

March 2019

BUDGET

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2019  
2020

# YOUR PRIORITIES YOUR BUDGET

BUDGET

PLAN



Budget 2019-2020  
Budget Plan

Legal deposit – March 21, 2019  
Bibliothèque et Archives nationales du Québec  
ISBN 978-2-550-83616-2 (Print)  
ISBN 978-2-550-83617-9 (PDF)

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# **BUDGET PLAN**

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## SUMMARY

Upon assuming office last October, the government took the first steps toward putting money back in the pockets of Quebecers by introducing the family allowance and the senior assistance amount.

The government is reaffirming that commitment in the *Québec Budget Plan – March 2019*.

New initiatives will raise the total amount of money given back to Quebecers since the fall 2018 update to \$5.2 billion by 2023-2024. The government has always been committed to reducing Quebecers' tax burden and the announced initiatives are just the first steps.

Beyond that significant commitment, the government has clearly identified three top priorities that will guide its actions to address Quebecers' concerns: education, health and the economy.

Budget 2019-2020 provides investments totalling \$2.3 billion in 2019-2020 and \$16.2 billion by 2023-2024 to improve the quality of services provided and create wealth.

The government will invest \$7.3 billion more in education and health by 2023-2024, including \$1.0 billion in 2019-2020.

- In education, a series of measures will enable every child to reach his or her full potential. The immediate investments being made to achieve that goal will lead to 5.1% growth in expenditure in 2019-2020.
- In health, various initiatives target the needs of seniors, access to health services and vulnerable youth. The situation of seniors requires substantial investments as of immediately, which will raise government health budgets by 5.4% in 2019-2020.

As for the economy, the government's goal is to create wealth and boost Québec's economic potential by taking action on key determinants of growth: private investment, labour market participation, entrepreneurship and innovation.

- Investments totalling \$3.7 billion will be made by 2023-2024. The planned investments for 2019-2020 will amount to \$505 million.

The government is making significant investments to take action for the environment, to the tune of nearly \$900 million over the next two years, including \$395 million in 2019-2020.

— This enhancement is a transitory step toward the development of the next government plan, which will also include reviewing the approach to fighting climate change.

The government is also supporting communities by investing \$1.7 billion by 2023-2024 in, among other things, social housing, transportation initiatives, assistance for vulnerable persons and support for Aboriginal communities.

Moreover, total investments under the 2019-2029 Québec Infrastructure Plan (QIP) have been raised to \$115.4 billion to begin major projects and maintain our assets.

Budget 2019-2020 projects a balanced budget for the period covered by the financial framework.<sup>1</sup> The objective of reducing the gross debt to 45% of GDP will be achieved in 2020-2021, five years sooner than required by law.<sup>2</sup>

With this budget, the government is continuing the actions initiated last fall by:

- putting money back in the pockets of Quebecers;
- investing in the accessibility and quality of education and health services;
- fostering labour market participation;
- spurring business investment;
- acting for the environment;
- renewing infrastructure;
- reducing the debt;
- maintaining fiscal balance.

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<sup>1</sup> Unless otherwise indicated, this document is based on the data available as at March 4, 2019. Data for 2018-2019 and subsequent years are forecasts.

<sup>2</sup> *Act to reduce the debt and establish the Generations Fund.*

By spurring investment, increasing labour market participation, investing in education and reducing the debt burden, we are giving ourselves the means to achieve our ambitions.

Government action is thus focused on creating wealth and increasing Québec's economic potential so as to deliver on the government's commitments and fulfil its missions in the coming years.

TABLE A.1

**Financial impact of the measures in Budget 2019-2020**  
(millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total	Ref. section
Putting money back in the pockets of Quebecers	-5	-271	-419	-457	-473	-472	-2 097	B
Improving the quality of education and health services	-90	-1 031	-1 164	-1 429	-1 737	-1 865	-7 316	C
Increasing the potential of the economy	-357	-505	-679	-703	-738	-709	-3 690	D
Acting for the environment	-51	-395	-491	-138	-113	-88	-1 276	E
Supporting communities	-930	-105	-162	-191	-186	-164	-1 739	F
Other	—	-15	-22	-30	—	—	-67	H
<b>TOTAL</b>	<b>-1 432</b>	<b>-2 322</b>	<b>-2 937</b>	<b>-2 948</b>	<b>-3 248</b>	<b>-3 298</b>	<b>-16 185</b>	

Note: Totals may not add due to rounding.



# 1. IMMEDIATE ACTIONS FOR QUÉBEC

## 1.1 Putting money back in the pockets of Quebecers

Immediately upon taking office, the government put money back in the pockets of Quebecers. It is continuing to take action in the *Québec Budget Plan – March 2019*, which provides for:

- gradual elimination of the additional contribution for childcare over four years starting in 2019;
- the start of gradual standardization of school tax rates as of July 1, 2019.<sup>3</sup> The government's goal is to have a single tax rate across Québec in July 2021;
- an increase in the exemption for support payments in respect of dependent children in calculating the financial assistance granted under government programs.

These measures are in addition to the enhancements to the tax credit for career extension and the Drive Green program.

Factoring in the family allowance and senior assistance amount announced in December 2018, a total of \$890 million in 2019-2020 and \$5.2 billion by 2023-2024 will be put back into the pockets of Quebecers.

- The family allowance is an important first step.

