

2001-2002
BUDGET

Highlights

Québec 

***Message from the Deputy Prime Minister and
Minister of State for the Economy and Finance***

Thanks to the efforts of all Quebecers, Québec has experienced remarkable success in recent years with regard to economic growth and improving public finances. It is only fair that Quebecers now benefit from this renewed prosperity.

Therefore, we are continuing to reduce the tax burden and enhance the accessibility and quality of health and education services. We also plan to revitalize Québec's resource regions and, for the first time, tackle our collective debt.

With this Budget, we are taking up the challenge of fighting poverty and exclusion. In his Inaugural Address, the Prime Minister made the redistribution of wealth a priority for action, on a par with the elimination of the deficit. I unreservedly endorse this priority inspired by solidarity.

The concrete actions announced in this Budget will benefit all Quebecers by helping them to play a leading role in the new world that is emerging across the planet. We want to build a future that allows our young people to realize their phenomenal potential and meets the hopes of all our fellow citizens.

Pauline Marois

IN BRIEF

- ☐ Robust growth of real GDP in 2000: 4.3%.
- ☐ \$300 million for the fight against poverty and exclusion.
- ☐ New personal income tax reduction of \$3.5 billion.
- ☐ \$2 billion more for health and social services.
- ☐ \$730 million more for education and youth.
- ☐ \$800 million for developing the resource regions.
- ☐ Greater efforts for job creation, road infrastructures and the environment.
- ☐ \$370 million for science and innovation.
- ☐ \$75 million for cultural development.
- ☐ Half a billion dollars for debt reduction.
- ☐ A portion of excess amounts for 2000-2001 placed in reserve.

I. A REMARKABLE ECONOMIC PERFORMANCE

- ❑ A fourth year of robust growth: 4.3% increase in real GDP in 2000.
- ❑ Unemployment rate: 8.4% in 2000, the lowest rate since 1975.
- ❑ Job creation: 80 000 in 2000, the best performance since the late 1980s, after that observed in 1998.
- ❑ Jobs created for young people aged 15 to 24:
 - 20 000, or a quarter of all jobs created in 2000;
 - young people have obtained nearly 30% of new jobs over the past three years.

ECONOMIC GROWTH INDICATORS

	2000		2001
	Forecast	Actual	Forecast
Gross domestic product	3.3%	4.3%	2.7%
Jobs	70 000	80 000	50 000

II. A MAJOR OFFENSIVE AGAINST POVERTY AND EXCLUSION

\$300 million for new initiatives for the most underprivileged

- ☐ Increase in social assistance benefits:
 - 2.5% increase in social assistance benefits starting in June 2001 for recipients who are able to work;
 - adherence to the zero-poverty clause: benefits to be adjusted to the cost of living every year, on January 1, for recipients who have a severely limited capacity for employment.
- ☐ Creation of the “Action emploi” program to provide financial assistance for persons who have been on social assistance for at least three years and who will rejoin the job market as of next January 1:
 - supplement equal to: \$3/hour the first year;
 \$2/hour the second year;
 \$1/hour the third year.
- ☐ An additional \$100 million in support for the most underprivileged members of society (placed in reserve). These funds may be used, for example, to finance social housing projects.

FINANCIAL IMPACT OF SUPPORT MEASURES FOR LOW-INCOME HOUSEHOLDS
(in millions of dollars)

	2000-01	2001-02	2002-03	2003-04	Total
Increase in social assistance benefits		30.0	36.0	36.0	102.0
"Action emploi" program		2.0	48.0	36.0	86.0
Réseau d'investissement social du Québec (RISQ) ¹	2.6				2.6
Financial assistance for FILACTION ²		0.3	0.3	0.3	0.9
Reserve for social solidarity	100.0				100.0
Total	102.6	32.3	84.3	72.3	291.5

1 RISQ's objective is to support the projects and development of businesses in the social economy.

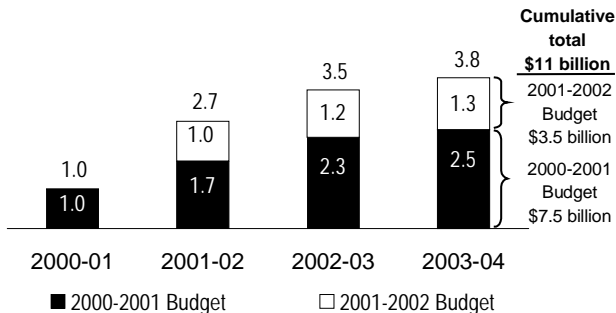
2 Fonds pour l'investissement local et l'approvisionnement de fonds communautaires.

