Femmessor in order to foster female entrepreneurship.

The creation of new businesses could be accelerated by facilitating the immigration of talented foreign entrepreneurs to Québec.

I am announcing that the parameters of the Entrepreneur Program will be revised to make foreign entrepreneurs who meet certain conditions eligible to obtain a Québec selection certificate.

This program, which is complementary to the Immigrant Investor Program, will have another advantage: it will facilitate the integration into Québec of immigrants interested in joining us to start up a business.

The details of this measure will be announced at a later date by the Minister of Immigration, Diversity and Inclusiveness.

\* \* \*

Local investment funds are the main tool available to local development centres to support regional SMEs.

I am announcing the postponement of the repayment of loans to local investment funds, to December 31, 2015, so that the centres can maintain their activities in the regions.

\* \* \*

Social economy businesses play a direct role in job creation and in several strategic services offered to the population. They generate a particularly high return for the communities in which they operate.

I am announcing a \$2.5-million increase in the capitalization of the Fiducie du Chantier de l'économie sociale.

\* \* \*

The government intends to do more to encourage experienced workers to prolong their participation in the labour market.

I am announcing a \$1 000 increase in the maximum income eligible for the tax credit for experienced workers, which will reach \$4 000 in 2015.

\* \* \*

## **□ Retention and development of head offices**

The government wishes to confirm the importance of having head offices in Québec. The ones already here must be retained and new ones must be encouraged to come to Québec.

Substantial means are already available to this end. The Economic Development Fund and Investissement Québec can rapidly mobilize major financial resources to retain and foster development of head offices in Québec.

What the government must do is facilitate the use of these means and rely on, in particular, the leverage that Investissement Québec represents.

The government took cognizance of the recommendations in the Séguin report on head offices. Some of the recommendations raise a number of questions. The government intends to consult the financial community on the best initiatives to take in this regard, based on the proposals formulated.

The stability of the business environment, which our government can guarantee, will certainly help retain and foster development of head offices in Québec. The best support we can give them is an environment that is conducive to economic growth and that offers a competitive tax system.

The government wishes to underscore the Caisse de dépôt et placement du Québec's initiative to foster investment in Québec by creating an executive vice-president's position explicitly dedicated to such investments.

\* \* \*

## **THE MARITIME STRATEGY**

Economic recovery depends on a second thrust, the maritime strategy.

### **□ A major project**

The maritime strategy is a major project piloted by our government.

It aims, in particular, to position Québec as the hub of transatlantic shipping traffic. The maritime strategy is consistent with the vision of the previous Liberal government for strengthening economic ties between Canada and Europe.

The maritime strategy will develop the potential of the St. Lawrence River and the St. Lawrence Estuary. It will give new impetus to maritime transport, a safe mode of transportation. It will stimulate economic development in the coastal regions, from the Montérégie region to the Côte-Nord region.

The maritime strategy will transform Québec and open up new avenues for development. It will spur major investments, supporting a large number of jobs.

The Premier entrusted the Minister for Transport with the responsibility of implementing the maritime strategy. On May 8, the Premier announced the creation of a ministerial committee for the implementation of the maritime strategy. The elements of the strategy will be announced in the coming months.

The government is implementing immediately a number of major initiatives to give shape to the maritime strategy.

### **□ Port and river infrastructure**

Three initiatives concern the development of port and river infrastructure.

I am announcing the establishment of a logistical hub in the Montérégie region, with a view to creating an international transshipment centre in Québec.

I am announcing the development of intermodal transportation, by train, ship and truck, with the Port of Montréal and CN, CP and CSX Transportation rail lines, through optimization of access to the Port of Montréal.

I am announcing the redevelopment of the Dalhousie site, the cruise ship unloading site in the city of Québec, along the St. Lawrence River.

\* \* \*

## ❑ **Shipyards, marine biotechnology**

The government intends to increase the work carried out at Québec shipyards.

I am announcing tax incentives to promote the modernization and renewal of vessels at Québec shipyards, namely:

- an additional capital cost allowance of 50% for the construction or renovation of vessels;
- the possibility for shipowners to create a tax-free reserve, with a view to modernizing or renewing their fleet of vessels.

These two measures will apply if the work is carried out at a Québec shipyard.

In particular, these incentives will help improve the energy performance of vessels whose heavy-fuel oil consumption is a major source of greenhouse gas emissions. Modernizing vessels will enable more environment-friendly technologies, such as liquefied natural gas propulsion, to be used.

The maritime strategy also includes a component for the development of a sustainable fishery and marine biotechnologies.

I am announcing investments of \$800 000 over two years in research and development, particularly in the area of marine biotechnologies.

These investments will support the activities of the Centre de recherche sur les biotechnologies marines in Rimouski and the Institut des sciences de la mer in Rimouski.

\* \* \*

## THE PLAN NORD

Economic recovery depends on a third thrust, the Plan Nord.

The government is therefore reviving the Plan Nord, in an enhanced version, and renewing with the economic, social and environmental development of northern Québec.

The Plan Nord will be deployed with the participation of local and Aboriginal communities and with sustainable development in mind. The benefits of the Plan Nord will be optimized so that all regions of Québec profit.

The Premier entrusted responsibility for the Plan Nord to the Minister of Energy and Natural Resources. A ministerial committee charged exclusively with reviving the Plan Nord has already been set up.

The government is confirming its intention to create the Société du Plan Nord, in order to coordinate development on the territory covered by the Plan Nord. The Société will bring together all the partners concerned. The majority of the members on its board of directors will be independent from the government.

\* \* \*

### □ Equity interests and infrastructure

The government is confirming its intention to acquire equity interests in companies in the mining and oil and gas sectors, so that Québec society can obtain, as a shareholder, a direct share in the profits.

I am announcing that the Capital Mines Hydrocarbures fund, provided for in Budget 2012-2013, will be created through legislation in the fall. An allocation of \$1 billion will be made to the fund.