TABLE A.2

### Putting money back in the pockets of Quebecers

(millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
<b>BUDGET 2019-2020</b>							
Gradual elimination of the additional contribution for childcare	-5	-42	-116	-159	-180	-185	-687
Gradual standardization of school tax rates	—	-200	-267	-262	-257	-251	-1 237
Increase in the exemption for support payments in respect of dependent children	—	-28	-36	-36	-36	-36	-173
<b>Subtotal</b>	<b>-5</b>	<b>-271</b>	<b>-419</b>	<b>-457</b>	<b>-473</b>	<b>-472</b>	<b>-2 097</b>
Banking on career extension for workers aged 60 and over	—	-105	-106	-107	-108	-109	-533
Extension of the Drive Green program	—	-156	-278	—	—	—	-434
<b>Total – Budget 2019-2020</b>	<b>-5</b>	<b>-531</b>	<b>-802</b>	<b>-564</b>	<b>-581</b>	<b>-581</b>	<b>-3 064</b>
<b>FALL 2018 UPDATE<sup>(1)</sup></b>	<b>-185</b>	<b>-358</b>	<b>-372</b>	<b>-385</b>	<b>-398</b>	<b>-412</b>	<b>-2 111</b>
<b>TOTAL</b>	<b>-191</b>	<b>-890</b>	<b>-1 175</b>	<b>-949</b>	<b>-979</b>	<b>-993</b>	<b>-5 175</b>

Note: Totals may not add due to rounding.

(1) These sums include the enhancement to the family allowance, the senior assistance amount, the freeze on the additional contribution for childcare and the additional funding for the purchase of electric vehicles.

<sup>3</sup> Subject to passage of Bill 3, *An Act to establish a single school tax rate*.

## 1.2 Improving education and health services

The government pledged to improve education and health services. Budget 2019-2020 aims to give every child a chance to succeed, and to care for seniors.

### □ Fostering educational success

Education is the government's central priority. It wants to give every child the means necessary to reach his or her full potential.

The budget increases education and higher education resources by 5.1% through additional investments of \$230 million in 2019-2020. By 2023-2024, a total of \$2.4 billion more will be invested to, among other things:

- roll out 4-year-old kindergarten across Québec;
- add an extra hour in secondary schools for extracurricular activities or help with homework;
- support student success and retention;
- support teachers and promote the teaching profession;
- support the regions and higher education;
- promote recreation and sport;
- give students beautiful schools.

TABLE A.3

### Fostering educational success (millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Giving every child the means to reach his or her full potential	—	-102	-179	-360	-487	-605	-1 731
Supporting teachers and promoting the teaching profession	—	-68	-68	-68	-68	-68	-339
Supporting the regions and higher education	—	-54	-54	-54	-54	-54	-269
Promoting recreation and sport	—	-7	-17	-17	-17	-17	-76
<b>TOTAL</b>	<b>—</b>	<b>-230</b>	<b>-317</b>	<b>-498</b>	<b>-625</b>	<b>-743</b>	<b>-2 414</b>

Notes: Totals may not add due to rounding.

The funding for these initiatives is being allocated to the Ministère de l'Éducation et de l'Enseignement supérieur and the Sports and Physical Activity Development Fund, where applicable.

## ❑ Improving the accessibility and quality of health services

Longer life expectancy and population aging lead to increasing demand for health care and services. To address this challenge, the government is making substantial investments to improve the accessibility and quality of the services provided. Budget 2019-2020 gives special attention to seniors.

To deliver on its commitments, the government plans to increase the health budget by 5.4%, representing \$801 million in additional investments in 2019-2020. By 2023-2024, \$4.9 billion will be invested in health. These investments to improve Quebecers' quality of life and health will allow the government to:

- do more for our seniors, in particular by:
  - increasing home care services,
  - adding more beds in residential and long-term care centres while waiting to establish seniors' homes,
  - supporting informal caregivers;
- improve health services to the population, particularly with a focus on frontline services;
- implement early screening of children for learning disabilities;
- increase caregiving staff in residential and long-term care centres and hospitals.

TABLE A.4

### Improving the accessibility and quality of health services

(millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Providing better services to seniors	-80	-391	-391	-465	-636	-636	-2 599
Improving direct services to the public	—	-86	-122	-122	-122	-122	-574
Promoting specific initiatives for young people	—	-88	-98	-108	-118	-128	-540
Increasing caregiving staff	—	-215	-215	-215	-215	-215	-1 075
Other measures	-10	-21	-21	-21	-21	-21	-115
<b>TOTAL</b>	<b>-90</b>	<b>-801</b>	<b>-847</b>	<b>-931</b>	<b>-1 112</b>	<b>-1 122</b>	<b>-4 903</b>

Note: The funding for these initiatives is being allocated to the Ministère de la Santé et des Services sociaux.

### 1.3 **Creating wealth and increasing the potential of the economy**

The government has made it its goal to create wealth and increase Québec's economic potential by acting on determinants of growth: private investment and labour market participation.

Budget 2019-2020 includes initiatives totalling \$505 million in 2019-2020 and nearly \$3.7 billion by 2023-2024. These initiatives, which are in addition to the measures announced in the December 2018 update to spur business investment, aim to:

- increase labour market participation by:
  - enhancing the incentive for workers aged 60 and over to extend their career,
  - fostering better integration of immigrants into Québec society,
  - reducing payroll taxes for businesses that hire workers aged 60 and over;
- review and enhance Investissement Québec's mandate to stimulate Québec's economy;
- develop strategic sites for innovative businesses;
- spur innovation, particularly in the area of artificial intelligence, by:
  - expanding the training offer in artificial intelligence,
  - attracting the best researchers in the world and funding Québec research organizations,
  - encouraging businesses to use artificial intelligence;
- boost regional development by:
  - ensuring access to high-speed Internet connection and a broadband cellular network in all regions,
  - increasing investment in the agricultural sector;
- foster entrepreneurship.

