

## Section 3

# The Government's Budgetary and Financial Stance

---

A balanced budget, income tax reductions and additional resources for public services .....	3
A marked improvement in the financial situation .....	5
Government revenue .....	8
Government expenditure .....	17
Appendices	
3.1 Resources allocated to health and social services .....	19
3.2 Resources allocated to education .....	23
3.3 Additional information on the budgetary revenue forecast for 2001-2002 .....	27
3.4 Additional information on the government's financial position .....	33



This section of the 2001-2002 Budget Plan indicates the Québec government's budgetary and financial stance. It presents revenue, expenditure, budget balance, and net financial requirements or surplus forecasts in light of the economic assumptions adopted and the fiscal and budgetary policies announced in this Budget Speech.

## A balanced budget, income tax reductions and additional resources for public services

The government forecasts a budgetary surplus after reserve of \$500 million for fiscal 2000-2001. The budget will remain balanced in subsequent fiscal years, as prescribed by the *Act respecting the elimination of the deficit and a balanced budget*.

TABLE 3.1

### SUMMARY OF CONSOLIDATED FINANCIAL TRANSACTIONS<sup>1</sup> (in millions of dollars)

	1998-1999	1999-2000	2000-2001 <sup>P</sup>	2001-2002 <sup>P</sup>	2002-2003 <sup>P</sup>
<b>Budgetary transactions</b>					
Own-source revenue	38 605	41 047	42 729	41 652	42 817
Federal transfers	8 090	6 352	8 174	9 484	9 557
Total revenue	46 695	47 399	50 903	51 136	52 374
Operating expenditure	- 39 382	- 39 997	- 41 789	- 43 226	- 44 582
Debt service	- 7 187	- 7 372	- 7 664	- 7 910	- 7 792
Total expenditure	- 46 569	- 47 369	- 49 453	- 51 136	- 52 374
Reserve for health and social services, education, social solidarity and research	—	—	- 950	—	—
<b>Budgetary surplus after reserve</b>	<b>126</b>	<b>30</b>	<b>500</b>	<b>0</b>	<b>0</b>
<b>Non-budgetary transactions</b>					
Investments, loans and advances	- 1 402	- 2 022	- 1 638	- 2 771	- 1 392
Capital expenditures	- 217	- 359	- 386	- 691	- 784
Retirement plans	1 020	1 740	1 749	1 888	1 947
Other accounts	996	1 328	- 657	804	- 12
<b>Non-budgetary excess amount (shortfall)</b>	<b>397</b>	<b>687</b>	<b>- 932</b>	<b>- 770</b>	<b>- 241</b>
<b>Net financial surplus (requirements)</b>					
Consolidated Revenue Fund	905	826	0	0	500
Consolidated organizations	- 382	- 109	- 432	- 770	- 741
<b>Total</b>	<b>523</b>	<b>717</b>	<b>- 432</b>	<b>- 770</b>	<b>- 241</b>

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

P: Preliminary results for 2000-2001 and forecasts for subsequent years.

1 Based on the budgetary and financial structure in effect in 2001-2002.

Substantial additional revenue was posted for fiscal 2000-2001 and 2001-2002 compared with the forecasts presented in the Budget Speech of last March. These excess amounts have allowed the government:

- to further reduce personal income tax. Reductions of up to \$3.5 billion over the next three years are announced.
- to devote more resources to public services. In this regard, the government has boosted spending substantially, particularly for the health and social services sector, education and the fight against poverty and exclusion. Moreover, additional resources are being provided to support economic development in the regions.
- to allocate \$950 million to a reserve. Over the coming years, these funds may be used notably for modernizing the health and social services and education networks and for implementing new social solidarity and research initiatives.
- to reduce government debt by \$500 million.

Total net financial requirements will be \$432 million in 2000-2001 and \$770 million in 2001-2002.

No net financial requirements are forecast for the Consolidated Revenue Fund in 2000-2001 and 2001-2002. Net financial surpluses of \$500 million are anticipated for fiscal 2002-2003.

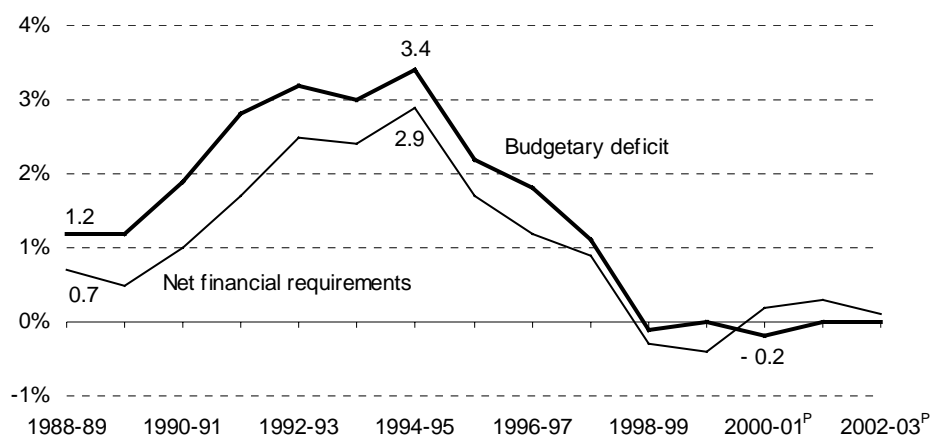
The net financial requirements of consolidated organizations will amount to \$432 million in 2000-2001 and \$770 million in 2001-2002. These requirements stem for the most part from capital investments, particularly for the Fonds de conservation et d'amélioration du réseau routier.

## A marked improvement in the financial situation

The government's financial situation has improved considerably in recent years. While the budgetary deficit accounted for 3.4% of gross domestic product in 1994-1995, it was gradually eliminated thereafter. Since 1998-1999, the government has recorded surpluses. It intends to continue to achieve a balanced budget in the years to come.

GRAPH 3.1

### BUDGETARY DEFICIT AND NET FINANCIAL REQUIREMENTS (as a percentage of GDP)



P: Preliminary results for 2000-2001 and forecasts for subsequent years.

The achievement of a budgetary surplus of \$500 million after reserve in 2000-2001 will lead to a reduction of the debt (accumulated deficits) as at March 31, 2001 by the same amount.

Several Canadian jurisdictions use the concept of accumulated deficits as an indicator of the change in their financial situation. This indicator, which has been used in Québec's Public Accounts for several years, is different from concepts of direct debt and total government debt, which refer to borrowings outstanding and to commitments with regard to the retirement plans of public and parapublic sector employees.

The debt (accumulated deficits) as at March 31, 2001 totals \$81 693 million, or \$500 million less than as at March 31, 2000. It will remain stable throughout the forecast period.

TABLE 3.2

**CHANGE IN THE DEBT REPRESENTING ACCUMULATED DEFICITS**  
(in millions de dollars)

	2000-2001 <sup>P</sup>	2001-2002 <sup>P</sup>	2002-2003 <sup>P</sup>
<b>Opening balance</b>	<b>82 193<sup>1</sup></b>	<b>81 693</b>	<b>81 693</b>
Less			
<i>Budgetary surplus after reserve</i>	<i>500</i>	<i>0</i>	<i>0</i>
<b>Closing balance</b>	<b>81 693</b>	<b>81 693</b>	<b>81 693</b>

P: Preliminary results for 2000-2001 and forecasts for subsequent years.

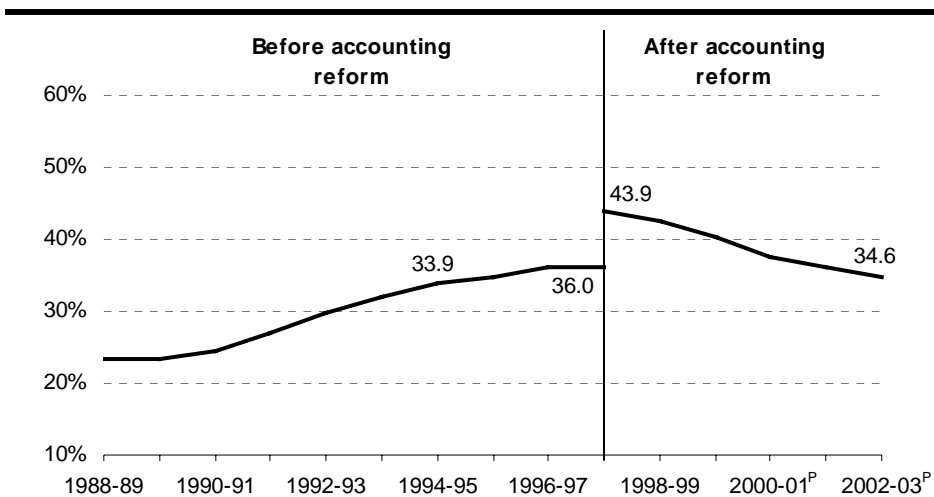
1 1999-2000 closing balance as shown in the 1999-2000 Public Accounts.