Financial assistance to implement the Plan Nord will be provided through the Northern Plan Fund, endowed with \$63 million for 2014-2015, which will enable the local and Aboriginal communities to profit directly from the benefits of investments in the territory.

The Fund will finance major work on road infrastructure in the Plan Nord territory, including the extension of highway 138 and the repair of highway 389 in the Côte-Nord region and the James Bay highway.

Among the infrastructure projects it wants to promote, the government intends to foster the construction of a new rail line providing access to the Labrador Trough.

I am announcing that the government will quickly identify private partners so as to begin, as of this summer, the evaluation of the construction of a new rail line to the Labrador Trough.

Supplying natural gas to the Côte-Nord region under the Plan Nord would be a great asset for the region. In addition, the conversion to natural gas would improve the energy-efficiency record.

The government emphasizes that natural gas could be supplied by road or sea, in the form of liquefied natural gas, an option that would be cheaper and more feasible in the short term than pipeline supply.

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## □ **Economic benefits**

The government is undertaking several initiatives to maximize the economic benefits of the Plan Nord for local and Aboriginal communities, and for all regions of Québec.

I am announcing worker training measures that will match training to jobs, in particular through investments of \$100 million to train Aboriginal peoples.

I am announcing the creation of a commercialization office charged with informing businesses of supply and equipment needs, so as to involve southern Québec in the development of northern Québec.

I am announcing the launch of a strategy that will send a clear signal to investors that Québec is open for business and development of northern Québec.

The government is thus sending strong messages that it is open for investment in northern Québec. These messages are primarily intended for foreign investors. They will be relayed by Québec's various offices abroad.

\* \* \*

## NATURAL RESOURCES

Our economic recovery depends on a fourth thrust, that of natural resources, which are present throughout our territory.

Québec has natural wealth that is the envy of many. We must make responsible, sustainable use of it to create jobs and boost economic growth.

### **Support for the forest sector: a forest industry renewal plan**

More than ever forestry is an engine of economic development for our regions.

To show the importance our government attaches to this sector, the Premier appointed a minister of forests, wildlife and parks.

One of the government's first initiatives was to inject an additional \$42 million into the budget allocated to silvicultural work, raising it to \$225 million over fiscal 2014-2015.

The effort must also encompass modernization and innovation.

I am announcing an envelope of \$20 million over three years to facilitate access to financing for forestry companies and cooperatives seeking to renew their equipment.

I am also announcing the creation of a \$20-million fund for the development of Québec's residual forest biomass sector.

\* \* \*

### **Mines**

The mining sector contributes to wealth creation and Québec's economic and social development, in the territory covered by the Plan Nord but also in several other regions. The mining sector supports numerous jobs throughout Québec, in both northern Québec and southern Québec, in both regions and urban centres. We want all Quebecers to reap the benefits generated by the mining sector.

In recent months, the mining industry suffered a substantial decrease in private investment, in particular because of the instability caused by the changes to the mining tax regime.

We will restore industry and investor confidence, by ensuring the application rules are favourable, stable and foreseeable. We are maintaining the existing mining tax regime, in order to preserve that stability.

At the same time, we will ensure that the mining regime remains competitive and fosters mining investment in Québec. In particular, we will see that the mining regime enables the growth of small companies and supports Québec ownership in the mining sector.

\* \* \*

## □ Oil and gas

The government recently unveiled its action plan for the oil and gas sector.

The government intends to develop Québec's oil and gas potential responsibly. We will capitalize on the economic possibilities of the various oil and gas files, by exploiting the assets at our disposal.

We will do so while ensuring that the work is done according to the highest standards, particularly those relative to the environment and social acceptability, as announced on May 30 by the Minister of Energy and Natural Resources and the Minister of Sustainable Development, the Environment and the Fight Against Climate Change.

\* \* \*

## □ Electricity

Québec has a considerable comparative advantage in renewable energy sources, and internationally recognized expertise in hydroelectricity production, transmission and use.

This comparative advantage is promoted primarily by Hydro-Québec, whose role in local economic development will be strengthened.

As for the increases in consumer electricity rates, the taxation committee will examine the possibility of protecting low-income households from the rate increases.

## ■ Use of energy surpluses

Québec currently has substantial surpluses. These surpluses are estimated at 75 terawatt-hours over the next ten years. To put them into perspective, they correspond to the consumption of an aluminum smelter and an iron mine.

As indicated by the Premier in the inaugural address, we will use these energy surpluses as a competitive advantage to attract industrial investment and bolster the competitiveness of our manufacturing base, including aluminum. My colleague the Minister of the Economy, Innovation and Exports was entrusted with the mandate of acting on this policy direction.

In a world that is beginning to transition to a low-carbon economy, these surpluses represent a strategic asset for attracting investment.

### ■ **Electrification of public transit**

We will continue the transportation electrification efforts of the previous two governments.

I am announcing that we will table a bill allowing Hydro-Québec to invest in public transit electrification projects.

### ■ **Small hydroelectric plants**

As announced by the Premier, the government will revive the program for small hydroelectric plants for a limited number of projects whose development had been halted. When all the conditions are right, these projects benefit first and foremost local communities, and Aboriginal peoples in particular.

### ■ **A fourth power line from northern Québec**

Hydro-Québec is planning the construction of a fourth power line from northern Québec, in order to better meet the growing demand for electricity north of the agglomeration of Montréal.

The planned investment of \$1.1 billion should create 1 000 jobs for five years. It will contribute directly to revitalizing economic activity, while ensuring the safe transmission and distribution of electricity.

\* \* \*

## **INFRASTRUCTURE INVESTMENT**

Infrastructure investment is the fifth thrust of economic recovery.

Investments in infrastructure are necessary to maintain the quality and safety of public works and facilities.

They provide substantial support for economic growth. They improve the public capital stock that businesses rely on to expand their activities. Moreover, while they are being carried out, they create jobs and economic activity directly in all regions.

