

2009-2010 BUDGET PRESS RELEASE No. 1

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2009-2010 BUDGET

PROTECTING JOBS AND PREPARING FOR RECOVERY

Québec, March 19, 2009 - The Minister of Finance and Minister responsible for Infrastructure, Monique Jérôme-Forget, today tabled a budget that continues the deployment of the government's action plan to protect jobs and prepare for economic recovery. The Minister is announcing a series of measures that draw on the resources and strengths of Québec's economy. "This budget mobilizes. It invites society's players, unions, businesses, community groups and government corporations to come together as a team to counter the economic recession," the Minister said.

"We consulted extensively with Quebecers in preparing this budget. The measures we are announcing reflect the needs they expressed to us. Accordingly, this budget enables us to tackle the recession and prepare for economic recovery, ensure Québec's social development and keep public finances healthy," Minister Jérôme-Forget pointed out.

Tackling the recession and preparing for economic recovery

To stimulate the economy, the government is announcing a series of additional targeted measures that will help our businesses and workers. Accordingly, the budget stipulates, in particular:

- the implementation of a new stock savings plan;
- the creation of a \$500-million emergency fund in partnership with the Fonds de solidarité FTQ and the Société générale de financement;
- a \$200-million improvement to the Renfort program;
- an addition of \$60 million to the FIER-Régions;
- the creation of a new \$825-million fund to finance venture capital funds;
- an unprecedented manpower training effort consisting of an increase in the Employment Pact from \$1 billion to \$1.5 billion;
- additional assistance of \$65 million for the forest sector.

Furthermore, since now is the time to start looking beyond the recession, the government is announcing:

- a plan to continue making Québec a global power in clean and renewable energy;
- steps for the implementation of the major Plan Nord project;
- measures to make Québec a world leader in environmental protection and green technologies.

Ensuring Québec's social development

Improving Quebecers' quality of life has been at the heart of the government's action since 2003. Despite the recession, the government is continuing to invest in social programs. Accordingly, the budget stipulates:

- an improvement to the tax credit for child care expenses that will benefit 100 000 families;
- that the target of 220 000 childcare spaces at \$7 a day will be achieved by the end of 2010;
- initiatives to counter elder abuse and end isolation among seniors;
- support for the "Age-Friendly Municipalities" program by funding concrete local projects as part of the Action Strategy for the Elderly;
- construction of 3 000 additional social housing units.

Since health and education are central to Quebecers' quality of life, the government, despite the economic slowdown, is continuing to invest in these essential sectors. Accordingly, the government is announcing:

- an increase of 5.7%, i.e. \$1.5 billion, in health budgets, in particular to continue the development of family medicine groups;
- a rise of 3.5%, i.e. \$490 million, in education budgets to, among other things, intensify efforts to curb the school drop-out phenomenon.

Maintaining sound public finances

The global recession is having a major impact on public finances around the world. Although Québec has been less affected than its neighbours, our economy will be drawn into recession in 2009 and real GDP is now expected to shrink by 1.2%. The government has been successful in balancing the budget in 2008-2009, but it expects a budget deficit of \$3.9 billion in 2009-2010. Accordingly, in keeping with steps taken by other governments, it will be necessary to suspend the requirements of the Balanced Budget Act.

Return to balanced budgets

The government is announcing that it will continue its disciplined approach to managing the public debt. To that end, and to prevent a return to the chronic deficits of the 1990s, the government is today implementing a vigorous plan to return to balanced budgets. The efforts to return to balanced budgets will begin to be deployed gradually once the recovery is well underway. These efforts include:

- tight control of spending, holding spending growth to 3.2% as of 2010-2011;
- intensification of efforts to combat tax evasion and avoidance to ensure that all taxpayers pay their fair share of tax;
- a new public services funding policy that stipulates annual indexing of fees to the rate of inflation as of January 1, 2011;
- a one-point increase in the Québec sales tax (QST) rate as of January 1, 2011.

“Quebecers accept the incurring of deficits, but they want us to plan for renewed budget balance. This budget includes a five-year plan that will enable the government to reconnect with the fiscal policy directions that have guided its action in recent years. We will not add to the burden of future generations,” Minister Jérôme-Forget pointed out.

Generations Fund

The government announces that it is maintaining its payments to the Generations Fund. “The pre-budget consultations showed me that the Generations Fund has broad support. Young people from all horizons want the government to continue its disciplined management of the public debt. They are right,” the Minister of Finance observed.

Payments to the Fund will amount to \$715 million in 2009-2010 and \$880 million in 2010-2011. As at March 31, 2011, the balance of the Generations Fund will reach \$3.5 billion.

A budget for today that prepares for tomorrow

“This budget was not prepared in isolation. Rarely have so many Quebecers taken part in the consultations that enabled its directions to be determined. Quebecers asked us to protect jobs and our social programs in this time of economic recession. We listened to them. Today, we are giving them a responsible budget,” the Minister of Finance concluded.

- 30 -

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