***The government's indebtedness rate continues to decline***

The gradual elimination of the deficit has resulted in a reduction in the government's indebtedness rate. As a proportion of GDP, the debt (accumulated deficits) will gradually decline, reaching 34.6% as at March 31, 2003, a drop of over 21% in just five years.

GRAPH 3.2

**DEBT REPRESENTING ACCUMULATED DEFICITS**  
(as a percentage of GDP)



P: Preliminary results for 2000-2001 and forecasts for subsequent years.

### ***The interest on the debt represents an increasingly smaller share of government revenue***

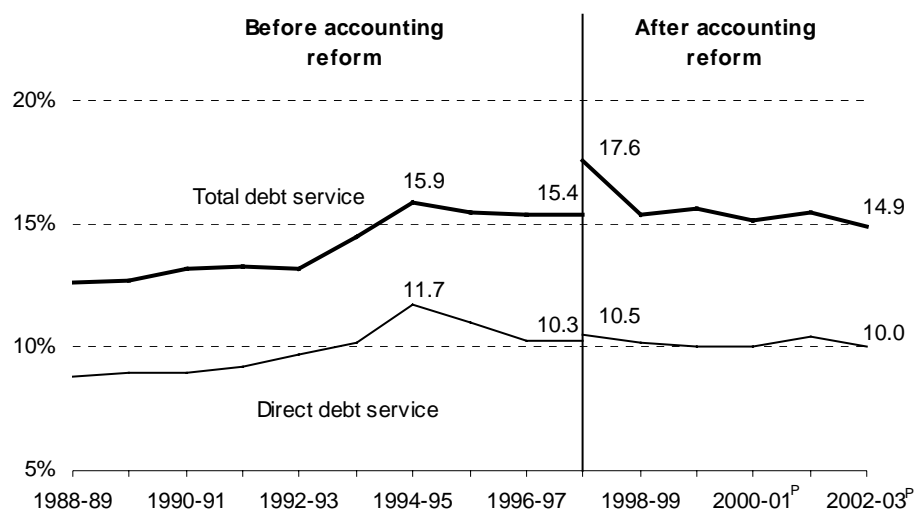
The portion of budgetary revenue allocated to direct debt service should amount to around 10% over the forecast period. It should be noted that direct debt service does not include interest on the net retirement plans liability and includes the debt service of consolidated organizations.

The portion of budgetary revenue allocated to total debt service should continue to decline. Amounting to 17.6% in 1997-1998, it should be 14.9% in 2002-2003.

GRAPH 3.3

#### **DEBT SERVICE**

(as a percentage of budgetary revenue)



P: Preliminary results for 2000-2001 and forecasts for subsequent years.

## Government revenue

### Budgetary revenue

The government's budgetary revenue should total \$51 136 million in 2001-2002, i.e. \$41 652 million in own-source revenue and \$9 484 million in federal transfers. After rising 7.4% in 2000-2001, budgetary revenue should grow by 0.5% in 2001-2002 and 2.4% in 2002-2003.

TABLE 3.3

#### CHANGE IN BUDGETARY REVENUE (in millions of dollars)

	1998-99	99-2000	2000-01 <sup>P</sup>	2001-02 <sup>P</sup>	2002-03 <sup>P</sup>
Own-source revenue	38 605	41 047	42 729	41 652	42 817
% change	7.7	6.3	4.1	- 2.5	2.8
Federal transfers	8 090	6 352	8 174	9 484	9 557
% change	35.1	- 21.5	28.7	16.0	0.8
<b>Budgetary revenue</b>	<b>46 695</b>	<b>47 399</b>	<b>50 903</b>	<b>51 136</b>	<b>52 374</b>
% change	11.6	1.5	7.4	0.5	2.4
Nominal GDP growth rate in % <sup>1</sup>	3.1	5.4	6.9	4.0	4.0
Inflation rate in Canada in % <sup>1</sup>	0.9	1.7	2.7	1.8	1.6

P: Preliminary results for 2000-2001 and forecasts for subsequent years.

1 For the calendar year ending three months before the end of the fiscal year.



## Own-source revenue

Overall, own-source revenue should rise by 4.1% in 2000-2001 compared with the preceding year. Substantial increases will be recorded for income taxes and other taxes, owing to strong growth in the major tax bases.

However, revenue from government enterprises will fall by 12.3% in 2000-2001 on account of a decline in the profits of the Commission de la santé et de la sécurité du travail and the Société de l'assurance automobile du Québec. As for the 8.2% drop in the revenue of consolidated organizations, it is explained mainly by the fact that the Fonds spécial de financement des activités locales ceased its operations on December 31, 2000.

TABLE 3.4

### CHANGE IN OWN-SOURCE REVENUE BY SOURCE (in millions of dollars)

	2000-2001 <sup>P</sup>	2001-2002 <sup>P</sup>	2002-2003 <sup>P</sup>
Personal income tax	17 006	15 902	16 134
% change	6.1	- 6.5	1.5
Health Services Fund	4 458	4 436	4 588
% change	3.9	- 0.5	3.4
Corporate taxes	4 192	4 374	4 484
% change	15.1	4.3	2.5
Consumption taxes	9 522	9 742	10 014
% change	8.0	2.3	2.8
Other revenue	2 395	2 280	2 324
% change	- 3.1	- 4.8	1.9
<b>Sub-total excluding government enterprises and consolidated organizations</b>	<b>37 573</b>	<b>36 734</b>	<b>37 544</b>
% change	6.6	- 2.2	2.2
Government enterprises	3 457	3 256	3 490
% change	- 12.3	- 5.8	7.2
Consolidated organizations	1 699	1 662	1 783
% change	- 8.2	- 2.2	7.3
<b>Own-source revenue</b>	<b>42 729</b>	<b>41 652</b>	<b>42 817</b>
% change	4.1	- 2.5	2.8
Nominal GDP growth rate in % <sup>1</sup>	6.9	4.0	4.0

P: Preliminary results for 2000-2001 and forecasts for subsequent years.

1 For the calendar year ending three months before the end of the fiscal year.

Own-source revenue is expected to decrease by 2.5% in 2001-2002, particularly because of the fiscal measures announced in this Budget and in those of previous years. The slowdown in the growth rate will be especially pronounced with regard to personal income tax, the Health Services Fund and corporate taxes. In 2002-2003, despite growth of 4% in nominal GDP, the increase in own-source revenue should be limited to 2.8%, given that the full impact of the fiscal measures announced will be felt that year.

Change in revenue by source:

- Personal income tax, the main source of government revenue,<sup>1</sup> should decline by 6.5% in 2001-2002, to \$15.9 billion. During this fiscal year, the increase in tax revenue arising from growth in income subject to tax will be more than offset by the impact of the income tax reductions announced in this Budget and those of previous years. In 2002-2003, the increase in revenue will amount to only 1.5%, which is compatible with the rise in income subject to tax, taking the growing impact of reductions in the tax burden into account.
- Health Services Fund contributions should amount to \$4.4 billion in 2001-2002, a level equal to that observed the preceding year. The increase stemming from the growth in wages and salaries is entirely offset by the impact on the Health Services Fund of the tax holiday granted in this Budget to manufacturing enterprises in resource regions and by the reduction in the contribution rate of small and medium-sized enterprises effective since January 1, 2001. This reduction is the last of the gradual reductions introduced as part of the corporate taxation reform announced in the 1998-1999 Budget. In 2002-2003, Health Services Fund contributions are expected to rise by 3.4% owing particularly to the growth in wages and salaries.
- The 4.3% rise in revenue anticipated in corporate taxes in 2001-2002 is due to the growth expected in corporate profits, although this effect will be partly offset by the impact of the measures announced in this Budget. In 2002-2003, revenue should increase by 2.5% given the anticipated slowdown in the growth of corporate profits in 2002 and the impact of the fiscal measures announced.