Therefore, as announced, we will use infrastructure improvement to boost economic recovery. We will do so while staying within taxpayers' ability to pay and meeting the debt reduction objectives.

\* \* \*

## ❑ Maintenance of the QIP, increased investment in 2014-2015

The Québec Infrastructure Plan provided for \$90.3 billion in infrastructure investment for 2014-2024.

Due to the financial situation unveiled by the panel of experts and confirmed by the Auditor General, the current risks of the financial framework are too great to plan more investments for the coming years.

I am announcing that the government is maintaining the overall level of infrastructure investment. There will be no increase in the funding planned for this ten-year period.

For 2014-2015, the QIP provided for investments of \$11.2 billion, the same amount as in 2013-2014.

I am announcing that the government is accelerating the investments programmed for 2014-2015 by \$300 million, thus raising them from \$11.2 billion to \$11.5 billion. This acceleration is made possible by an advancement of the investments planned for the overall period of the Québec Infrastructure Plan.

The acceleration of investments in 2014-2015 will make it possible to support economic growth and create jobs, but also to better plan future investments. This acceleration makes it possible to attain the level of investment we had forecast before coming to power.

Of the total \$300 million, \$250 million will be allocated to projects involving investments that can be made as of 2014-2015. Such projects may be for public works or school renovations, just as they may be for health institutions or other sectors of activity.

The remainder of the envelope, that is, \$50 million, will be allocated to the study of major infrastructure projects considered to be priorities.

I want to emphasize the scale of the investments funded by the government, investments that will benefit all Quebecers, in all regions and in all sectors of activity.

For 2014-2015 alone, the government is funding investments of:

- \$2.4 billion in the road network;
- \$2.3 billion in health and social services;
- \$1.5 billion in education;
- \$1.2 billion in municipal, sports, community and recreational infrastructure;
- \$1 billion in public transportation.

My colleague the Chair of the Conseil du trésor will give a more detailed presentation of infrastructure investment planning.

\* \* \*

## **□ Review of the infrastructure management framework**

The current examination of infrastructure needs and the budget available to fund the corresponding investments shows that a review of the existing management framework and the project selection process is necessary.

The government will carry out such a review in the coming months.

The review will be based on two principles.

- First, investments in infrastructure will be identified according to the prioritization criteria determined by Cabinet. They will be based in particular on obsolescence, safety, the anticipated impact concerning economic development, and on health and education priorities.
- Second, a rigorous, transparent management method will be applied specifically to large projects.

\* \* \*

## **□ Federal transfers**

A number of investments planned or likely to be planned under the QIP involve funding from the federal government.

The Québec government intends to continue talks with the federal government to quickly reach a comprehensive agreement providing for a streamlined payment method for the funding granted to Québec under the new Building Canada Fund 2014-2024.

Negotiations go more smoothly when solutions, not confrontation, are sought.

\* \* \*

In upcoming talks with the federal Minister of Finance, I will raise the issue of federal transfers.

I want to restate Québec's position on this file.

In 2008, in the case of equalization, and in 2011, in the case of the Canada Health Transfer, the federal government took unilateral decisions that reduced the financial capacity of the provinces.

Québec believes that the federal government must take certain corrective measures with regard to these decisions.

- Québec is asking the federal government to bring back the 2007 equalization formula and gradually restore, over ten years, the equalization envelope to its historical level as a percentage of Canada's nominal GDP.
- With respect to the Canada Health Transfer, Québec considers that the federal government should increase its financial contribution and take into account the demographic weight of the population aged 65 and over, rather than granting a per capita transfer.

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## □ **Cautious economic forecasts**

Mr. President, the government is thus undertaking a coherent, structured program to revitalize the Québec economy.

I am convinced that this program will help foster strong economic recovery.

The effects of this recovery have been factored into the economic forecasts underpinning the budget. However, I was adamant that these forecasts be cautious.

The economic framework of this budget anticipates more robust economic growth in 2014 and 2015, due to the upswing in investor confidence, stimulation of the home renovation sector, strengthening of our main economic partners, and export recovery.

However, in the medium term, the Québec economy must cope with certain structural problems, in particular the shrinking labour pool due to population aging, which is already starting to affect working capacity and wealth creation.

According to our current forecasts, the Québec economy should grow by 1.8% in 2014 and 2% in 2015, which would translate into the creation of 31 300 jobs in 2014 and 46 300 jobs in 2015.

I am convinced that our recovery measures will quickly pay off, that we will exceed the current growth projection and that, within five years, we will achieve our government's objective of 250 000 jobs.

\* \* \*

## **TAX REFORM**

A number of the initiatives in this budget are intended to find solutions to the structural difficulties affecting the Québec economy.

However, more must be done. We will undertake tax reform to help build strong, lasting economic growth that will reward effort, work and investment.

I am announcing the creation of the Québec Taxation Review Committee, chaired by Luc Godbout. The committee will make recommendations to the government on personal and corporate taxation to:

- stimulate economic growth and wealth creation, in particular by reviewing the relative weight of the tax collected;
- foster a contribution to and redistribution of wealth that is fair for all Quebecers;
- ensure adequate funding of public services.

The composition of the committee and the details of its creation will be made public soon.

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## **MEASURES FOR ALL QUEBECERS: CITIES AND REGIONS, FAMILIES, ASSISTANCE FOR THE MOST VULNERABLE**

Mr. President, we are thus undertaking dynamic measures to boost economic recovery.

These measures include a number of initiatives intended for all Quebecers, by:

- taking action in favour of cities and regions;
- investing in families;
- improving assistance to the most vulnerable.

\* \* \*

## □ **The importance of municipalities and regions**

Municipalities play an important role in developing economic activity. They contribute directly to ensuring that all Quebecers enjoy a quality living environment and quality services. They are key players in the sound management of public finances. The revitalization of our economy depends on a redefinition of the relationship between the government and the municipalities.