TABLE A.5

**Creating wealth and increasing the potential of the economy**  
 (millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Increasing labour market participation	—	-269	-339	-369	-376	-394	-1 748
Acting now for business investment and growth	—	-18	-27	-35	-32	-17	-130
Promoting innovation to create the jobs of tomorrow	-330	-57	-74	-98	-95	-55	-709
Boosting regional development	-18	-103	-164	-125	-158	-148	-715
Fostering entrepreneurship and participation of young people in the economy	-5	-15	-15	-13	-15	-12	-75
Promoting culture	-3	-38	-54	-58	-60	-84	-296
Giving ourselves the means to perform better abroad	—	-2	-4	-4	-4	-4	-19
Supporting Québec researchers	-2	-2	-4	-4	-4	-2	-18
Ensuring tax fairness	—	-2	2	4	6	9	19
<b>TOTAL</b>	<b>-357</b>	<b>-505</b>	<b>-679</b>	<b>-703</b>	<b>-738</b>	<b>-709</b>	<b>-3 690</b>

Note: Totals may not add due to rounding.

## 1.4 Acting for the environment

Québec committed to reducing its greenhouse gas (GHG) emissions.

To do that, the government uses Québec's cap-and-trade system for GHG emission allowances and reinvests the revenues from that system into the measures under the 2013-2020 Climate Change Action Plan.

It is important to note that, in 2016, Québec had the lowest GHG emissions per capita among the Canadian provinces and territories, at 9.6 tonnes of CO<sub>2</sub> equivalent per capita, compared to the Canadian average of 19.4 tonnes of CO<sub>2</sub> equivalent per capita. This performance is largely due to our use of hydroelectricity, a renewable energy source.

Budget 2019-2020 invests another \$395 million in 2019-2020 and a total of nearly \$1.3 billion over six years to:

- extend the Drive Green program until 2020-2021;
- support businesses in reducing their GHG emissions;
- invest in silviculture to improve carbon capture in forests;
- support residual materials management.

TABLE A.6

### Acting for the environment (millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Fight against climate change	—	-376	-438	-91	-74	-71	-1 050
Environmental protection	-51	-12	-23	-21	-17	-2	-126
Residual materials management	—	-6	-30	-26	-22	-16	-100
<b>TOTAL</b>	<b>-51</b>	<b>-395</b>	<b>-491</b>	<b>-138</b>	<b>-113</b>	<b>-88</b>	<b>-1 276</b>

Note: Totals may not add due to rounding.

These measures are a transitory step before developing the next government plan, which also includes reviewing the approach to fighting climate change.

In the coming year, the government will unveil an enhanced approach aimed at:

- reflecting the reality of Québec, which has the lowest GHG emissions per capita in Canada and has a huge potential in hydroelectricity exports;
- identifying the most effective means for both fighting and adapting to climate change;
- seizing economic development and technological innovation opportunities that will improve the ability of Québec and its neighbours to fight climate change.

## 1.5 Supporting communities

Through the *Québec Budget Plan – March 2019*, the government is announcing measures totalling over \$1.7 billion by 2023-2024 to bolster support for communities and provide assistance tailored to the realities of Quebecers.

To that end, Budget 2019-2020 includes a number of measures primarily designed to:

- help citizens find suitable housing, particularly by:
  - responding to the request for more social-housing assistance by enabling construction of more than 10 000 units,
  - enhancing the Support Program for Community Organizations,
  - supporting home renovation through the *Rénovation Québec* and *Rénorégion* programs in particular;
- support the modernization of transportation services and to address the population's transportation needs;
- support municipalities in their responsibilities;
- support the most vulnerable persons by helping victims of sexual violence and reforming the protection of vulnerable persons;
- support Aboriginal communities.

TABLE A.7

### Supporting communities (millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Assistance for housing and home renovation	-73	-53	-97	-109	-77	-49	-458
Support for modernization of transportation services	-406	—	—	—	—	—	-406
Additional support for municipalities	—	-24	-34	-50	-64	-69	-243
Support for vulnerable persons	—	-15	-18	-18	-18	-18	-88
Support for Aboriginal communities	-52	-10	-10	-11	-24	-26	-132
Additional assistance for parents	—	-3	-3	-3	-3	-2	-14
March 2019 transportation initiatives and other measures	-399	—	—	—	—	—	-399
<b>TOTAL</b>	<b>-930</b>	<b>-105</b>	<b>-162</b>	<b>-191</b>	<b>-186</b>	<b>-164</b>	<b>-1 739</b>

Note: Totals may not add due to rounding.

## 1.6 Investing further in public infrastructure

Budget 2019-2020 addresses Quebecers' significant infrastructure needs by raising the investments made under the 2019-2029 QIP by \$15 billion. The funding will go primarily toward maintaining the supply of services.

A number of factors contribute to the immediate need to increase infrastructure spending, especially to:

- replace outdated infrastructure and eliminate the asset maintenance deficit, particularly in the education sector and the road network;
  - 32% of the public infrastructure assessed to date is in unsatisfactory condition, including 54% of education infrastructure.
- build new infrastructure to support Québec's economic growth and development.