---

<sup>1</sup> Appendix 3.3 presents the breakdown of the main sources of the government's own-source revenue since 1970-1971.

- Consumption tax revenue should increase by 2.3% in 2001-2002 and 2.8% in 2002-2003, which is comparable to the rate of growth in household consumption, taking into account the change in refund applications submitted by businesses in respect of taxes already paid for goods and services they acquire.
- Revenue from government enterprises should fall by 5.8% in 2001-2002, reflecting the anticipated decline in profits of the Commission de la santé et de la sécurité du travail. In 2002-2003, revenue is expected to increase by 7.2%, owing notably to the anticipated growth in Hydro-Québec's profits.
- Revenue from consolidated organizations should drop by 2.2% in 2001-2002 particularly because of the impact over a full year of the termination of the activities of the Fonds spécial de financement des activités locales on December 31, 2000. In 2002-2003, revenue from consolidated organizations should rise by 7.3% on account of anticipated growth in revenue from the Fonds de l'assurance-médicaments.

### Link between growth in own-source revenue and economic growth

Broadly speaking, growth in own-source revenue is expected to match nominal economic growth. Once the financial impact of fiscal measures and certain extraordinary revenue has been taken into account, the average annual growth rate for own-source revenue over the next two years should be 4.3%, compared with a 4.0% increase in gross domestic product.

TABLE 3.5

#### CHANGE IN OWN-SOURCE REVENUE AND GDP (in millions of dollars)

	2000-2001 <sup>P</sup>	2001-2002 <sup>P</sup>	2002-2003 <sup>P</sup>
<b>Revenue excluding government enterprises and consolidated organizations</b>	<b>37 573</b>	<b>36 734</b>	<b>37 544</b>
% change		- 2.2	2.2
<b>Less:</b>			
Personal income tax reductions <sup>1</sup>	- 1 052	- 2 867	- 3 765
Impact of other measures <sup>2</sup>	- 615	- 880	- 933
Retroactivity and pay equity <sup>3</sup>	400		
<b>Revenue before measures</b>	<b>38 840</b>	<b>40 481</b>	<b>42 242</b>
% change		4.2	4.4
<b>Gross domestic product</b>	<b>218 171</b>	<b>226 876</b>	<b>236 031</b>
% change		4.0	4.0
<b>Elasticity<sup>4</sup></b>		<b>1.06</b>	<b>1.08</b>

P: Preliminary results for 2000-2001 and forecasts for subsequent years.

1 Tax relief granted to individuals since the 2000-2001 Budget Speech. Source: 2001-2002 Budget Speech, Personal Income Tax Reduction, Appendix 2.

2 Sources: 1998-1999, 1999-2000, 2000-2001 and 2001-2002 Budget Speeches, Additional Information on the Budgetary Measures.

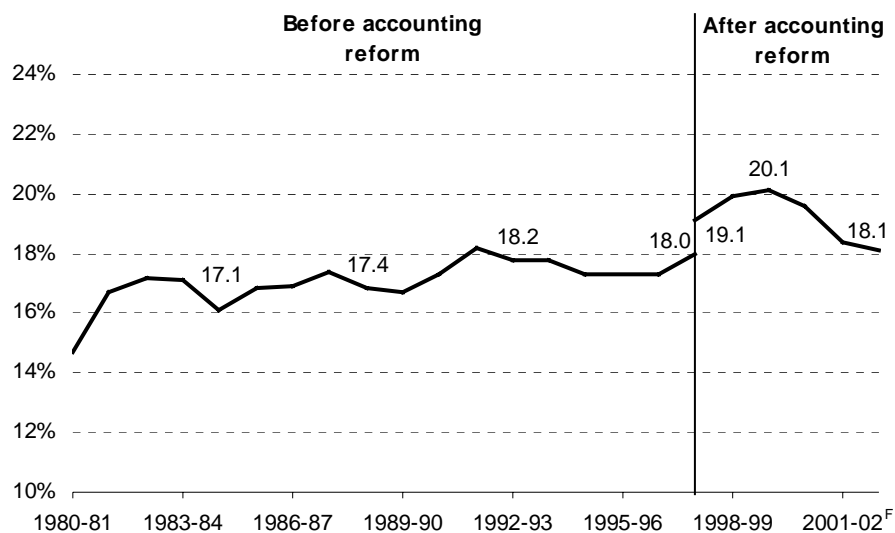
3 Non-recurring impact of retroactive wage and pay equity payments of nearly \$1.1 billion to Québec government employees and pay equity payments totalling \$875 million to federal employees.

4 Elasticity measures the link between growth in revenue before various measures and growth in gross domestic product. An elasticity of 1.00 means that a 1% increase in gross domestic product will result in a 1% increase in own-source revenue.

Own-source revenue as a proportion of gross domestic product, including consolidated organizations, amounted to 20.1% in 1999-2000. Given the tax reductions announced in this Budget and in those of previous years, the ratio should decline over the forecast period, to 18.1% in 2002-2003.

GRAPH 3.4

**CHANGE IN OWN-SOURCE REVENUE**  
(as a percentage of GDP)



F: Forecast.

## Federal transfers

Federal transfers should grow by 16.0% in 2001-2002, reflecting essentially the planned withdrawal of \$1 004 million from the Canada Health and Social Transfer (CHST) trust accounts.

Equalization revenue will fall in 2001-2002 despite the fact that the federal government will pay nearly \$500 million as a retroactive adjustment stemming from its commitment to suspend for 1999-2000 the application of a ceiling in respect of the program. This ceiling would have limited equalization entitlements for 1999-2000 to \$10 billion for provinces that receive equalization payments as a whole. However, the most recent federal calculations suggest that equalization entitlements will exceed this ceiling by approximately \$800 million. Even though Québec receives only 49% of equalization payments, it would have suffered the equivalent of 62% of the cuts made following the application of the ceiling, which is equal to its share of the population of provinces that receive equalization payments. This amount will be repaid to it in 2001-2002.

In 2002-2003, federal transfers will grow by only 0.8%, reflecting a substantial decline in withdrawals from the CHST trust accounts.

In regard to consolidated organizations, transfer revenue will rise by over \$100 million in 2001-2002, owing notably to the creation of the Financière agricole du Québec, which groups the activities of the Société de financement agricole and the Régie de l'assurance-agricole du Québec. Previously, revenue from federal transfers paid to the Régie was not included in the government's reporting entity.

TABLE 3.6

### CHANGE IN FEDERAL TRANSFER REVENUE (in millions of dollars)

	1998-1999	1999-2000	2000-2001 <sup>P</sup>	2001-2002 <sup>P</sup>	2002-2003 <sup>P</sup>
Consolidated Revenue Fund	7 832	6 082	7 925	9 125	9 189
% change	38.1	- 22.3	30.3	15.1	0.7
Consolidated organizations	258	270	249	359	368
<b>Total</b>	<b>8 090</b>	<b>6 352</b>	<b>8 174</b>	<b>9 484</b>	<b>9 557</b>
% change	35.1	- 21.5	28.7	16.0	0.8

P: Preliminary results for 2000-2001 and forecasts for subsequent years.

## CHST trust accounts

The federal government created three CHST trust accounts at the time of its last two budgets and in September 2000 in conjunction with the federal-provincial First Ministers' meeting. The amount allotted to Québec in the three trust accounts totals \$1 675 million.

The financial plan of this Budget renews the withdrawals provided for in Québec's March 2000 Budget. It also provides for the withdrawal in 2001-2002 of the amounts relating to the trust account created last fall, i.e. \$239 million.

All told, the Québec government will have withdrawn \$420 million from the trust accounts in 2000-2001. Withdrawals of \$1 004 million and \$251 million respectively are planned for the next two years.