The government and its municipal partners are undertaking talks aimed at reaching a new Québec-municipalities agreement. The government is maintaining its support for municipalities.

The government's objective is to provide municipalities with predictable financial levers that complement their own-source revenue, giving them the financial means to provide quality services to their citizens.

With this new agreement, the government intends to pave the way for sharing mining, oil and gas royalties with local communities. The sharing of royalties will also be offered to Aboriginal communities.

This new agreement must be reached in keeping with the government's financial framework and its objectives for returning to a balanced budget.

## ■ **The regions**

All regions will benefit from the \$11.5 billion in infrastructure investment.

Among these investments, I want to underscore the government's efforts in the area of culture and in the development of sports and physical activity.

I am announcing that the government will allocate \$110 million to the implementation of the digital culture strategy.

The digital culture strategy will help the artistic and cultural communities adapt to the digital technologies.

The Minister of Culture and Communications will soon unveil the details of this strategy.

I am confirming the creation of the Avenir Mécénat Culture fund to provide sustainable funding for the Mécénat Placements Culture program. To that end, the fund will receive, beginning in 2014-2015, \$5 million annually from the revenues from the specific tax on tobacco products.

Investments by the government to support the development of sports and physical activity will also benefit all regions.

I am announcing an additional envelope of \$50 million for the Sports and Physical Activity Development Fund.

This increase will enable the funding of additional investment projects in all regions.

## ■ **Montréal, the national metropolis**

Montréal plays an essential role in Québec's development.

I am announcing that the government recognizes Montréal's special role as the national metropolis. A bill will be tabled to that effect.

I am also confirming the allocation of an envelope of \$25 million to the Ville de Montréal to assist it in delivering services commensurate with these responsibilities.

Several major infrastructure projects concerning Montréal have not yet been examined in depth.

I am announcing that studies will be undertaken as of this year with respect to:

- Hôpital Verdun;
- Hôpital du Sacré-Cœur;
- the Quartier de la santé and the cover on Autoroute Ville-Marie;
- public transit between the West Island and downtown Montréal.

I previously announced the development of intermodal transportation, by train, ship and truck, with the Port of Montreal and the CN, CP and CSX Transportation rail lines, through optimization of access to the Port of Montréal.

In addition, I am confirming that we are renewing the agreement between the Minister of Culture and Communications, and Loto-Québec, for the funding of the Orchestre symphonique de Montréal.

\* \* \*

The profile of our national metropolis benefits all Quebecers. The festivities commemorating the 375th anniversary of the founding of Montréal will provide an opportunity to confirm and increase that profile.

I am announcing a financial contribution by the Québec government of up to \$60 million over the next four years to support the festivities surrounding Montréal's 375th anniversary and pave the way for a federal contribution.

Moreover, I am confirming an investment by the government of \$26.4 million toward the tourism facilities project at Saint Joseph's Oratory.

## ■ Québec, the national capital

The government recognizes the specific responsibilities assumed by Québec, our national capital.

I am announcing that the government recognizes the special status of the Ville de Québec, as the national capital of Québec. A bill will be tabled to that effect.

The government is also committing itself to reviewing the role of Québec's municipal administration for a more effective sharing of the responsibilities assumed by the Ville de Québec and the government.

In its development policy, the Ville de Québec capitalizes on the availability of quality infrastructure enabling it to improve its cultural and tourism offering and take full advantage of its geographical location.

I have already announced the redevelopment of the Dalhousie site along the St. Lawrence River in the city of Québec, as part of the maritime strategy.

I am announcing that a study will be conducted on the project to widen Autoroute Henri-IV, in order to adapt one of the region's main road infrastructures to population growth and travel.

I am confirming government support for the construction of an indoor ice skating oval in the city of Québec. As soon as the budget has been balanced, the government will invest in this infrastructure, funding one third of the total cost. The remaining two thirds will come from the federal government and the Ville de Québec.

\* \* \*

## ■ **The Lac-Mégantic disaster**

We will soon commemorate the first anniversary of the Lac-Mégantic disaster.

This dramatic event elicited unprecedented support from Quebecers. The Québec government assumed its responsibilities fully. It did so under the previous administration, and will do so under the new one.

The Québec government, together with municipalities and government and non-government bodies, implemented various intervention, restoration and decontamination measures, of which it is assuming the cost, with the participation of the federal government.

Overall commitments announced to date stand at \$345 million.

The government will continue to support the community of Lac-Mégantic.

I am announcing that the government is investing \$2.5 million in a feasibility study on the construction of a railway track bypassing downtown Lac-Mégantic.

The government expects the federal government and the companies concerned to contribute to funding the study.

The government's goal is to assist the Ville de Lac-Mégantic in its efforts to rebuild the downtown core.

\* \* \*

## ■ **Support for training volunteer and part-time firefighters**

The disasters of Lac-Mégantic and L'Isle-Verte shone the spotlight on the responsibilities and role of volunteer and part-time firefighters in small municipalities.

Volunteer and part-time firefighters are subject to strict requirements. They must undergo hundreds of hours of training, the cost of which is often paid or reimbursed by the municipalities, but is sometimes entirely borne by the aspiring firefighter.

I am announcing the introduction of a program with an envelope of \$3.5 million in 2014-2015 and \$4 million for each of the subsequent four years to provide financial assistance for the training of volunteer and part-time firefighters in municipalities.

\* \* \*

## □ Families

The government is implementing several initiatives related to families.

### ■ Rates for childcare services

The childcare spaces program is a mainstay of Québec's family policy and one of the factors that contributed to the increase in the birth rate.

Since its inception, the program has enabled tens of thousands of women to re-enter the labour market.

We want that to continue.

The previous government had announced its intention to raise the rate for childcare services by \$2 a day. That increase would have negatively impacted the most disadvantaged families. It would have represented an annual increase of over \$1 000 for childcare services for a family with two children.

I am announcing that our government is cancelling the \$2-a-day increase in the rate for childcare services.

