



## 2011-2012 BUDGET PRESS RELEASE No. 2

### 2011-2012 BUDGET

#### **A Plan for Public Finances**

**Québec, March 17, 2011** – “Budgetary leeway provides us with the necessary leeway to remain masters of our choices and give ourselves the development tools we need. We are going to stay the course,” the Minister of Finance, Raymond Bachand, said in tabling the 2011-2012 Budget.

#### **No change in deficits over five years**

Regarding public finances, the government is announcing that the results for 2009-2010 and 2010-2011 are better than forecast, with the deficits being revised downward.

The 2011-2012 Budget shows improvements:

- of \$1 083 million for 2009-2010, with a deficit of \$3.2 billion;
- of \$306 million for 2010-2011, with a forecast deficit of \$4.2 billion.

In addition, as stipulated in the *Balanced Budget Act*, the government is setting definitive targets for decreasing deficits in this budget that it must achieve over the next two years.

Accordingly, after having hit \$4.2 billion in 2010-2011, the deficit will be reduced gradually to \$3.8 billion in 2011-2012 and \$1.5 billion in 2012-2013. The budget is still forecast to be balanced in 2013-2014.

To deal with unforeseen events, the deficits incorporate contingency reserves of \$300 million in both 2010-2011 and 2011-2012, as well as \$200 million in 2012-2013, for a total of \$800 million over three years.

Overall, the total forecast budget deficit for the years 2009-2010 to 2013-2014, i.e. over five years, amounts to \$12.7 billion, \$189 million less than forecast last year.

The deficit will be eliminated in 2013-2014 because the measures of the Plan to return to budget balance, especially regarding spending control, have been implemented.

In last year's budget, 90% of the efforts needed to return to balanced budgets had been identified. Considering all of the financial revisions since the budget, the remaining measures to be identified in 2013-2014 have declined slightly, from \$1 051 million in March 2010 to \$1 025 million.

"Last year, we charted a strict course that must reduce the deficit each year in order to restore fiscal balance in 2013-2014, while preserving the integrity, quality and solidarity of our public services," the Minister of Finance indicated.

### **Change in revenue and expenditure**

The government's budgetary expenditure, which includes program spending and debt service, is expected to reach \$69.1 billion in 2011-2012.

Program spending is forecast to rise by 2.4% in 2011-2012. Consequently, considering the amounts paid into the new funds the government has created to finance certain activities, the spending growth rate will be 3.7% in 2011-2012 compared with the forecast of 2.8% in last year's budget.

The new funds are the Land Transportation Network Fund (FORT), the Tax Administration Fund (FRAF) and the Fund to Finance Health and Social Services Institutions (FINESSS).

Budgetary revenue is expected to total \$65.4 billion in 2011-2012, i.e. \$50.3 billion from own-source revenue and \$15 billion from federal transfers. It is forecast to rise by 4.8% in 2011-2012 and 5.7% in 2012-2013.

### **Debt management**

In tabling the budget, Minister Bachand noted that the government has set two debt-reduction objectives for the next 15 years. For fiscal year 2025-2026, the debt representing accumulated deficits cannot exceed 17% of GDP. As for the gross debt, it cannot exceed 45% of GDP.

"Efforts continue to reduce the debt burden. The 2011-2012 Budget stipulates additional actions to achieve the debt-reduction objectives by 2025-2026. Once the budget is balanced, we will make annual payments of 25% of all mining, natural gas and oil royalties in excess of \$200 million into the Generations Fund as of 2014-2015," the Minister pointed out.

Furthermore, to reduce the debt as a percentage of GDP, the budget stipulates that investments in infrastructure will be gradually reduced at a speed that will maintain their quality. Despite this reduction, annual investment as a percentage of GDP will remain above its pre-recession level.

### **Countering tax evasion**

The Minister also dealt with the issue of tax evasion. "The government has made the fight against tax evasion one of the main planks of its plan to return to fiscal balance. The ambitious objective of recovering \$320 million in 2010-2011 will be achieved. I am therefore announcing that the annual tax recovery targets will be raised by

\$150 million this year and by \$200 million subsequently, bringing the overall objective to \$1.4 billion in 2013-2014,” he said.

The Minister indicated that to achieve these objectives, existing measures would be intensified and operations would be undertaken in new sectors.

**Issues with the federal government**

“Twenty years ago, Québec decided to join the federal government in reforming sales taxes in Canada. Québec set the example. And yet, it is currently receiving the same treatment from the federal government as those provinces that, 20 years later, have still done nothing to harmonize their sales tax with the GST. This situation is unfair and must be rectified. Our government will continue to defend the interests of Quebecers in those discussions,” the Minister of Finance concluded.

The paper *Update on Federal Transfers* accompanies the budget documents.

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