TABLE 3.7

### WITHDRAWALS FROM THE CHST TRUST ACCOUNTS

(in millions of dollars)

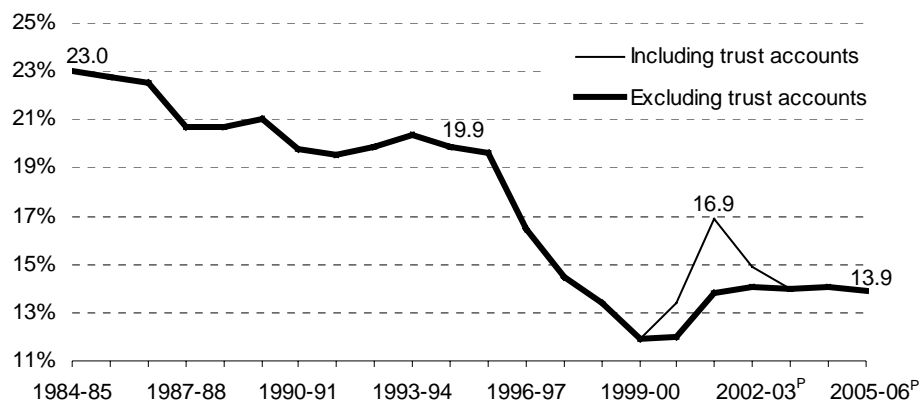
	2000-2001	2001-2002	2002-2003	2003-2004	Total
<b>2000-2001 Budget</b>	420	765	256	—	1 441
<b>2001-2002 Budget</b>					
□ 1999-2000 allotment	420	420	—	—	840
□ 2000-2001 allotment	—	345	251	—	596
<b>Sub-total</b>	<b>420</b>	<b>765</b>	<b>251<sup>1</sup></b>	<b>—</b>	<b>1 436<sup>1</sup></b>
□ Federal announcement of September 2000	—	239	—	—	239
<b>Total</b>	<b>420</b>	<b>1 004</b>	<b>251</b>	<b>—</b>	<b>1 675</b>

1 When the Budget was tabled last year, Québec's allotment in the federal trust account created in 2000-2001 was estimated at \$600 million. In comparison, the federal government set Québec's share at \$596 million.

However, it should be noted that despite the trust accounts and the federal reinvestments in the CHST announced in September 2000, the federal contribution to Québec's health, education and income security programs will pursue the downward trend observed since the early 1980s. While federal funding accounted for 23% of Québec's spending for these programs in the mid 1980s, it will account for barely 13.9% in 2005-2006.

GRAPH 3.5

**FEDERAL CHST TRANSFERS TO QUÉBEC<sup>1</sup>**  
 (as a percentage of Québec's social spending<sup>2</sup>)



P: Preliminary results for 2000-2001 and forecasts for subsequent years.

1 Including the value of the special Québec abatement.

2 Health, education and income security spending.



## Government expenditure

The government's budgetary expenditure should total \$51 136 million in 2001-2002. Operating expenditure will amount to \$43 226 million, while debt service will total \$7 910 million.

Operating expenditure includes the program spending of government departments and the expenditures of consolidated organizations. Similarly, debt service includes the debt service of the Consolidated Revenue Fund and that of consolidated organizations.

TABLE 3.8

### CHANGE IN BUDGETARY EXPENDITURE

(in millions of dollars)

	1998-1999	1999-2000	2000-2001 <sup>P</sup>	2001-2002 <sup>P</sup>	2002-2003 <sup>P</sup>
<b>Operating expenditure</b>					
□ Program spending	- 38 014	- 38 704	- 40 691	- 41 929	- 43 223
% change	—	1.8	5.1	3.0	3.1
□ Consolidated organizations	- 1 368	- 1 293	- 1 098	- 1 297	- 1 359
<b>Total operating expenditure</b>	<b>- 39 382</b>	<b>- 39 997</b>	<b>- 41 789</b>	<b>- 43 226</b>	<b>- 44 582</b>
% change	—	1.6	4.5	3.4	3.1
<b>Debt service</b>					
□ Consolidated Revenue Fund	- 6 574	- 6 751	- 6 996	- 7 243	- 7 119
% change	—	2.7	3.6	3.5	- 1.7
□ Consolidated organizations	- 613	- 621	- 668	- 667	- 673
<b>Total debt service</b>	<b>- 7 187</b>	<b>- 7 372</b>	<b>- 7 664</b>	<b>- 7 910</b>	<b>- 7 792</b>
% change	—	2.6	4.0	3.2	- 1.5
<b>Budgetary expenditure</b>	<b>- 46 569</b>	<b>- 47 369</b>	<b>- 49 453</b>	<b>- 51 136</b>	<b>- 52 374</b>
% change	—	1.7	4.4	3.4	2.4
Nominal GDP growth rate in % <sup>1</sup>	3.1	5.4	6.9	4.0	4.0
Inflation rate in Canada in % <sup>1</sup>	0.9	1.7	2.7	1.8	1.6

P: Preliminary results for 2000-2001 and forecasts for subsequent years.

1 For the calendar year ending three months before the end of the fiscal year.

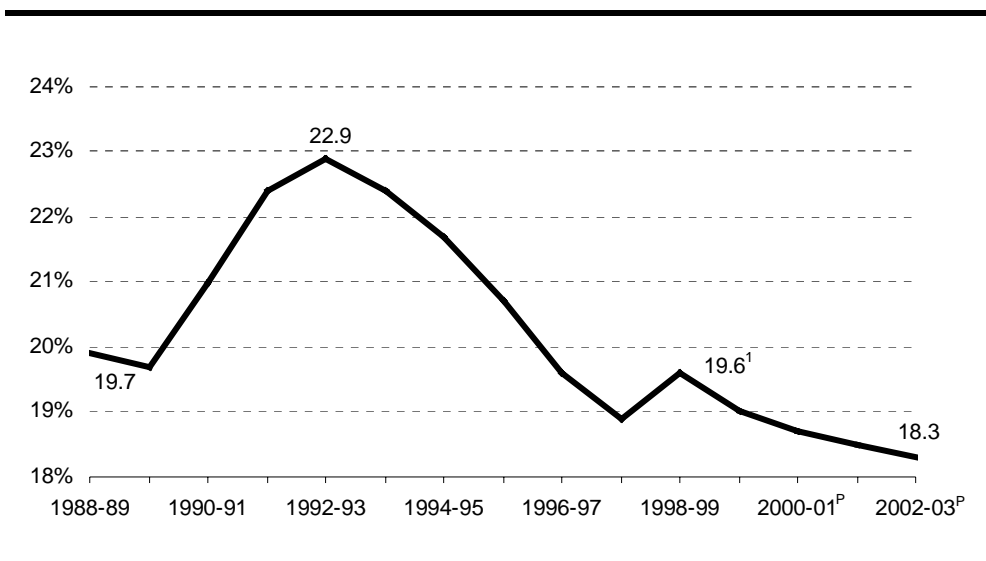
## Program spending

Program spending will grow by 3.0% in 2001-2002 and 3.1% in 2002-2003. This growth rate is less than that of nominal GDP, which is compatible with the government's objectives in terms of maintaining a balanced budget and reducing taxes.

The ratio of the government's program spending to GDP should continue to fall, to 18.5% in 2001-2002 and 18.3% in 2002-2003, the lowest level in at least 30 years.

GRAPH 3.6

### PROGRAM SPENDING (as a percentage of GDP)



P: Preliminary results for 2000-2001 and forecasts for subsequent years.

<sup>1</sup> The increase in the program spending/GDP ratio in 1998-1999 is attributable to expenditures of \$1 377 million to implement the financial restructuring and consolidation plan for health and social services network institutions and to improve the financial situation of universities.

## Section 3

## Appendix 3.1

### Resources allocated to health and social services

---

The health and social services sector accounts for a large share of the government's program spending. Benefiting from nearly 40% of such spending, it is the most important expenditure sector in this regard. It should be noted that public spending on health in Québec accounted for 7.2% of GDP in 1998.

#### **Major increase in resources allocated to health and social services in recent Budget Speeches**

Since the achievement of a balanced budget in 1998-1999, the health and social services sector has reaped a large share of the benefits of the improvement in Québec's public finances. In the last two Budget Speeches, additional resources were allocated primarily to three main priorities:

- improving the financial situation of network institutions to ensure the accessibility and quality of health services offered to Quebecers;
- increasing and developing services, particularly to reduce waiting lists, provide more services to various network clienteles and finance increases in the cost of the prescription drug insurance program;
- acquiring specialized, high-technology medical equipment to make it possible to treat more patients and improve the quality of care.