The government intends to continue developing new childcare spaces in the coming years. To optimize funding for these new spaces,

I am announcing that the daily rate for childcare services will be indexed according to the rate of growth in the cost of the program.

The parental contribution will rise to \$7.30 as of October 1, 2014. By comparison, it would have risen to \$8 on September 1 under the previous government. As with electricity rates, the rate for childcare services will be examined by the Québec Taxation Review Committee.

I am also announcing the addition of 6 300 childcare spaces as of this year, then 4 000 spaces each subsequent year until completion of the network.

\* \* \*

**❑ Protection for the most vulnerable**

The government is increasing the assistance for the most vulnerable.

**■ Encouraging active living for seniors**

To improve the quality of life of the men and women who helped build Québec and ensure their well-being and safety, the government is implementing a number of measures concerning seniors.

We are delivering on our commitment to promote activities for seniors.

I am announcing the creation of a refundable tax credit of 20% of eligible expenses, up to \$200, for physical, artistic and cultural activities for seniors.

The estimated cost of this measure is \$5 million a year.

\* \* \*

We are also delivering on another of our commitments with respect to seniors, by bolstering the *Municipalité amie des aînés* program.

I am announcing that the budget to upgrade infrastructure under this program will be raised from \$3 million to \$5 million in 2014-2015 and to \$6 million a year in subsequent years.

\* \* \*

The average price of homes in Québec has risen substantially in the past decade, leading to an increase in property taxes that far exceeds the increase in the income of certain long-time homeowners. Some older owners may have difficulty paying their property taxes, forcing them to sell their home.

The government is currently evaluating the possibility of bringing in a loan program for seniors to help them pay their property tax and school tax bill stemming from the increase in property valuations. The loan would be based on the valuation of their home and would be repaid when the home is sold.

I am announcing that the government will soon undertake talks with financial institutions and the other stakeholders for the purpose of rapidly reaching an agreement on the implementation of a loan program adapted for seniors that will facilitate the payment of property taxes.

\* \* \*

## ❑ Construction of social housing units

Rent is often a household's biggest spending item. In the case of low-income families, the cost of rent reduces their ability to meet other basic needs.

The government is confirming the support provided to economically disadvantaged households to meet their housing needs.

I am announcing that the government will invest \$250 million in the construction of 3 000 new social, community and affordable housing units in all regions of Québec.

I am announcing that 500 of those units will be set aside for homeless people. The other 2 500 units will go to the program's clientele at large, and in particular to seniors and the Aboriginal populations concerned.

I am announcing that resources of \$8 million a year are being set aside to combat homelessness.

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## 2. A BUDGET TO RESTORE SOUND PUBLIC FINANCES

Mr. President, the budget I am tabling today is a budget for economic recovery that will enable us to restore investor and consumer confidence.

This budget is also a budget to restore sound public finances, with an incontrovertible objective: the return to a balanced budget in 2015-2016.

### □ A structural deficit

For the past several years, Québec has put a good deal of effort into restoring fiscal balance. The Bachand plan, presented in Budget 2010-2011, had enabled progress to be made toward that objective.

However, there is no denying the truth. Spending continues to grow faster than revenue, which is the very definition of a structural deficit. The consequence of this deficit is to compound the debt load year over year, with the result that the debt service burden rises continually.

In 2014-2015, debt service will amount to \$10.8 billion, that is, 11% of total consolidated expenditure, and more than spending to support individuals and families.

The time has come to finally tackle this structural deficit, before others force us to do so.

As the Premier pointed out in his inaugural address, restoring fiscal balance and closing the gap between spending growth and revenue growth will enable us to preserve our freedom of choice.

### □ Three guidelines

To achieve that, the government has crafted a demanding approach, taking into account three guidelines:

- the financial framework does not include any tax increases, apart from measures with which most Quebecers likely agree;
- the financial framework abides fully by the existing collective agreements with public and parapublic sector employees;
- and, especially, the financial framework protects essential services, primarily health services, education services and services to vulnerable individuals.

\* \* \*

## **AN EFFORT FOCUSED ESSENTIALLY ON PUBLIC SPENDING BY THE GOVERNMENT**

The effort required to return to a balanced budget represents:

- \$3.8 billion in 2014-2015;
- an additional \$3.9 billion in 2015-2016.

By 2015-2016, an effort of \$7.7 billion is therefore required.

For the most part, that effort will be focused essentially on the government's public spending.

In past years, the previous governments made abundant use of their capacity to increase government revenues by raising taxes. Québec taxpayers now pay some of the highest taxes in North America and cannot be taxed more.

An effort has been made to control spending in recent years. The results yielded have been insufficient. It is necessary to examine the nature of the programs brought in over the years and their delivery, while providing as soon as possible for achievable savings.

I am therefore announcing that, in 2014-2015, more than 90% of the effort required to achieve sound public finances will be made in public spending.

I am also announcing that, in 2015-2016, once the systematic program analysis is under way, the share of the public spending effort will be raised to 95% of the total effort required to restore fiscal balance.

\* \* \*

## REVENUE MEASURES

The plan to restore sound public finances undertaken by the government includes, first of all, three measures to increase government revenues.

### **Stepping up efforts to fight tax evasion**

The first measure consists in stepping up efforts to fight tax evasion.

In recent years, the fight against tax evasion has enabled the government to recover substantial revenues. Revenu Québec ramped up the fight against tax evasion, with significant results: from 2010-2011 to 2013-2014, total tax recovery rose by more than \$1 billion, an increase of over 40%.

The fight against tax evasion must be continued. Not only is it a question of fairness, but it is also a non-negligible means of helping to put public finances in order.

The government set the result of these stepped-up efforts at \$111 million in 2014-2015 and \$133 million in 2015-2016.

In total, Revenu Québec's activities should lead to the recovery of \$3.8 billion in 2014-2015 and \$3.9 billion in 2015-2016.

\* \* \*

### **Improving the fairness of the tax system**

The second measure will make the tax system fairer.