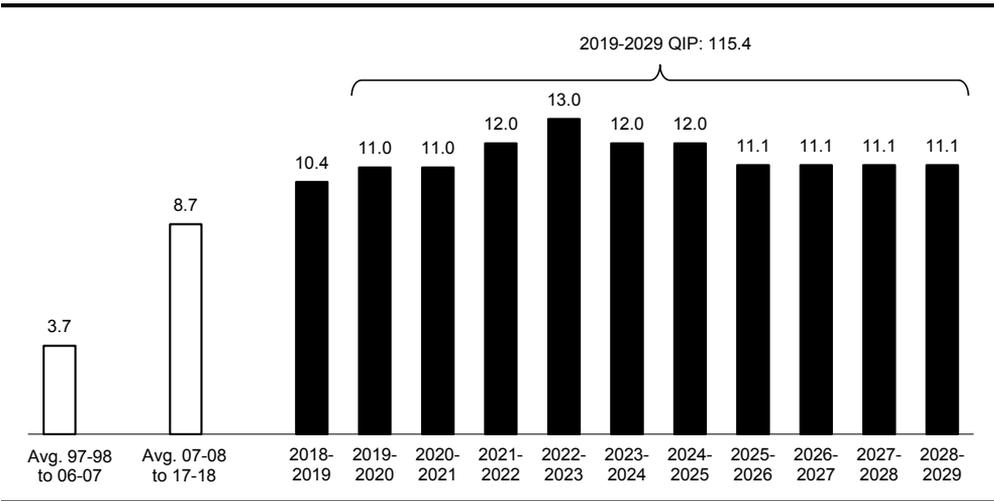
The 2019-2029 QIP stands at \$115.4 billion. These investments are made possible through accelerated achievement of the gross debt reduction objective.

The additional investments will enhance the supply of public infrastructure, primarily through:

- the construction of new schools, addition of new spaces and gradual rolling out of 4-year-old kindergarten;
- the gradual rolling out of seniors' homes;
- expansion of the La Malbaie hospital and the Pierre-Le Gardeur hospital;
- establishment of a new road link between Québec and Lévis;
- development of a new public transit system in the city of Québec.

CHART A.1

**Investments under the 2019-2029 Québec Infrastructure Plan**  
(billions of dollars)



## 2. THE ECONOMIC SITUATION IN QUÉBEC

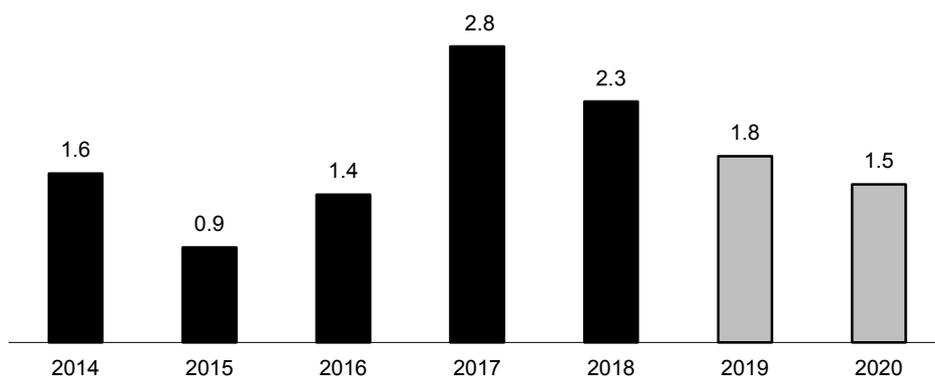
Québec, like Canada, has seen particularly robust economic growth in recent years.

Although economic conditions remain favourable, economic activity in Québec, Canada and around the world is expected to expand at a slower pace.

— After increasing by 2.8% in 2017 and 2.3% in 2018, Québec's real GDP growth, driven by consumption and business investment, is expected to stand at 1.8% in 2019 and 1.5% in 2020.

CHART A.2

### **Economic growth in Québec** (real GDP, percentage change)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

## 2.1 Increasing the potential of the Québec economy

Economic growth will be supported by the measures taken in the fall 2018 *Update on Québec's Economic and Financial Situation* as well as in the *Québec Budget Plan – March 2019*, especially the measures to increase business investment and labour market participation. The measures are specifically designed to raise Québec economic growth to above its potential rate of 1.3% starting in 2021.

TABLE A.8

### Contribution of economic growth factors in Québec

(average annual percentage change and contribution in percentage points)

	1982- 2008	2009- 2018	2019	2020	2021	2022- 2023
Real GDP	2.1	1.4	1.8	1.5	1.3	1.3
<b>Growth factors (contribution)</b>						
Potential labour pool <sup>(1)</sup>	0.6	0.2	0.0	-0.3	-0.2	-0.2
Employment rate <sup>(2)</sup>	0.6	0.7	0.9	0.9	0.7	0.6
Productivity <sup>(3)</sup>	0.8	0.5	0.8	0.9	0.8	0.9
<b>Standard of living<sup>(4)</sup></b>	<b>1.4</b>	<b>0.6</b>	<b>1.0</b>	<b>0.8</b>	<b>0.6</b>	<b>0.6</b>

Note: Totals may not add due to rounding.

(1) Population aged 15-64.

(2) The employment rate corresponds to the total number of workers over the population between 15 and 64 years of age.

(3) Productivity represents real GDP per job.

(4) Standard of living as measured by real GDP per capita.

Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

Québec is confronted with an aging population. The demographic change will continue to put pressure on the labour market.