### Resources are increased again for health and social services

To further boost the quality and quantity of health and social services, the government is granting additional resources to this sector. It will devote \$10 million in 2001-2002, \$15 million in 2002-2003 and \$20 million thereafter to improving services for young people and their families. In addition, government financial support for home care services provided by social economy enterprises is being extended and will amount to \$32 million per year. Over and above these new initiatives are the higher costs relating to increases in wages and clientele and the growth in the cost of the prescription drug insurance program.

In all, the budget allocated to the ministère de la Santé et des Services sociaux will reach \$16 716 million in 2001-2002. Since 1997-1998, the budgets earmarked for health and social services will have risen by 29.4%, almost three times the growth rate of other program spending as a whole (11.4%).

TABLE 3.1.1

#### CHANGE IN HEALTH AND SOCIAL SERVICES EXPENDITURES

(in millions of dollars)

	1997-1998	1998-1999	1999-2000	2000-2001		2001-2002 <sup>F</sup>	Cumulative growth %
				Appropriations	Preliminary results		
Expenditures	12 923	14 596	14 828	15 382 <sup>1</sup>	15 993	16 716	29.4
<i>Change</i>		1 673	232	554	1 165	1 334 <sup>2</sup>	

F: Forecast.

1 Appropriations adjusted to reflect the new program structure.

2 Increase compared with the envelope provided last March for 2000-2001.

Compared with the envelope provided last March for 2000-2001, which totalled \$15 382 million, the appropriations allocated to the ministère de la Santé et des Services sociaux for 2001-2002 are increased by \$1 334 million.

In addition, a sum of \$30 million, financed out of Loto-Québec's revenue, will be used to develop a range of services adapted to the needs of older persons who are losing their autonomy.

These additional resources are supplemented by \$600 million that are being placed in reserve this year and that may be used to finance projects for modernizing the health and social services network over the coming years.

Therefore, the health and social services sector will receive additional resources totalling \$1 964 million.

TABLE 3.1.2

### ADDITIONAL RESOURCES ALLOCATED TO THE HEALTH AND SOCIAL SERVICES SECTOR

(in millions of dollars)

<b>Increase in the ministère de la Santé et des Services sociaux budget in 2001-2002 compared with the envelope provided last March for 2000-2001</b>	
<input type="checkbox"/> Wage indexation, increase in clientele and other expenditures	1 292
<input type="checkbox"/> Improvement of services for young people and their families	10
<input type="checkbox"/> Home care services provided by social economy enterprises	32
<b>Sub-total</b>	<b>1 334</b>
<b>Development of services adapted to the needs of older persons who are losing their autonomy<sup>1</sup></b>	<b>30</b>
<b>Reserve for modernizing the network</b>	<b>600</b>
<b>Additional resources</b>	<b>1 964</b>

1 Initiative financed out of Loto-Québec revenue.



## Section 3

## Appendix 3.2

### Resources allocated to education

---

The education sector accounts for a large share of the government's program spending. Benefiting from over a quarter of such spending, it is the second most important sector in this regard after health and social services.

#### **Québec compares favourably with other jurisdictions in respect to education**

Compared with other countries, Québec invests to a greater extent in education. It devotes 7% of its gross domestic product (GDP) to this sector, while OECD countries as a whole devote an average of 5.9% of GDP to education. The difference in investment levels is even more marked when Québec's post-secondary education sector is compared with that of other jurisdictions.

Québec's education system is also distinguished by its accessibility. In particular, tuition fees for Québec students are less than half those charged in the rest of Canada. In addition, student financial assistance is more generous in Québec, with the result that students' indebtedness level is much lower than in the other Canadian provinces. It should also be mentioned that Québec's enrolment rate, i.e. 78%, is the highest of all OECD countries, i.e. 63% on average.

The quality of teaching in Québec also compares favourably with that of other jurisdictions. The number of students per teacher at the elementary and secondary levels is lower in Québec than in the rest of Canada. Furthermore, Québec students do particularly well at school, especially in mathematics and science.

#### **Substantial additional resources have been allocated to education in recent Budget Speeches**

In recent years, a large share of the additional resources allocated by the government to maintain and improve the quality of public services have been earmarked for the education sector.

In the 1999-2000 Budget Speech, \$596 million were allotted particularly to enhance the financial health of the education networks, initiate the education reform and make it possible to purchase dictionaries, grammar and other books.

At the time of the 2000-2001 Budget Speech, the government acted on the commitments made at the Sommet du Québec et de la jeunesse by granting education network institutions an additional \$1 billion over three years. The funds needed to implement the special education policy (*Early Steps Toward Success*) were also allocated.

### Additional resources for education

The funds needed to meet the commitments made during the Sommet du Québec et de la jeunesse are being provided in the financial framework of this Budget. The envelope of the ministère de l'Éducation has thus been increased by \$100 million to improve funding for various educational institutions. In addition, the growth in costs relating to wage indexation and in other expenditures has also been included in the department's budget. Lastly, the funds needed to pursue the implementation of the *Early Steps Toward Success* program have been added to the department's envelope.

The government has also decided to improve its student financial assistance program by \$31 million in 2001-2002 and \$38 million annually thereafter. These changes are in response to the requests made during the Sommet du Québec et de la jeunesse and the World March of Women.

All told, the education budget will be raised to \$10 635 million in 2001-2002. Over the past four years, education expenditures have increased cumulatively by over 12%.

TABLE 3.2.1

### CHANGE IN EDUCATION EXPENDITURES SINCE 1997-1998

(in millions of dollars)

	1997-1998	1998-1999	1999-2000	2000-2001		2001-2002 <sup>F</sup>	Cumulative growth %
				Appropriations	Preliminary results		
Expenditures	9 449	9 580	9 825	10 107	10 079	10 635	12.6
<i>Change</i>		131	245	282	254	528 <sup>1</sup>	

F: Forecast

1 Increase compared with the envelope provided last March for 2000-2001.

Thus, compared with the envelope provided last March for 2000-2001, i.e. \$10 107 million, the budget of the ministère de l'Éducation is increased by \$528 million in 2001-2002.



This amount is supplemented by \$200 million placed in reserve, which will make it possible to fund projects aimed at modernizing the education networks over the coming years.

In all, the government is allocating additional resources of \$728 million to the education sector.

TABLE 3.2.2

**ADDITIONAL RESOURCES ALLOCATED TO THE EDUCATION SECTOR**  
(in millions of dollars)

<b>Increase in the ministère de l'Éducation budget in 2001-2002 compared with the envelope provided last March for 2000-2001</b>	
<input type="checkbox"/> Improvement of funding for educational institutions in the wake of commitments made at the Sommet du Québec et de la jeunesse <sup>1</sup>	100
<input type="checkbox"/> Wage indexation and other expenditures	350
<input type="checkbox"/> <i>Early Steps Toward Success</i>	47
<input type="checkbox"/> Improvement of financial assistance for students	31
<b>Sub-total</b>	<b>528</b>
<b>Reserve for modernizing the networks</b>	<b>200</b>
<b>Additional resources</b>	<b>728</b>

<sup>1</sup> In addition to the \$200 million allocated in 2000-2001, bringing expenditures in respect of the commitments made at the Sommet du Québec et de la jeunesse to \$300 million in 2001-2002.



## Section 3

## Appendix 3.3

## Additional information on the budgetary revenue forecast for 2001-2002

The Québec government's revenue should total \$51 136 million in 2001-2002. This revenue is derived from two sources: own-source revenue and federal transfer revenue.

### ***Own-source revenue accounts for 81.5% of the government's revenue***

In 2001-2002, the Québec government's own-source revenue should reach \$41 652 million, or 81.5% of budgetary revenue. Own-source revenue consists of tax revenue, which essentially includes personal income tax, corporate taxes and consumption taxes. It also consists of non-tax revenue, such as various duties and permits (registration fees, forest royalties, hunting and fishing permits, etc.), miscellaneous revenue (interest, recoveries, sales of goods and services, fines, etc.) and the revenue of consolidated organizations. Lastly, it includes revenue from government enterprises, such as Hydro-Québec, Loto-Québec and the Société des alcools du Québec.