III. NEW \$3.5-BILLION REDUCTION IN INCOME TAX

Income tax reductions increased and in effect earlier, as of July 1, 2001

- Additional personal income tax reduction of \$3.5 billion for the next three fiscal years, including \$1 billion as of 2001-2002.

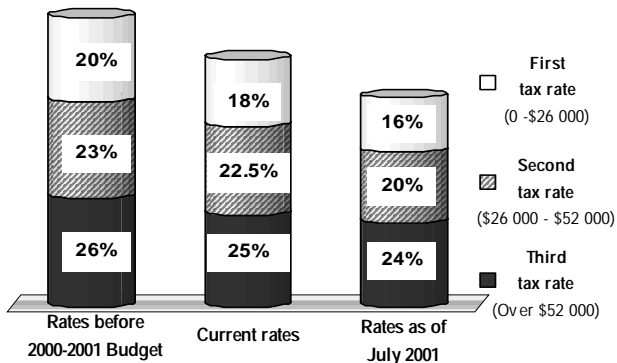
CUMULATIVE INCOME TAX REDUCTIONS (in billions of dollars)



Average income tax reduction of 20% in 2002

- ❑ New tax table takes effect in July 2001.
- ❑ Additional income tax reduction for families in effect earlier, as of January 1, 2001.
- ❑ Automatic indexation of the taxation system in effect earlier, as of January 1, 2002.

TAX RATES BY TAXABLE INCOME BRACKET (as a percentage)



Special emphasis on families and the middle class

INCOME TAX REDUCTIONS FOR TYPICAL HOUSEHOLDS

	Income	Income tax reduction*			
		2001		2002	
	(in \$)	(in \$)	(in %)	(in \$)	(in %)
Person living alone	30 000	678	17	979	24
Single-parent family with one child	30 000	710	32	1 010	45
Couple with no children and one income	40 000	671	15	1 039	23
Couple with two children and one income	40 000	979	36	1 341	49
Couple with two children and two incomes	50 000	1 704	34	2 141	43
Couple with no children and two incomes	65 000	1 464	15	2 079	22

* Compared with the situation prior to the 2000-2001 Budget and the 2001-2002 Budget.

An advantageous taxation system for the least affluent

INCOME TAX REDUCTIONS BY FAMILY INCOME BRACKET - 2002

Income bracket	Number of taxable households	Income tax reduction		Cumulative income tax reduction*	
		2001-02 Budget			
	(thousands)	(\$)	(%)	(\$)	(%)
Less than \$25 000	525	86	8	366	34
\$25 000 to \$50 000	887	312	9	992	28
\$50 000 to \$75 000	542	629	8	1 755	22
\$75 000 and over	527	987	5	2 800	15

* Including the 2000-2001 Budget and the 2001-2002 Budget.

Taxation: both an economic and a social tool

- ☐ A more competitive system: discrepancy with the tax burden in the Canadian provinces reduced by one third.
- ☐ Contributions to municipal political parties now eligible for the tax credit for political contributions.
- ☐ Zero tax for 10 years for manufacturing SMBs in remote resource regions.

IV. \$2 BILLION MORE FOR HEALTH SERVICES AND SOCIAL SERVICES

BREAKDOWN OF ADDITIONAL RESOURCES **(in millions of dollars)**

<input type="checkbox"/> Increase in the budget for health and social services in 2001-2002:	
– 2001-2002 envelope	16 716
– less: 2000-2001 envelope provided last March	15 382
	<hr/>
Increase	1 334
 <input type="checkbox"/> Development of services adapted to the needs of older persons losing their autonomy ¹	 30
 <input type="checkbox"/> Modernization of the health and social services network (reserve) ²	 600
	<hr/>
Additional resources announced	1 964

1 Initiative financed out of Loto-Québec revenue.

2 These amounts may be used, for example, to finance the modernization of the network (buildings, equipment and computer systems).