Currently, Québec's personal income tax system includes a mechanism enabling couples who receive certain retirement income to split their income so as to reduce their overall tax burden.

This measure is unfair because, for people under 65, it favours a certain type of pension plan.

To correct the unfair treatment resulting from income splitting between spouses,

I am announcing that 65 will now be established as the eligible age for this measure, for all sources of retirement income.

This measure will bring in \$52 million in 2014-2015 and \$55 million in 2015-2016.

\* \* \*

## ☐ Increase in the taxes on tobacco and alcohol

The third measure to raise government revenues concerns the taxes on tobacco and the taxes on alcohol.

Québec's smoking rate is one of the highest in Canada, while its tax rate on tobacco products is the lowest. Taxing tobacco products continues to be one of the most efficient ways of cutting down on smoking and, consequently, reducing health costs.

I am announcing that the tobacco tax is increased by \$4 per carton of 200 cigarettes as of midnight tonight.

Even after this increase, the price of a carton will still be below that in Ontario.

To prevent a rise in tobacco smuggling,

I am announcing that an additional \$1 million will be paid to ACCES tobacco partners in 2014-2015 to fight the illicit tobacco trade.

Alcoholic beverages sold in Québec are subject to a specific tax, the rates of which are determined according to the type of product and the place where they are consumed.

The application of different rates is explained by the changes that have occurred over time in the taxation of these beverages, which has always been higher in establishments. However, such a situation is debatable from the standpoint of tax neutrality. In fact, it is criticized by operators of establishments, who contend that the difference in rates could influence consumers' choice.

I am announcing the standardization of the tax rates respecting alcoholic beverages sold for consumption at home and sold in restaurants and bars for consumption on-site, as of August 1, 2014.

In total, the measure concerning the taxes on tobacco and alcohol will raise government revenues by \$126 million in 2014-2015 and \$175 million in 2015-2016.

\* \* \*

The measures implemented to restore a balanced budget essentially concern government spending.

Through these measures, the government intends to:

- reduce program spending growth;
- cut tax expenditures;
- control the spending of government bodies and enterprises;
- freeze overall staffing in the public and parapublic sectors.

\* \* \*

## **REDUCTION IN PROGRAM SPENDING GROWTH**

The first series of measures to control government spending concerns program spending.

Program spending alone accounts for more than 75% of the government's consolidated expenditure.

\* \* \*

### **□ The spending control measures announced on April 24**

On April 24, the government announced spending control measures applicable to all departments as of 2014-2015.

These actions were necessary to stabilize the budgetary situation. Annual savings of \$305 million were thus identified and made possible by:

- productivity gains representing 2% of payroll;
- a 3% reduction in operating expenditures;
- tightening of subsidy grants and promises.

\* \* \*

## ❑ **New control measures**

Other control measures are being implemented and will apply as of 2014-2015.

I am announcing new program spending control measures, including suspension, cancellation or deferral of certain commitments made by the previous governments and other measures, representing savings totalling \$2.7 billion in 2014-2015 and \$2.4 billion in 2015-2016.

These measures consist in:

- reviews of certain program costs or the schedule for certain projects;
- administrative spending cuts;
- reconsideration of certain development measures;
- other measures, such as reducing the amounts paid to bodies or spreading out the pay raises for physicians.

\* \* \*

## ❑ **Continued control of spending, and review of programs**

This effort to rein in program spending will continue in 2015-2016. As in 2014-2015, it will consist primarily in the review, cancellation or deferral of certain commitments.

Any new budgetary program or government service not provided for in the financial framework must necessarily be financed through equivalent program savings.

This is known as applying an offsetting mechanism to public spending.

The review undertaken must lead to savings of \$3.3 billion in 2015-2016.

I am announcing that program spending growth will be limited to 1.8% in 2014-2015 and 0.7% in 2015-2016.

In accordance with the commitments made, I am announcing that program spending growth will be higher for sectors that are considered priorities, namely, health and education.

- In health, program spending growth has been set at 3.0% in 2014-2015 and 2.7% in 2015-2016.
- In education, program spending growth will be 2.2% in 2014-2015 and 1.9% in 2015-2016.

Once the budget has been balanced, spending will grow gradually and make it possible to raise health and education spending to 4.0% and 3.0% a year, respectively, as desired.

\* \* \*

This effort to control program spending will reach a new stage in the coming months, with the implementation of a systematic process of analysis and review.

The review will be carried out by the Ongoing Program Review Committee, under the authority of my colleague the Minister for Government Administration and Ongoing Program Review and Chair of the Conseil du trésor.

The committee's work will focus on:

- the relevance of certain programs;
- the reduction or adjustment of their scope;
- their ongoing evaluation.

\* \* \*

Multi-year information on program spending by major portfolios, established for a three-year period, is presented in this budget. This information is indicative of the government's emphasis on transparency. It will allow for monitoring of the efforts to balance the budget.

The government is providing for tighter control of, and fuller reporting on, the financial performance of government departments and bodies. These controls will help achieve the budgetary objectives and will shore up public confidence in the government's belt-tightening efforts.

\* \* \*

## **REDUCTION OF TAX EXPENDITURES**

The second series of measures to control government spending concerns tax expenditures.

### **☐ Immediate measures**

Québec has many targeted tax assistance measures for businesses, particularly large corporations. These measures are costly and can create unfairness. The government wants to gradually change these incentives so that they are general rather than specific in scope.

I am announcing a 20% reduction in tax credit rates, the elimination or suspension of certain tax measures announced since September 2012, as well as caps on certain fiscal measures for business capitalization.

The reduction of tax expenditures will cut spending by \$348 million by 2015-2016.

\* \* \*

### **☐ The Québec Taxation Review Committee**

The Québec Taxation Review Committee will examine the merits of targeted tax assistance measures for businesses.

Moreover, the government will use the committee's work and recommendations to identify measures to reduce tax expenditures as a whole by \$650 million by 2015-2016.