- Population aging is reflected in the shrinking pool of potential workers, that is, people between the ages of 15 and 64. As a result, demographics no longer contribute to real GDP growth in Québec.
- In addition, Québec's employment rate for the population aged 15-64 is at an all-time high, limiting employment gains among the main pool of potential workers. Gains can still be made among experienced workers and immigrants.
  - The government therefore intends to continue its efforts to foster greater labour market participation by experienced workers.
  - The government intends to improve the labour market participation and integration of immigrants in order to meet labour market needs.
- Against this backdrop, economic growth and improvement in Quebecers' standard of living will also depend on productivity gains.

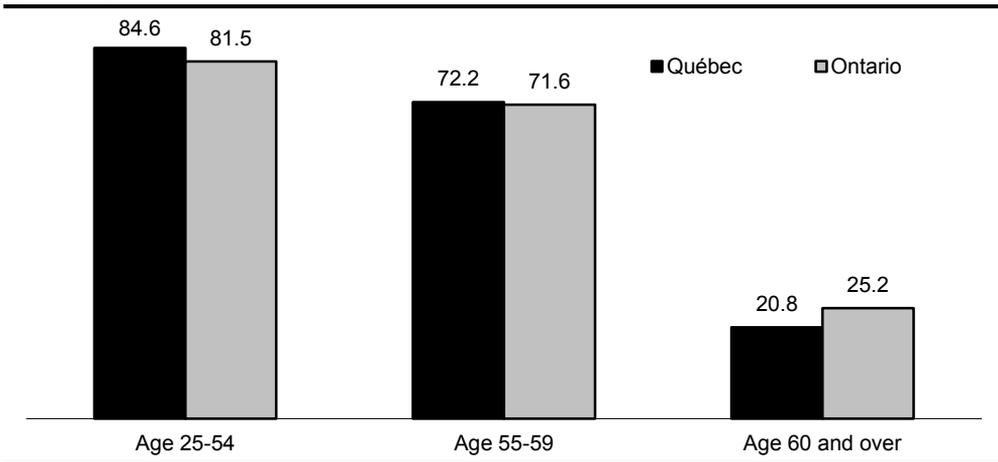
## ❑ Potential employment gains among experienced workers

Despite the rise in employment rates in recent years, gaps continue to exist between Québec and Ontario for the population aged 60 and over. Gains can still be made among experienced workers, particularly through measures such as those announced in this budget to increase labour market participation.

- In 2018, the employment rate of the population aged 60 and over in Québec (20.8%) was more than 4 percentage points below that of Ontario (25.2%).
- If the employment rate of this cohort of experienced workers in Québec were to catch up to the rate seen in Ontario in 2018, Québec would have 89 300 more workers.

CHART A.3

### Employment rate, 2018 (per cent)



Source: Statistics Canada.

## ❑ Standard of living and productivity gaps in need of closing

Considering that economic expansion and improvement in Quebecers' standard of living will be more dependent on productivity gains, the government has already put significant measures in place to support business investment and productivity, notably an accelerated capital cost allowance. The substantial investments in education made in this budget will also help boost productivity.

An increase in productivity will have a positive impact on wages and the standard of living of all Quebecers.

However, Québec lags far behind Canada and Ontario in productivity.

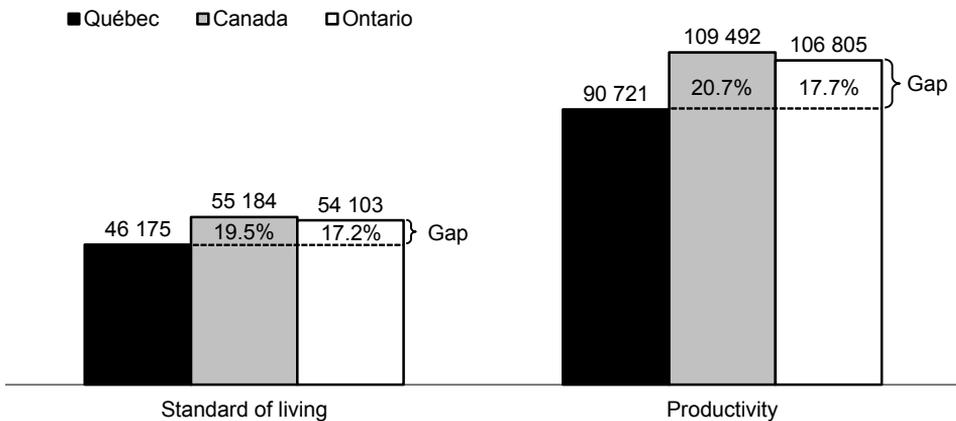
— In 2017, Canada's productivity was 20.7% higher than Québec's. The gap between Québec and Ontario was 17.7%.

These gaps could be closed by, in particular, higher non-residential business investment.

CHART A.4

### Standard of living and productivity, 2017

(in constant 2012 dollars and per cent)



Note: Standard of living as measured by real GDP per capita and productivity as measured by real GDP per job.  
Sources: Statistics Canada and Ministère des Finances du Québec.

### **3. QUÉBEC'S FINANCIAL SITUATION**

#### **3.1 Québec's financial framework is balanced**

The government plans to keep the budget balanced from 2019-2020 to 2023-2024 without using the stabilization reserve.

Consolidated revenue amounts to \$115.6 billion in 2019-2020, an increase of 1.8% over the previous year. In 2020-2021, it will grow by 3.2%.