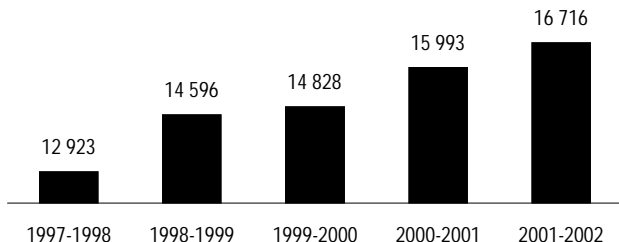
A number of new initiatives for health and social services

- ❑ Additional resources for services for young people and their families:
 - \$10 million in 2001-2002;
 - \$15 million the following year;
 - \$20 million per year thereafter.
- ❑ \$32 million per year for home care services provided by businesses in the social economy.
- ❑ \$30 million per year for new services adapted to the needs of older persons losing their autonomy.
- ❑ \$600 million particularly for modernizing the health and social services network (placed in reserve):
 - upgrading buildings, equipment and computer systems.

Substantial increase in resources for health and social services

- ❑ Increase of nearly \$1 billion per year in the budgets for health and social services since 1997-1998:
 - average annual increase of 6.6%, which is much higher than growth in nominal GDP (4.8%).
- ❑ Over and above this increase is the paying down of network deficits totalling \$1.5 billion since 1997-1998.

CHANGE IN EXPENDITURES OF THE MINISTÈRE DE LA SANTÉ ET DES SERVICES SOCIAUX (in millions of dollars)



V. EDUCATION: \$730 MILLION MORE FOR EDUCATING YOUNG PEOPLE

Commitments made at the Québec Youth Summit met in full and even surpassed

BREAKDOWN OF ADDITIONAL RESOURCES

(in millions of dollars)

Increase in the ministère de l'Éducation budget in 2001-2002 compared with the envelope provided last March for 2000-2001

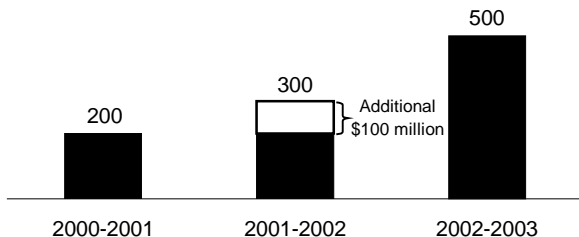
<input type="checkbox"/> Commitments made at the Québec Youth Summit	
– second instalment on the \$1 billion promised to educational institutions	100
<input type="checkbox"/> Wage indexation and other expenditures	350
<input type="checkbox"/> Action plan for school success	47
<input type="checkbox"/> Improvement of financial assistance for students	31
Sub-total	528
Modernization of the education networks (reserve)¹	200
Additional resources announced	728

¹ These amounts may be used, for example, to upgrade and modernize technological resources and buildings and facilitate the transition respecting the education reform through the purchase of textbooks and through better support for teachers.

Education: \$1 billion as promised at the Québec Youth Summit

- ❑ Improved funding for network educational institutions.
- ❑ Breakdown of funds reinvested by level of instruction:
 - \$280 million for elementary and secondary levels;
 - \$120 million for colleges;
 - \$600 million for universities.

BREAKDOWN PER YEAR OF THE \$1 BILLION PROMISED AT THE QUÉBEC YOUTH SUMMIT (in millions of dollars)



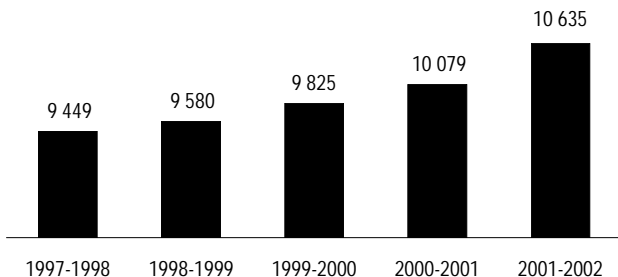
New initiatives in education

- ❑ Additional \$38 million for the student financial assistance program:
 - more student financial assistance for the same levels of employment income. For example, first-year university students with an employment income of \$3 000, will see an \$864 increase in their bursary under this Budget;
 - part-time students will be eligible for the loans program.
- ❑ From now on, the full amount of scholarships will be exempt from income tax, and more students will be eligible for the QST credit.
- ❑ Extension and improvement of the tax credit for on-the-job training.
- ❑ \$200 million particularly for modernizing the education networks (placed in reserve).