TABLE 3.3.1

#### **BUDGETARY REVENUE IN 2001-2002<sup>F</sup>**

	In millions of dollars	In %
Own-source revenue	41 652	81.5
Federal transfers	9 484	18.5
<b>Total</b>	<b>51 136</b>	<b>100.0</b>

F: Forecast.

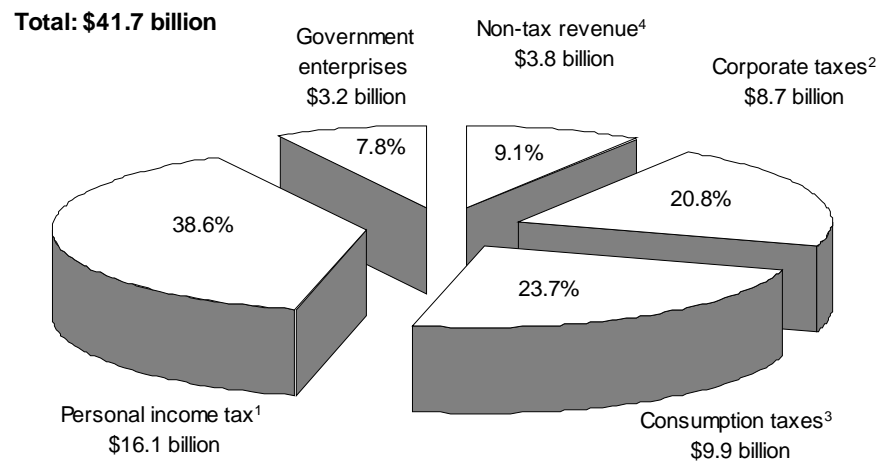
### ***Tax revenue makes up the bulk of own-source revenue***

In 2001-2002, personal income tax will be the largest source of own-source revenue (38.6%), followed by consumption taxes (23.7%) and corporate taxes (20.8%). These three sources, which make up tax revenue, account for 83.1% of all own-source revenue.

The balance of own-source revenue consists of revenue from government enterprises (7.8%) and non-tax revenue (9.1%), which includes fees for government services and the revenue of consolidated organizations.

GRAPH 3.3.1

#### **DISTRIBUTION OF OWN-SOURCE REVENUE BY SOURCE IN 2001-2002<sup>F</sup>**



F: Forecast.

1 Including individuals' contributions to the Health Services Fund.

2 Including corporate contributions to the Health Services Fund.

3 Including duties on alcoholic beverages.

4 Including revenue of consolidated organizations.

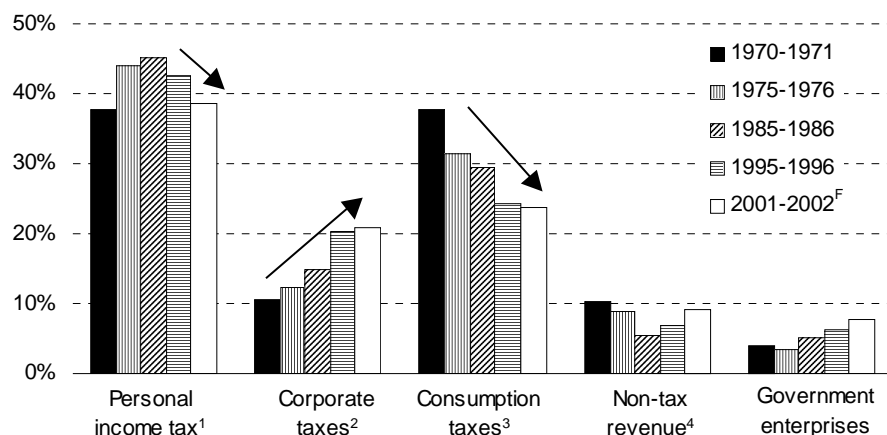
## Major changes to the structure of revenue

The composition of own-source revenue has changed considerably over the years. Personal income tax as a proportion of overall revenue has declined over the past two decades, while the share of corporate taxes has grown appreciably, doubling since 1970-1971. The share of consumption taxes has fallen sharply, from 37.6 % in 1970-1971 to 23.7% in 2001-2002.

The importance of revenue from government enterprises and non-tax revenue has grown in recent years, in particular because of the improved profitability of government corporations and cost-effective fees for government services. Furthermore, the addition of consolidated organizations to the government's reporting entity since 1997-1998 has helped to significantly increase the share of these revenue sources in total own-source revenue.

GRAPH 3.3.2

### CHANGE IN OWN-SOURCE REVENUE BY SOURCE (as a percentage of the total)



F: Forecast.

1 Including individuals' contributions to the Health Services Fund.

2 Including corporate contributions to the Health Services Fund.

3 Including duties on alcoholic beverages.

4 Including revenue of consolidated organizations.

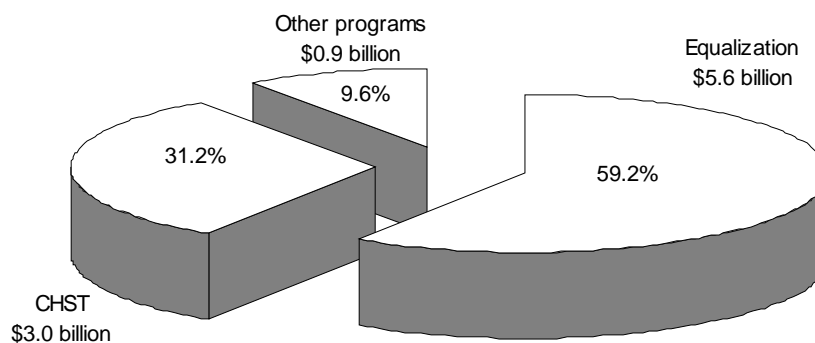
### ***Equalization accounts for almost two-thirds of federal transfers***

The Québec government's revenue also includes federal transfers. In 2001-2002, these transfers will reach \$9 484 million, or 18.5% of budgetary revenue. Federal transfers include equalization, the Canada Health and Social Transfer (CHST) and revenue from a number of cost-sharing agreements between Québec and the federal government.

GRAPH 3.3.3

#### **DISTRIBUTION OF FEDERAL TRANSFERS BY SOURCE IN 2001-2002<sup>F</sup>**

Total: \$9.5 billion



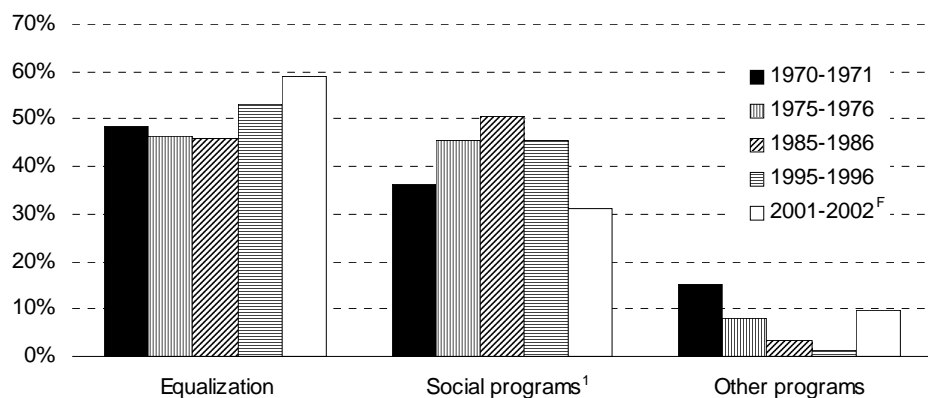
F: Forecast.

### ***Share of federal transfers for health, education and income security down sharply***

As the following graph shows, the share of federal cash transfers for health, education and income security services has fallen sharply since the early 1980s. This decline has accelerated recently with the implementation of the CHST in 1996-1997, which was accompanied by a substantial drop in the federal contribution to social programs funding.

GRAPH 3.3.4

#### **CHANGE IN FEDERAL TRANSFERS BY SOURCE** (as a percentage of the total)



F: Forecast.

