

## **2000-2001 BUDGET IN ALL FAIRNESS**

**Quebec City, March 14, 2000** – Deputy Premier and Minister of State for the Economy and Finance Bernard Landry announced in the 2000-2001 Budget Speech that, in 1999-2000, Québec balanced its budget for the second consecutive year. He added that the books would be balanced in 2000-2001 and the following years as well. The excellent performance of the Québec economy in the year coming to an end has created a surplus of \$2 billion. Anticipated economic growth in 2000 should also result in a substantial surplus. These surpluses are being reinvested primarily in health, education, young people and economic development. They also enable the government to reduce personal income tax immediately, and more substantially than anticipated, without jeopardizing the budget balance for next year.

### **Remarkable economic results**

In fiscal 1999-2000, Québec recorded exceptional economic and financial results. GDP grew by 3.7%, 1.6 percentage points more than anticipated in the last Budget Speech. Job creation hit a peak unmatched since 1987 with 76 000 new jobs in the course of the year. The unemployment rate dropped to 8.1% in December, its lowest level in 25 years.

Most experts predict continued strong growth for the Québec economy in 2000-2001, equal to or perhaps even greater than that achieved last year. The Québec government expects real GDP to grow by 3.3%, which is about the same as last year and twice the average rate of the last ten years. The creation of 70 000 new jobs should bring about a reduction of one percentage point in the average unemployment rate for the year.

## **\$4.5-billion tax reduction**

All taxpayers, no matter what their income or their personal situation, will benefit from a \$4.5-billion reduction in personal income taxes. The government is making an immediate cut of \$1 billion, which will be followed by a \$1.5-billion tax reduction in 2001-2002 and a \$2-billion cut in 2002-2003. The first cut will be retroactive to January 1, 2000 and will appear on Quebecers' paycheques as early as May, by which time at-source deductions will have been adjusted.

The 2.4 million Québec households that pay income tax will benefit from an average estimated tax reduction of 13%, or \$845 per household. Although this measure applies to all taxpayers, middle-class Quebecers and families will profit most from the tax relief. A household with two children and a family income of \$50 000, for example, will save a total of \$1 733, which represents a 34% cut in taxes.

## **Fully indexed tax system**

Until 2002, taxpayers' purchasing power will be protected by tax cuts much higher than inflation. Beginning in the 2003 taxation year, it will be protected by the automatic indexation of the tax system.

## **An additional \$2.7 billion for health and social services**

In order to guarantee universal access to high-quality health care and satisfy the wishes of the public, the government is injecting \$2.7 billion into the health and social services sector.

Of this amount, \$862 million is earmarked for network institutions to ensure adequate funding and balanced budgets. Another \$877 million is earmarked to defray the increasing cost of services.

The government is going yet further in this Budget, by investing an additional \$747 million to improve existing services and create new ones. Of this amount, \$21 million is earmarked exclusively for services for young people.

The great technological advances made in recent years are forcing institutions to acquire or replace certain pieces of medical equipment. The government is allocating \$200 million to network institutions for the purchase of new equipment.

## **Over \$1 billion for young people**

This Budget carries out the promise the government made at the end of the Québec Youth Summit by investing \$1 billion in the education sector. This investment will give the education networks additional amounts of \$200 million in 2000-2001, \$300 million the following year and \$500 million for each subsequent year. The government has exceeded its commitment, making another \$150 million available to promote the financial health of the education networks.

To encourage young people to pursue graduate studies, bursaries from the Fonds pour la formation des chercheurs et l'aide à la recherche (FCAR) will be increased from \$11 000 to \$15 000 for a master's degree, from \$13 000 to \$20 000 for a doctorate and from \$22 000 to \$30 000 for post-doctoral studies.

Two new measures have been introduced to support the next generation of university researchers: the non-taxable portion of bursaries has been raised from \$500 to \$3000, and graduate scholarships are now completely tax-free.

Mr. Landry also announced measures to enable young people to acquire work experience that will help them gain access to the job market. Additional appropriations of \$11.4 million have been earmarked for the creation of internships and summer jobs during the coming year.

Excellence in sports is also encouraged through the introduction of a tax credit of up to \$4 000 for the 2 000 high-performance athletes of whom Québec is so proud.

The government has confirmed its \$120-million contribution to the Youth Fund created at the end of the Québec Youth Summit. It will also encourage initiative and entrepreneurship among young people through various economic measures.

An additional \$95 million is allocated to other measures for young people that will be announced by the Minister of State for Education and Youth.

## **\$675 million for economic development**

Bolstered by the successes of recent years, the government is continuing to invest in the development and transformation of the Québec economy in order to make it more competitive and promote job creation.

To stimulate the regional economy and create lasting jobs, the government is injecting \$310 million into very diverse measures such as assistance for the modernization of pulp and paper mill equipment and loan guarantees for small business start-ups.

The government is introducing a number of important measures to support businesses, such as a comprehensive 10-year tax holiday for all major investment projects and improved PIJCPF and Garantie-PME programs.

Internet access and the development of e-commerce are also priorities in this Budget. Thus, families with at least one child will be eligible for assistance of up to 75% of the cost of Internet access and the rental of the necessary hardware. Moreover, SMEs will benefit from a tax credit equal to 40% of the cost of developing an e-commerce site.

An additional \$290 million will be earmarked for the creation of a Québec infrastructure program. The various types of infrastructures and facilities that may be funded in this way include those relating to the drinking water supply, sewage treatment, recreation and culture, as well as roads and other transportation facilities. Environmental infrastructures will also be eligible.

The 2000-2001 Budget Speech confirms the fact that the municipalities will no longer contribute to the special Fonds de financement des activités locales (FFAL). This is one of the steps taken to free up \$430 million for municipalities over the next three years.

## **More for all**

As Deputy Premier and Minister of State for the Economy and Finance Bernard Landry said in the 2000-2001 Budget, "... Giving more, in all fairness, because we recognize the efforts of Quebecers, who have supported their government with faith and determination in recent years, with a view to putting public finances in order and creating a solid foundation on which to build the future. Quebecers have pulled their weight and will be rewarded."

– 30 –

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