— The change in own-source revenue in 2019-2020 is 0.6%. The minor change is mainly attributable to the revenue measures implemented in the last few years.

Consolidated expenditure amounts to \$113.0 billion in 2019-2020, an increase of 4.7%. In 2020-2021, it will grow by 3.2%.

Deposits in the Generations Fund stand at \$2.5 billion in 2019-2020 and will reach \$2.7 billion in 2020-2021.

TABLE A.9

**Consolidated financial framework, 2018-2019 to 2023-2024**

(millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024
<b>Consolidated revenue</b>						
Personal income tax	31 254	32 498	33 959	35 329	36 679	38 113
Contributions for health services	6 413	6 596	6 768	6 927	7 096	7 273
Corporate taxes	9 036	8 516	8 743	9 111	9 299	9 515
School property tax	1 877	1 553	1 556	1 637	1 723	1 805
Consumption taxes	21 148	21 864	22 339	22 825	23 445	24 089
Duties and permits	4 178	4 229	4 298	4 359	4 442	4 544
Miscellaneous revenue	11 167	10 680	11 059	11 547	11 982	12 365
Government enterprises	5 073	4 778	5 067	5 299	5 777	6 191
<b>Own-source revenue</b>	<b>90 146</b>	<b>90 714</b>	<b>93 789</b>	<b>97 034</b>	<b>100 443</b>	<b>103 895</b>
% change	4.9	0.6 <sup>(1)</sup>	3.4	3.5	3.5	3.4
Federal transfers	23 411	24 924	25 600	25 950	26 589	27 251
% change	4.1	6.5	2.7	1.4	2.5	2.5
<b>Total consolidated revenue</b>	<b>113 557</b>	<b>115 638</b>	<b>119 389</b>	<b>122 984</b>	<b>127 032</b>	<b>131 146</b>
% change	4.8	1.8	3.2	3.0	3.3	3.2
<b>Consolidated expenditure</b>						
Portfolio expenditures	-99 052	-104 038	-107 467	-110 645	-113 911	-117 287
% change	5.1	5.0	3.3	3.0	3.0	3.0
Debt service	-8 899	-8 996	-9 138	-9 292	-9 661	-9 727
% change	-3.7	1.1	1.6	1.7	4.0	0.7
<b>Total consolidated expenditure</b>	<b>-107 951</b>	<b>-113 034</b>	<b>-116 605</b>	<b>-119 937</b>	<b>-123 572</b>	<b>-127 014</b>
% change	4.3	4.7	3.2	2.9	3.0	2.8
Contingency reserve	—	-100	-100	-100	-100	-100
<b>SURPLUS<sup>(2)</sup></b>	<b>5 606</b>	<b>2 504</b>	<b>2 684</b>	<b>2 947</b>	<b>3 360</b>	<b>4 032</b>
<b>BALANCED BUDGET ACT</b>						
Deposits of dedicated revenues in the Generations Fund	-3 106	-2 504	-2 684	-2 947	-3 260	-3 582
<b>BUDGETARY BALANCE<sup>(3)</sup></b>	<b>2 500</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>100</b>	<b>450</b>

(1) The change in own-source revenue excluding revenue from government enterprises is 1.0% and in own-source revenue from government enterprises, -5.8%. The minor change of 0.6% in own-source revenue is primarily attributable to the revenue measures implemented in recent years.

(2) Balance within the meaning of the Public Accounts.

(3) Budgetary balance within the meaning of the *Balanced Budget Act*.

TABLE A.10

**Consolidated revenue, 2018-2019 to 2021-2022**

(millions of dollars)

	2018-2019	2019-2020	2020-2021	2021-2022
Personal income tax	31 254	32 498	33 959	35 329
<i>% change</i>	5.8	4.0	4.5	4.0
Contributions for health services	6 413	6 596	6 768	6 927
<i>% change</i>	3.1	2.9	2.6	2.3
Corporate taxes	9 036	8 516	8 743	9 111
<i>% change</i>	11.0	-5.8	2.7	4.2
School property tax	1 877	1 553	1 556	1 637
<i>% change</i>	-16.3	-17.3	0.2	5.2
Consumption taxes	21 148	21 864	22 339	22 825
<i>% change</i>	4.0	3.4	2.2	2.2
Duties and permits	4 178	4 229	4 298	4 359
<i>% change</i>	5.4	1.2	1.6	1.4
Miscellaneous revenue	11 167	10 680	11 059	11 547
<i>% change</i>	7.4	-4.4	3.5	4.4
Government enterprises	5 073	4 778	5 067	5 299
<i>% change</i>	-0.4	-5.8	6.0	4.6
<b>Own-source revenue</b>	<b>90 146</b>	<b>90 714</b>	<b>93 789</b>	<b>97 034</b>
<i>% change</i>	<b>4.9</b>	<b>0.6<sup>(1)</sup></b>	<b>3.4</b>	<b>3.5</b>
Federal transfers	23 411	24 924	25 600	25 950
<i>% change</i>	4.1	6.5	2.7	1.4
<b>TOTAL</b>	<b>113 557</b>	<b>115 638</b>	<b>119 389</b>	<b>122 984</b>
<i>% change</i>	<b>4.8</b>	<b>1.8</b>	<b>3.2</b>	<b>3.0</b>

(1) The minor change of 0.6% in own-source revenue is primarily attributable to the revenue measures implemented in recent years.