1 Cash transfers only (excluding the special Québec abatement).

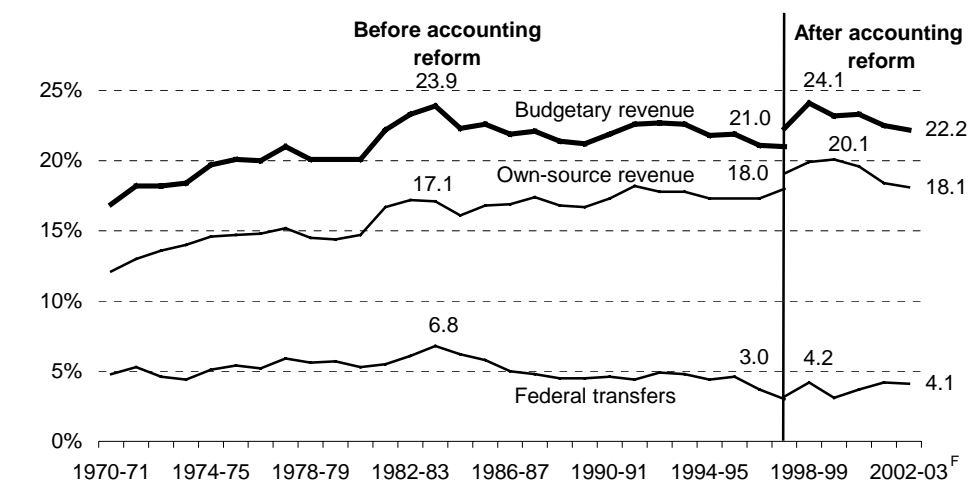
### ***Owing to income tax reductions, the budgetary revenue/GDP ratio will decrease***

Since the early 1980s, budgetary revenue has accounted for a relatively steady proportion of GDP, although this ratio has risen since 1997-1998 with the inclusion of certain organizations within the government's reporting entity.

However, on account of the income tax reductions announced in this Budget and in those of previous years, this ratio should fall from 24.1% in 1998-1999 to 22.2% in 2002-2003.

GRAPH 3.3.5

#### **CHANGE IN BUDGETARY REVENUE** (as a percentage of GDP)



F: Forecast.



## **Section 3**

## **Appendix 3.4**

### **Additional information on the government's financial position**

---

TABLE 3.4.1

**GOUVERNEMENT DU QUÉBEC**  
**SUMMARY OF FINANCIAL TRANSACTIONS<sup>1</sup>**  
(in millions of dollars)

	Budgetary transactions						Surplus (deficit) after reserve	
	Own- source revenue	Federal transfers	Budgetary revenue	Operating expenditure	Debt service	Budgetary expenditure		Reserve
Before reform of government accounting								
1970-1971	2 747	1 095	3 842	- 3 790	- 197	- 3 987	- 145	
1971-1972	3 183	1 294	4 477	- 4 622	- 210	- 4 832	- 355	
1972-1973	3 743	1 262	5 005	- 5 110	- 242	- 5 352	- 347	
1973-1974	4 368	1 377	5 745	- 6 116	- 288	- 6 404	- 659	
1974-1975	5 364	1 872	7 236	- 7 382	- 296	- 7 678	- 442	
1975-1976	6 105	2 224	8 329	- 8 912	- 368	- 9 280	- 951	
1976-1977	7 126	2 523	9 649	- 10 369	- 456	- 10 825	- 1 176	
1977-1978	8 006	3 090	11 096	- 11 194	- 606	- 11 800	- 704	
1978-1979	8 527	3 271	11 798	- 12 479	- 817	- 13 296	- 1 498	
1979-1980	9 464	3 757	13 221	- 14 651	- 970	- 15 621	- 2 400	
1980-1981	10 763	3 899	14 662	- 16 761	- 1 382	- 18 143	- 3 481	
1981-1982	13 460	4 479	17 939	- 18 610	- 1 950	- 20 560	- 2 621	
1982-1983	14 725	5 178	19 903	- 20 066	- 2 300	- 22 366	- 2 463	
1983-1984	15 738	6 235	21 973	- 21 626	- 2 511	- 24 137	- 2 164	
1984-1985	16 182	6 247	22 429	- 23 290	- 3 012	- 26 302	- 3 873	
1985-1986	18 102	6 190	24 292	- 24 411	- 3 354	- 27 765	- 3 473	
1986-1987	19 885	5 839	25 724	- 25 140	- 3 556	- 28 696	- 2 972	
1987-1988	22 334	6 131	28 465	- 27 186	- 3 675	- 30 861	- 2 396	
1988-1989	23 737	6 403	30 140	- 28 042	- 3 802	- 31 844	- 1 704	
1989-1990	24 812	6 693	31 505	- 29 254	- 4 015	- 33 269	- 1 764	
1990-1991	26 592	6 992	33 584	- 32 122	- 4 437	- 36 559	- 2 975	
1991-1992	28 287	6 766	35 053	- 34 688	- 4 666	- 39 354	- 4 301	
1992-1993	28 198	7 782	35 980	- 36 254	- 4 756	- 41 010	- 5 030	
1993-1994	28 855	7 780	36 635	- 36 242	- 5 316	- 41 558	- 4 923	
1994-1995	29 499	7 510	37 009	- 36 949	- 5 881	- 42 830	- 5 821	
1995-1996	30 692	8 142	38 834	- 36 747	- 6 034	- 42 781	- 3 947	
1996-1997	31 221	6 719	37 940	- 35 297	- 5 855	- 41 152	- 3 212	
After reform of government accounting								
1997-1998	35 842	5 989	41 831	- 36 645	- 7 343	- 43 988	- 2 157	
1998-1999	38 605	8 090	46 695	- 39 382	- 7 187	- 46 569	126	
1999-2000	41 047	6 352	47 399	- 39 997	- 7 372	- 47 369	30	
2000-2001 <sup>P</sup>	42 729	8 174	50 903	- 41 789	- 7 664	- 49 453	- 950	500

P: Preliminary results.

<sup>1</sup> A negative entry indicates a financial requirement and a positive entry, a source of financing.

Non-budgetary transactions					Net financial surplus (requirements)
Investments, loans and advances	Capital expenditures	Retirement plans	Other accounts	Excess amount (shortfall)	
- 73		2	26	- 45	- 190
- 63		1	113	51	- 304
- 53		- 1	18	- 36	- 383
- 122		25	459	362	- 297
- 146		104	319	277	- 165
- 186		109	622	545	- 406
- 183		187	- 161	- 157	- 1 333
- 229		265	- 488	- 452	- 1 156
- 189		316	119	246	- 1 252
- 188		683	551	1 046	- 1 354
- 56		822	416	1 182	- 2 299
- 586		1 007	71	492	- 2 129
- 761		1 051	- 40	250	- 2 213
- 672		1 057	- 436	- 51	- 2 215
- 167		1 183	887	1 903	- 1 970
40		1 269	493	1 802	- 1 671
- 380		1 355	260	1 235	- 1 737
- 680		2 203	- 493	1 030	- 1 366
- 670		1 634	- 265	699	- 1 005
- 516		1 164	300	948	- 816
- 458		1 874	77	1 493	- 1 482
- 411		1 916	141	1 646	- 2 655
- 490		1 525	82	1 117	- 3 913
- 623		1 668	52	1 097	- 3 826
- 1 142		1 509	578	945	- 4 876
- 287		1 701	- 415	999	- 2 948
- 792		1 928	- 60	1 076	- 2 136
- 1 315	- 209	1 888	109	473	- 1 684
- 1 402	- 217	1 020	996	397	523
- 2 022	- 359	1 740	1 328	687	717
- 1 638	- 386	1 749	- 657	- 932	- 432