Growing budgets for education

- ☐ Average annual increase of 3% (\$300 million per year) since 1997-1998.
- ☐ This is much higher than the average annual inflation rate, which has been 1.8% since 1997.

CHANGE IN EXPENDITURES OF THE MINISTÈRE DE L'ÉDUCATION (in millions of dollars)



VI. \$800 MILLION OVER THREE YEARS FOR THE ECONOMY OF THE RESOURCE REGIONS

- ☐ Zero tax for 10 years for manufacturing SMBs in remote resource regions (\$147 million).
- ☐ New 40% tax credit respecting wages, for job creation in the resource-processing sector (\$65 million).
- ☐ \$142 million for economic diversification and development of niches of excellence.
- ☐ \$126 million to support the development of forest resources.
- ☐ \$138 million to support mining exploration.
- ☐ \$170 million to finance SMBs and the creation of businesses.

VII. NEW INITIATIVES FOR JOB CREATION AND ECONOMIC DEVELOPMENT

Investing in economic growth, road infrastructures and the environment

- ❑ Improvement of the budget of the Private Investment and Job Creation Fund (**FAIRE**) :
 - the envelope will be raised from \$100 million to \$250 million in 2001-2002.
- ❑ Investments of \$865 million in 2001-2002 for the **transportation sector**:
 - increase of \$155 million for the national road network in 2001-2002 compared with the previous year.

- ❑ Investments of \$40 million over three years for the **environment**:
 - new program for burying power lines;
 - support for the implementation of the Québec water management policy;
 - support for reducing agricultural pollution;
 - stricter program for the reduction of greenhouse gas emissions.
- ❑ Support of \$15 million to introduce tracing systems in the **agrifood sector**.

\$370 million for science and innovation

- ☐ Investments of \$250 million over three years for research infrastructures.
- ☐ \$35 million for funding the Institut national d'optique.
- ☐ \$15 million for manpower training in optics and photonics.
- ☐ New tax credits for businesses located in the Cité de la biotechnologie et de la santé humaine in Laval.
- ☐ \$50 million to finance research initiatives (placed in reserve).

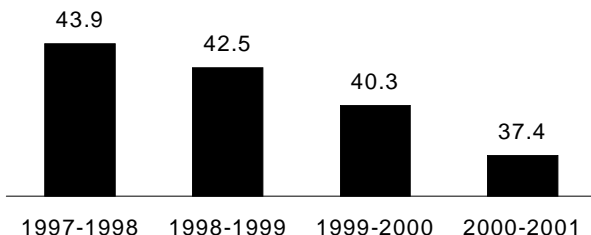
\$75 million over four years to support cultural development

- ☐ \$33 million more over four years for the Conseil des arts et des lettres du Québec to encourage artistic creation.
- ☐ \$23 million for initiatives aimed at supporting cultural development.
- ☐ \$12 million over five years to reinforce the cultural mandate of Télé-Québec.
- ☐ Investments of \$30 million in cultural facilities.
- ☐ Investments of \$16 million for the creation of two museum repositories for our collective heritage, one in Greater Montréal and the other in the National Capital.
- ☐ Improvement of the tax deduction respecting copyright.

VIII. STRICT DISCIPLINE IN MANAGING PUBLIC FINANCES

- ❑ Half a billion dollars in debt reduction in 2000-2001:
 - the debt (accumulated deficits) will decrease from \$82.2 billion as at March 31, 2000 to \$81.7 billion as at March 31, 2001.
- ❑ Reduction of the government's indebtedness level by over 21% in five years.
- ❑ In 2001-2002, a zero deficit for the fourth year in a row.

DEBT REPRESENTING ACCUMULATED DEFICITS AT THE END OF THE FISCAL YEAR **(as a percentage of GDP)**



A portion of excess amounts placed in reserve for health and social services, education, social solidarity and research

- ☐ \$950 million, taken from excess amounts for 2000-2001, placed in reserve at the Caisse de dépôt et placement.
- ☐ Possible use of funds placed in reserve:
 - modernization of the education, and health and social services networks;
 - new social solidarity and research initiatives.
- ☐ Projects selected jointly by the Minister of Finance, the Chairman of the Conseil du trésor and the ministers responsible for the sectors concerned.

**EXCESS AMOUNTS FOR 2000-2001 PLACED IN RESERVE
(in millions of dollars)**

Health and social services	600
Education	200
Social solidarity	100
Research	50
Total	950