TABLE A.11

**Change in expenditure by departmental portfolio**  
(millions of dollars)

	2018-2019	2019-2020	2020-2021
Éducation et Enseignement supérieur	23 261	24 436	25 340
<i>% change</i>	5.0	5.1	3.7
Santé et Services sociaux	43 101	45 433	47 277
<i>% change</i>	4.7	5.4	4.1
Other portfolios <sup>(1)</sup>	32 690	34 169	34 850
<i>% change</i>	5.7	4.5	2.0
<b>TOTAL</b>	<b>99 052</b>	<b>104 038</b>	<b>107 467</b>
<i>% change</i>	<b>5.1</b>	<b>5.0</b>	<b>3.3</b>

(1) Other portfolios include inter-portfolio eliminations resulting from the elimination of reciprocal transactions between entities in different portfolios.

## □ Recent change in the budgetary situation

The strong performance of the economy has resulted in upward adjustments to the financial framework for 2018-2019 and subsequent years relative to March 2018.

### ■ Change in the budgetary balance in 2018-2019

The budgetary surplus in 2018-2019 is \$2.5 billion.

The *Monthly Report on Financial Transactions at December 31, 2018* shows a budgetary surplus of \$5.6 billion for the first nine months of 2018-2019.

The decrease in the budgetary balance over the last three months of the fiscal year is due to:

- an anticipated slowdown in the growth of own-source revenue which, coupled with an anticipated acceleration in the growth of portfolio expenditures, will contribute to reducing the surplus by \$1.4 billion from January to March 2019;
- the initiatives announced in the December 2018 *Update on Québec's Economic and Financial Situation*, in respect of which a balance of \$204 million is still to be recorded;
- targeted, non-recurring initiatives totalling \$1.4 billion to improve public services and increase the potential of the economy, announced in Budget 2019-2020.

TABLE A.12

### Change in the budgetary balance for 2018-2019

(millions of dollars)

	2018-2019
<b>MONTHLY REPORT ON FINANCIAL TRANSACTIONS AT DECEMBER 31, 2018<sup>(1)</sup></b>	<b>5 571</b>
<b>UPCOMING RESULTS FOR JANUARY TO MARCH 2019</b>	
<b>Results related to the economic and budgetary situation</b>	
– Own-source revenue excluding revenue from government enterprises	–362
– Results of bodies and funds	–418
– Expenditures and other revenues <sup>(2)</sup>	–656
<b>Subtotal</b>	<b>–1 435</b>
<b>Balance of the initiatives of the December 2018 update still to be implemented</b>	<b>–204</b>
<b>Targeted initiatives for improving public services and increasing the potential of the economy – March 2019</b>	<b>–1 432</b>
<b>TOTAL</b>	<b>–3 071</b>
<b>BUDGETARY BALANCE<sup>(1)</sup> – MARCH 2019</b>	<b>2 500</b>

Note: Totals may not add due to rounding.

(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

(2) In particular, program spending and revenue from government enterprises.

## 3.2 Québec's debt

Québec's gross debt stands at 46.1% of GDP, the lowest level in over 20 years.

In terms of benefits, reduction of the debt burden contributes to economic growth by creating a climate of confidence conducive to private investment and higher productivity.

Due to the decrease in the debt burden, Québec benefits from advantageous borrowing costs. Québec currently borrows at lower costs than Ontario.

Reducing the debt burden will enable Québec to:

- ensure stable funding for the government's chief missions;
- cope with the costs associated with population aging;
- fund investment in public infrastructure;
- counter an eventual economic slowdown;
- ease the tax burden on Quebecers;
- increase Québec's financial autonomy within the federation.

TABLE A.13

### Debt of the Québec government as at March 31, 2019 (billions of dollars)

<b>GROSS DEBT<sup>(1)</sup></b>	<b>200.8</b>
% of GDP	46.1
Less: Financial assets, net of other liabilities <sup>(2)</sup>	-26.7
<b>NET DEBT</b>	<b>174.1</b>
% of GDP	40.0
Less: Non-financial assets	-72.2
<b>DEBT REPRESENTING ACCUMULATED DEFICITS WITHIN THE MEANING OF THE PUBLIC ACCOUNTS</b>	<b>101.9</b>
% of GDP	23.4
Plus: Stabilization reserve	9.7
<b>DEBT REPRESENTING ACCUMULATED DEFICITS WITHIN THE MEANING OF THE ACT TO REDUCE THE DEBT AND ESTABLISH THE GENERATIONS FUND</b>	<b>111.5</b>
% of GDP	25.6

Note: Totals may not add due to rounding.

(1) The gross debt excludes pre-financing and takes into account the sums accumulated in the Generations Fund.

(2) Financial assets include, in particular, investments in government enterprises (for example, Hydro-Québec) and accounts receivable, minus other liabilities (for example, accounts payable).

## ❑ Maintenance of debt reduction objectives

The *Act to reduce the debt and establish the Generations Fund* stipulates that for fiscal 2025-2026, the gross debt must not exceed 45% of GDP, while the debt representing accumulated deficits must not exceed 17% of GDP. This budget confirms that these objectives are being maintained:

- the objective of reducing the gross debt to 45% of GDP will be achieved in 2020-2021 or five years earlier than forecast;
- the objective of reducing the debt representing accumulated deficits to 17% of GDP will be achieved in 2025-2026, as stipulated in the Act.
  - Without the addition of the stabilization reserve, this objective would be achieved in 2023-2024.