TABLE 3.4.2

**GOUVERNEMENT DU QUÉBEC**  
**TOTAL DEBT AT THE END OF THE FISCAL YEAR**

	Total debt					
	Direct debt <sup>1</sup>		Net retirement plans liability <sup>2</sup>		Total	
	In millions of dollars	As a % of GDP	In millions of dollars	As a % of GDP	In millions of dollars	As a % of GDP
<b>Before reform of government accounting</b>						
1970-1971	2 478	10.9			2 478	10.9
1971-1972	2 920	11.9			2 920	11.9
1972-1973	3 309	12.0			3 309	12.0
1973-1974	3 679	11.8			3 679	11.8
1974-1975	4 030	11.0	67	0.2	4 097	11.1
1975-1976	4 955	12.0	179	0.4	5 134	12.4
1976-1977	6 035	12.5	354	0.7	6 389	13.2
1977-1978	7 111	13.5	620	1.2	7 731	14.6
1978-1979	8 325	14.2	915	1.6	9 240	15.7
1979-1980	9 472	14.4	1 598	2.4	11 070	16.9
1980-1981	12 247	16.8	2 420	3.3	14 667	20.1
1981-1982	14 184	17.6	3 428	4.2	17 612	21.8
1982-1983	16 485	19.3	4 489	5.3	20 974	24.5
1983-1984	18 880	20.5	5 545	6.0	24 425	26.5
1984-1985	21 216	21.1	6 729	6.7	27 945	27.8
1985-1986	23 633	22.0	7 998	7.4	31 631	29.4
1986-1987	25 606	21.8	9 353	8.0	34 959	29.8
1987-1988	26 819	20.8	10 883	8.5	37 702	29.3
1988-1989	27 091	19.2	12 597	8.9	39 688	28.2
1989-1990	27 699	18.7	14 320	9.6	42 019	28.3
1990-1991	29 637	19.3	16 227	10.6	45 864	29.9
1991-1992	33 106	21.3	18 143	11.7	51 249	33.0
1992-1993	39 231	24.8	19 668	12.4	58 899	37.2
1993-1994	45 160	27.9	20 483	12.6	65 643	40.5
1994-1995	52 468	30.8	21 997	12.9	74 465	43.8
1995-1996	52 886	29.9	23 624	13.3	76 510	43.2
1996-1997	52 625	29.2	25 461	14.1	78 086	43.3
<b>After reform of government accounting</b>						
1997-1998	57 294	30.5	40 438	21.5	97 732	52.0
1998-1999	59 144 <sup>3</sup>	30.5	40 428	20.9	99 572 <sup>3</sup>	51.4
1999-2000	61 209 <sup>3</sup>	30.0	39 337	19.3	100 546 <sup>3</sup>	49.3
2000-2001 <sup>P</sup>	63 708 <sup>3</sup>	29.2	39 072	17.9	102 780 <sup>3</sup>	47.1

P: Preliminary results.

1 Including Treasury bills, Treasury notes and long-term debt. As of 1976-1977, the debt in foreign currency has been expressed in the Canadian equivalent, based on the exchange rates effective on March 31 of the fiscal year under consideration.

2 Balance of the retirement plans liability less amount accumulated in the retirement plans sinking fund.

3 Excluding pre-financing of \$2 831 million in 1998-1999, \$506 million in 1999-2000 and \$1 477 million in 2000-2001. Including pre-financing, the total debt reaches \$102 403 million in 1998-1999, \$101 052 million in 1999-2000 and \$104 257 million in 2000-2001.

Financial assets and other liabilities		Debt representing					
		Net debt		Capital expenditures		Accumulated deficits <sup>5</sup>	
In millions of dollars	As a % of GDP	In millions of dollars	As a % of GDP	In millions of dollars	As a % of GDP	In millions of dollars	As a % of GDP
188	0.8	2 290	10.1			2 290	10.1
275	1.1	2 645	10.8			2 645	10.8
317	1.2	2 992	10.9			2 992	10.9
28	0.1	3 651	11.7			3 651	11.7
4	0.0	4 093	11.1			4 093	11.1
90	0.2	5 044	12.2			5 044	12.2
36	0.1	6 353	13.2			6 353	13.2
673	1.3	7 058	13.4			7 058	13.4
780	1.3	8 460	14.4			8 460	14.4
234	0.4	10 836	16.5			10 836	16.5
341	0.5	14 326	19.6			14 326	19.6
5 043	6.2	12 569	15.6			12 569	15.6
5 936	6.9	15 038	17.6			15 038	17.6
7 127	7.7	17 298	18.8			17 298	18.8
6 490	6.5	21 455	21.3			21 455	21.3
5 896	5.5	25 735	23.9			25 735	23.9
6 243	5.3	28 716	24.5			28 716	24.5
6 587	5.1	31 115	24.2			31 115	24.2
6 869	4.9	32 819	23.3			32 819	23.3
7 436	5.0	34 583	23.3			34 583	23.3
8 306	5.4	37 558	24.5			37 558	24.5
9 364	6.0	41 885	27.0			41 885	27.0
11 985	7.6	46 914	29.6			46 914	29.6
13 806	8.5	51 837	32.0			51 837	32.0
16 788	9.9	57 677	33.9			57 677	33.9
14 886	8.4	61 624	34.8			61 624	34.8
13 253	7.4	64 833	36.0			64 833	36.0
9 233	4.9	88 499	47.1	6 016	3.2	82 483	43.9
13 820 <sup>4</sup>	7.1	88 583	45.7	6 233	3.2	82 350	42.5
12 166 <sup>4</sup>	6.0	88 886	43.6	6 693	3.3	82 193	40.3
15 485 <sup>4</sup>	7.1	88 772	40.7	7 079	3.2	81 693 <sup>6</sup>	37.4

<sup>4</sup> Taking into account pre-financing of \$2 831 million in 1998-1999, \$506 million in 1999-2000 and \$1 477 million in 2000-2001.

<sup>5</sup> Including various accounting adjustments that have not been the object of a surplus (deficit) adjustment for previous years.

<sup>6</sup> Including \$950 million placed in reserve for health and social services, education, social solidarity and research.

TABLE 3.4.3

**GOUVERNEMENT DU QUÉBEC**  
**DEBT SERVICE**

	Direct debt service		Interest on the net retirement plans liability <sup>1</sup>		Total debt service	
	In millions of dollars	As a % of budgetary revenue	In millions of dollars	As a % of budgetary revenue	In millions of dollars	As a % of budgetary revenue
<b>Before reform of government accounting</b>						
1970-1971	197	5.1			197	5.1
1971-1972	210	4.7			210	4.7
1972-1973	242	4.8			242	4.8
1973-1974	288	5.0			288	5.0
1974-1975	296	4.1			296	4.1
1975-1976	368	4.4			368	4.4
1976-1977	456	4.7			456	4.7
1977-1978	606	5.5			606	5.5
1978-1979	763	6.5	54	0.5	817	6.9
1979-1980	882	6.7	88	0.7	970	7.3
1980-1981	1 217	8.3	165	1.1	1 382	9.4
1981-1982	1 686	9.4	264	1.5	1 950	10.9
1982-1983	1 921	9.7	379	1.9	2 300	11.6
1983-1984	2 031	9.2	480	2.2	2 511	11.4
1984-1985	2 414	10.8	598	2.7	3 012	13.4
1985-1986	2 648	10.9	706	2.9	3 354	13.8
1986-1987	2 754	10.7	802	3.1	3 556	13.8
1987-1988	2 751	9.7	924	3.2	3 675	12.9
1988-1989	2 665	8.8	1 137	3.8	3 802	12.6
1989-1990	2 829	9.0	1 186	3.8	4 015	12.7
1990-1991	3 026	9.0	1 411	4.2	4 437	13.2
1991-1992	3 222	9.2	1 444	4.1	4 666	13.3
1992-1993	3 475	9.7	1 281	3.6	4 756	13.2
1993-1994	3 750	10.2	1 566	4.3	5 316	14.5
1994-1995	4 332	11.7	1 549	4.2	5 881	15.9
1995-1996	4 287	11.0	1 747	4.5	6 034	15.5
1996-1997	3 906	10.3	1 949	5.1	5 855	15.4
<b>After reform of government accounting</b>						
1997-1998	4 378	10.5	2 965	7.1	7 343	17.6
1998-1999	4 773	10.2	2 414	5.2	7 187	15.4
1999-2000	4 740	10.0	2 632	5.6	7 372	15.6
2000-2001 <sup>P</sup>	5 102	10.0	2 562	5.0	7 664	15.1

P: Preliminary results.

1 Amount of interest ascribed to the retirement plans liability less income from the retirement plans sinking fund.