In total, the tax expenditure measures should achieve savings of \$1 billion by 2015-2016.

\* \* \*

## **CONTROLLING SPENDING BY BODIES AND GOVERNMENT ENTERPRISES**

The government is undertaking a third series of measures to control spending.

I am announcing that the government is asking government enterprises, bodies and special funds to make an effort comparable to that requested of government departments, so as to reduce government public spending by \$438 million in 2014-2015 and \$172 million in 2015-2016.

For 2014-2015, the government has asked non-budget-funded bodies and unsubsidized special funds to achieve productivity gains and make an additional effort. The government has set a results-improvement target for each government enterprise.

Part of this effort will be recurring in nature and therefore allow for a spending cut in 2015-2016 as well.

This effort will apply across the board to government enterprises, bodies and special funds.

\* \* \*

## **GENERAL FREEZE ON STAFFING IN THE PUBLIC AND PARAPUBLIC SECTORS**

The government is implementing a fourth and final spending control measure, by applying a general freeze on staffing in the public and parapublic sectors until the end of fiscal 2015-2016.

I am announcing that the government will proceed with a general freeze on staffing in the public and parapublic sectors, to be carried out until the end of fiscal 2015-2016, it being understood that any positions that become available during that period will be allocated on a priority basis to services to the public.

This general freeze will achieve savings of \$100 million in 2014-2015 and \$500 million in 2015-2016.

Rigorous spending management inevitably depends on tighter control of remuneration expenditures. In 2014-2015, remuneration expenditures for public and parapublic sector employees will stand at \$38.8 billion and account for 59% of program spending.

In the past five years, staffing in the public sector and in the education, health and social services networks rose an average of 1.5% every year, the equivalent of 6 250 full-time employees annually. The government has decided to halt this increase until the end of fiscal 2015-2016.

\* \* \*

## ❑ **A bill**

The government does not currently have the powers necessary to apply a general staffing freeze outside the public service, or even to know the exact number of public and parapublic sector employees or the nature of their jobs.

The government must give itself the means to control changes in staffing levels throughout the public and parapublic sectors without reconsidering the existing decentralization and without micro-managing.

I am announcing that a bill will be tabled this fall to:

- give the ministers responsible for the networks a power in the networks similar to the Chair of the Conseil du trésor's power respecting public service staffing;
- give the Conseil du trésor the power to do a headcount by job category, and a power to report in this regard for the networks, government enterprises and the various public bodies, including trusts.

Although this power will be entrusted to the ministers and the Conseil du trésor, the various levels of decisionmaking will be respected.

Before the bill is tabled, the government will have talks with its employer partners to determine the terms of implementation of the general staffing freeze.

\* \* \*

## ❑ **Protecting services and honouring collective agreements**

I want to emphasize that the general staffing freeze means that overall staffing in the public and parapublic sectors will remain constant.

The general staffing freeze will enable the leeway created through retirement to be used to reallocate available positions to public services, that is, on a priority basis to health, education and services to the most vulnerable people. This leeway is very important, for an anticipated 15 000 government employees a year will retire in each of the next five years. This leeway will make it possible to preserve direct public services, while downsizing bureaucracy.

I also want to emphasize that the government is not introducing a payroll freeze and will fully comply with progress through wage scales and the inflation clause provided for in the collective agreements.

- The government intends to keep young people interested in the public and parapublic service.
- The government also wants to keep strategic knowledge in the public service, particularly in the areas of engineering and computer science.

These objectives will be achieved through the approach adopted by the government.

In a few months, government and union representatives will begin the next round of collective bargaining, as the existing collective agreements end on March 31, 2015.

The upcoming bargaining must result in an agreement with public and parapublic employees that is just and fair for all parties.

- The collective agreements must be in keeping with taxpayers' ability to pay.
- The next collective agreements could be adjustable according to efficiency gains in public service delivery.

\* \* \*

## **MAINTAINING DEBT REDUCTION OBJECTIVES**

The government is undertaking a demanding plan to restore public finances, but its effects will be especially beneficial for future generations because it will bring the debt under control.

The government is maintaining its objectives for reducing the gross debt and the debt representing accumulated deficits by 2025-2026.

I am announcing that, once the budget has been balanced, half the government's budget surpluses will be allocated to debt reduction. The other half will be allocated to easing the tax burden of Quebecers, giving preference to gradual elimination of the health contribution.

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# CONCLUSION

Mr. President, our government’s first budget will boost economic recovery and restore sound public finances.

## ❑ **Creating more wealth and restoring sound public finances**

We want Québec to create more wealth and our economy to support more jobs.

At the same time, we want to end the structural imbalance in public finances that puts us deeper into debt each year and increasingly limits our freedom of action.

With Budget 2014-2015, the government is taking the first step on the critical path we must travel to finally restore fiscal balance. It defines the objective set and puts in place the means to achieve it.

Other important decisions must be taken, and they will be.

The edifice we want to build will be supported by two strong pillars—a prosperous economy and public finances that will finally be sound.

\* \* \*

## ❑ **A budget of hope**

Mr. President, for the first time in this chamber, I will allow myself to conclude a budget speech with a proverb in Portuguese that seems appropriate to me in the circumstances.

In the country where I was born, we say *a esperança sempre entra quando deixamos a porta aberta*, which means “hope always comes through an open door.”

This budget opens doors.

I am convinced that it will be a messenger of hope for all Quebecers.

Mr. President, I am proposing that the National Assembly approve the government’s budgetary policy.

Thank you.

