

2000-2001  
BUDGET

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Additional

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Information

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on the Budgetary

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Measures

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## Section 3

### Measures Regarding the Local Sector

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1.	\$430 MILLION FOR MUNICIPALITIES .....	1
2.	ANTI-POLLUTION EQUIPMENT .....	4



## 1. \$430 MILLION FOR MUNICIPALITIES

The Québec government is announcing a series of measures that will provide municipalities with additional funding of \$430 million over three years:

municipalities will no longer be required to contribute to the local activities special financing fund (LASFF) as of 2001;

the government will retain the proceeds of the tax on businesses that operate a telecommunications, natural gas or electricity (TGE) network;

the government will take charge of assistance programs currently funded from the TGE and will pay additional assistance to the municipalities;

furthermore, \$175 million will be provided to carry out municipal infrastructures.

### End of the municipalities' contribution to the Local Activities Special Financing Fund (LASFF)

The municipalities have been contributing to the LASFF since 1998. This contribution was \$355.9 million a year, of which \$34.7 million is drawn from the proceeds of the TGE tax and \$321.2 million is paid directly by the municipalities. The sums deposited in the LASFF cover part of the debt service resulting from loans contracted under the Québec Water Purification Program (QWPP).

This Budget Speech confirms that the government will end this contribution as of 2001. The annual expenditures of \$355.9 million which used to be financed by the municipal contribution will henceforth be assumed by the government.

### Assistance programs for municipalities and RCMs

The government will continue to provide municipalities with the various forms of assistance currently funded from TGE revenue, namely the equalization program (\$36 million), as well as assistance to central cities (\$11 million) and RCMs (\$3 million). Total assistance amounts to \$50 million a year.

In addition, financial compensation of \$155 million over two years will be paid to the municipalities as a transitional measure and in relation to the action plan to strengthen urban centres as well as RCMs. The Minister of Municipal Affairs and Greater Montréal will announce the details of this additional government assistance at a later date.

The estimates of the ministère des Affaires municipales et de la Métropole will be adjusted accordingly.

## ☐ Funding for municipal infrastructures

As announced in the section dealing in this document with infrastructures, the government will allocate \$175 million during 1999-2000 to promote the construction, improvement and repair of municipal infrastructures.

## ☐ Proceeds of the tax on businesses operating a telecommunications, natural gas or electricity (TGE) network to be retained by the government

Businesses that operate a telecommunications, natural gas or electricity network pay a tax to the ministère du Revenu du Québec of which most of the proceeds is redistributed to the municipalities by the ministère des Affaires municipales et de la Métropole.

The forecast utilization of the TGE tax for 2000 is shown in the following table, taking into account the various specific allocations made before redistribution to the municipalities:

### UTILISATION OF THE TGE TAX

(in millions of dollars)

<b>Amount available<sup>1</sup></b>	<b>357.2</b>
Payment to the local activities special financing fund	– 34.7
Assistance programs <sup>2</sup>	– 50.0
Neutrality of the TGE in the case of amalgamations	– 0.5
<b>Amount distributed to municipalities</b>	<b>272.0</b>

1 After deducting collection and redistribution expenses.

2 Consisting of the equalization program, \$36 million, assistance to central cities, \$11 million, and assistance to RCMs, \$3 million.

The government will retain the revenue from the TGE tax collected as of January 1, 2001. Revenue collected before then will, as in the past, be shared among the municipalities in accordance with existing rules.

## □ Financial impact for municipalities

The measures affecting the municipalities' revenues and expenditures will have a net positive impact on them. They will reap a recurring gain of \$50 million a year as a result of the combined effect of the end of the contribution to the LASFF, the loss of the TGE tax and the continuation of existing assistance programs.

This gain is augmented by the selective assistance provided by the government, namely the \$175 million for infrastructures and \$155 million for additional assistance.

For the municipal financial years 2000 to 2002, the favourable impact on them amounts to \$427.4 million.

### FINANCIAL IMPACT ON MUNICIPALITIES

(in millions of dollars)

	2000	2001	2002	Total
Funding for infrastructures	175.0	—	—	175.0
End of the contribution to LASFF	—	321.2	321.2	642.4
Continuation of existing assistance programs <sup>1</sup>	—	50.0	50.0	100.0
Additional assistance <sup>2</sup>	—	115.0	40.0	155.0
<b>Sub-total</b>	<b>175.0</b>	<b>486.2</b>	<b>411.2</b>	<b>1 072.4</b>
Loss of TGE revenue	—	- 322.5	- 322.5	- 645.0
<b>Total</b>	<b>175.0</b>	<b>163.7</b>	<b>88.7</b>	<b>427.4</b>

1 Consisting of the equalization program, \$36 million, assistance to central cities, \$11 million, and assistance to RCMs, \$3 million.

2 The Minister of Municipal Affairs and Greater Montréal will announce the payment details of this assistance at a later date.

## 2. ANTI-POLLUTION EQUIPMENT

The Act respecting municipal taxation stipulates that machines, apparatus and accessories used for industrial production are not entered on the assessment roll of municipalities. However, it does not contain a specific provision concerning equipment used to reduce industrial pollution.

To afford similar treatment to industrial production equipment and to equipment used to eliminate the undesirable by-products of such activities, the Act respecting municipal taxation will be amended to specify that machines, apparatus and their accessories used to control or reduce pollution resulting from industrial production activities are not entered on the assessment roll. However, the foundations, support structures and buildings put up to hold equipment to reduce industrial pollution will continue to be entered on the assessment roll and will remain subject to property taxes.

The government will take the necessary steps to compensate, on a permanent basis, municipalities that suffer significant revenue losses because of this legislative amendment. An amount of \$10 million has been allocated for this purpose in the estimates of the ministère des Affaires municipales et de la Métropole as of 2000-2001.