☪ • ☪



**Québec government**  
**Summary of budgetary transactions**  
**Preliminary results for 2013-2014**  
(millions of dollars)

	<b>2013-2014</b>
<b>GENERAL FUND REVENUE</b>	
Own-source revenue	52 805
Federal transfers	16 701
<b>Total</b>	<b>69 506</b>
<b>GENERAL FUND EXPENDITURE</b>	
Program spending	-64 518
Debt service	-8 443
<b>Total</b>	<b>-72 961</b>
<b>CONSOLIDATED ENTITIES</b>	<b>1 476</b>
<b>DEFICIT</b>	<b>-1 979</b>
Deposits of dedicated revenues in the Generations Fund	-1 121
<b>BUDGETARY BALANCE<sup>(1)</sup></b>	<b>-3 100</b>

(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

**Québec government**  
**Summary of budgetary transactions**  
**Forecasts for 2014-2015**  
(millions of dollars)

	<b>2014-2015</b>
<b>GENERAL FUND REVENUE</b>	
Own-source revenue	54 682
Federal transfers	16 691
<b>Total</b>	<b>71 373</b>
<b>GENERAL FUND EXPENDITURE</b>	
Program spending	-65 704
Debt service	-8 583
<b>Total</b>	<b>-74 287</b>
<b>CONSOLIDIDATED ENTITIES</b>	<b>1 865</b>
<b>DEFICIT</b>	<b>-1 049</b>
Deposits of dedicated revenues in the Generations Fund	-1 301
<b>BUDGETARY BALANCE<sup>(1)</sup></b>	<b>-2 350</b>

(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

**Québec government  
General fund revenue  
Forecasts for 2014-2015**  
(millions of dollars)

	<b>2014-2015</b>
<b>OWN-SOURCE REVENUE</b>	
Income and property taxes	
Personal income tax	20 120
Health Services Fund	6 958
Corporate taxes	3 420
	<b>30 498</b>
Consumption taxes	
Sales	15 552
Tobacco	977
Alcoholic beverages	498
Other	18
	<b>17 045</b>
Duties and permits	
Natural resources	159
Other	278
	<b>437</b>
Miscellaneous	
Sales of goods and services	388
Interest	493
Fines, forfeitures and recoveries	716
	<b>1 597</b>
Revenue from government enterprises	
Hydro-Québec	2 979
Loto-Québec	1 065
Société des alcools du Québec	1 021
Other	40
	<b>5 105</b>
<b>Total</b>	<b>54 682</b>
<b>FEDERAL TRANSFERS</b>	
Equalization	9 286
Health transfers	5 262
Transfers for post-secondary education and other social programs	1 585
Other programs	988
Allocation to FINESSS <sup>(1)</sup> of a portion of health transfers	-430
<b>Total</b>	<b>16 691</b>
<b>TOTAL GENERAL FUND REVENUE</b>	<b>71 373</b>

(1) Fund to Finance Health and Social Services Institutions.

**Québec government**  
**General fund expenditure**  
**Forecasts for 2014-2015**  
(millions of dollars)

	<b>2014-2015</b>
<b>PROGRAM SPENDING</b>	
Assemblée nationale	123.8
Persons Appointed by the National Assembly	133.0
Affaires municipales et Occupation du territoire	1 777.8
Agriculture, Pêcheries et Alimentation	1 037.0
Conseil du trésor et Administration gouvernementale	858.7
Conseil exécutif	389.9
Culture et Communications	665.8
Développement durable, Environnement et Lutte contre les changements climatiques	157.0
Économie, Innovation et Exportations	642.0
Éducation, Loisir et Sport	10 529.1
Emploi et Solidarité sociale	4 238.7
Énergie et Ressources naturelles	86.7
Enseignement supérieur, Recherche et Science	6 433.7
Famille	2 599.7
Finances (excluding debt service)	134.3
Forêts, Faune et Parcs	459.8
Immigration, Diversité et Inclusion	293.6
Justice	842.2
Relations internationales et Francophonie	94.7
Santé et Services sociaux	32 346.2
Sécurité publique	1 258.8
Tourisme	127.1
Transports	688.7
Travail	90.7
Productivity gains, operation and grants <sup>(1)</sup>	-305.0
<b>Total</b>	<b>65 704.0</b>
<b>DEBT SERVICE</b>	<b>8 583.0</b>
<b>TOTAL GENERAL FUND EXPENDITURE</b>	<b>74 287.0</b>

(1) Saving measures announced on April 24, 2014.

**Québec government**  
**Summary of consolidated transactions**  
**Forecasts for 2014-2015**  
(millions of dollars)

	<b>2014-2015</b>
<b>CONSOLIDATED REVENUE</b>	
Personal income tax	27 349
Contributions for health services	6 482
Corporate taxes	5 819
School property tax	1 901
Consumption taxes	17 657
Duties and permits	2 506
Miscellaneous	9 670
Government enterprises	5 105
Revenue of the Generations Fund	1 301
<b>Own-source revenue</b>	<b>77 790</b>
Federal transfers	18 607
<b>Total consolidated revenue</b>	<b>96 397</b>
<b>CONSOLIDATED EXPENDITURE</b>	
Expenditure	-86 615
Debt service	-10 831
<b>Total consolidated expenditure</b>	<b>-97 446</b>
<b>SURPLUS (DEFICIT)</b>	<b>-1 049</b>
<b>BALANCED BUDGET ACT</b>	
Deposits of dedicated revenues in the Generations Fund	-1 301
<b>BUDGETARY BALANCE<sup>(1)</sup></b>	<b>-2 350</b>

(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

**Québec government**  
**Non-budgetary transactions**  
**Forecasts for 2014-2015**  
(millions of dollars)

	<b>2014-2015</b>
<b>INVESTMENTS, LOANS AND ADVANCES</b>	<b>-1 750</b>
<b>CAPITAL EXPENDITURES</b>	
Investments	-9 166
Amortization	3 632
Less: PPP investments	907
<b>Total</b>	<b>-4 627</b>
<b>RETIREMENT PLANS AND EMPLOYEE FUTURE BENEFITS</b>	<b>3 300</b>
<b>OTHER ACCOUNTS</b>	<b>-488</b>
<b>TOTAL FINANCING TRANSACTIONS</b>	<b>-3 565</b>

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.