CHART A.5

### Gross debt as at March 31

(percentage of GDP)

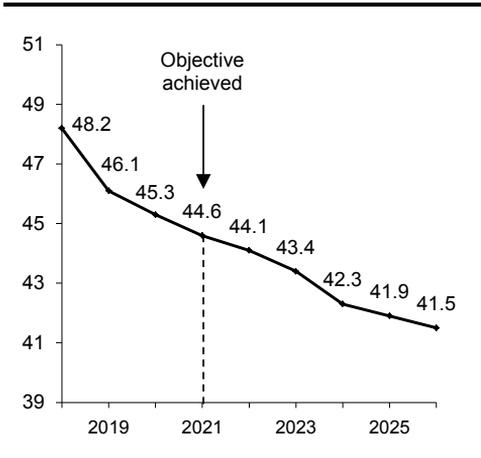
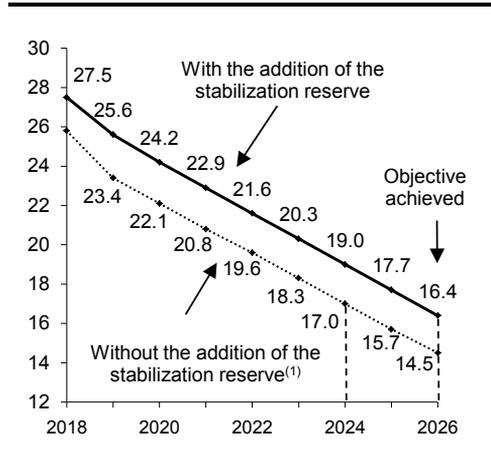


CHART A.6

### Debt representing accumulated deficits as at March 31

(percentage of GDP)



(1) Debt representing accumulated deficits within the meaning of the Public Accounts, that is, without the addition of the stabilization reserve.



# APPENDIX: ECONOMIC OUTLOOK FOR QUÉBEC

TABLE A.14

## Economic outlook for Québec, 2018 to 2023

(percentage change, unless otherwise indicated)

	2018	2019	2020	2021	2022	2023
<b>Output</b>						
Real gross domestic product	2.3	1.8	1.5	1.3	1.3	1.3
Nominal gross domestic product	4.3	3.5	3.2	3.0	3.0	3.1
Nominal gross domestic product (\$billion)	435.3	450.6	464.9	479.0	493.6	508.9
<b>Components of GDP (in real terms)</b>						
– Final domestic demand	2.8	2.0	1.5	1.2	1.2	1.3
– Household consumption	2.6	2.0	1.5	1.4	1.4	1.4
– Government spending and investment	2.6	1.7	1.0	0.6	0.8	1.0
– Residential investment	3.8	–0.8	0.1	0.2	0.2	0.3
– Non-residential business investment	4.3	5.0	3.8	2.3	2.2	2.2
Exports	2.9	2.6	2.2	2.1	2.0	1.9
Imports	3.3	2.1	1.8	1.8	1.6	1.7
<b>Labour market</b>						
Population (thousands)	8 390	8 452	8 514	8 575	8 634	8 693
Population aged 15 and over (thousands)	6 986	7 039	7 081	7 126	7 173	7 223
Jobs (thousands)	4 262	4 301	4 328	4 351	4 371	4 386
Job creation (thousands)	38.9	38.8	27.1	23.0	20.0	15.0
Unemployment rate (%)	5.5	5.4	5.3	5.2	5.1	5.0
<b>Other economic indicators (in nominal terms)</b>						
Household consumption	4.0	3.2	3.3	3.0	3.0	3.0
– Excluding food expenditures and shelter	4.2	2.8	3.0	2.7	2.8	2.8
Housing starts (thousands of units)	46.9	42.8	40.7	39.4	38.0	36.6
Residential investment	8.5	1.9	2.2	2.3	2.2	2.3
Non-residential business investment	5.3	6.2	4.5	3.4	3.8	3.8
Wages and salaries	5.2	3.2	3.1	3.0	3.0	2.9
Household income	4.4	3.4	3.4	3.2	3.1	3.1
Net operating surplus of corporations	3.2	4.7	4.3	3.5	3.5	3.5
Consumer price index	1.7	1.4	2.0	2.0	2.0	2.0
– Excluding food and energy	1.3	1.7	1.8	1.8	1.8	1.8

Sources: Institut de la statistique du Québec, Statistics Canada, Canada Mortgage and Housing Corporation and Ministère des Finances du Québec.



# Section B

## PUTTING MONEY BACK IN THE POCKETS OF QUEBECERS

- Summary ..... B.3**
- 1. More money for families ..... B.5**
  - 1.1 Gradual elimination of the additional contribution for childcare..... B.5
  - 1.2 Improvement in the assistance granted to parents of a handicapped child with exceptional care needs ..... B.9
- 2. Gradual standardization of school tax rates .....B.11**
- 3. Increase in the exemption for support payments in respect of dependent children .....B.13**
- APPENDIX 1: Banking on Career Extension for Workers Aged 60 and Over ..... B.17**
- APPENDIX 2: Recap of the First Steps Announced in Fall 2018 ..... B.19**



## SUMMARY

One of the government's priorities is to put money back in the pockets of Quebecers. The first steps to that end, totalling more than \$2.1 billion over six years, were taken in the fall 2018 *Update on Québec's Economic and Financial Situation* with the introduction of the family allowance and the senior assistance amount.

The government intends to continue taking action with Budget 2019-2020, which provides for:

- gradual elimination of the additional contribution for childcare over four years starting in 2019;
- the start of gradual standardization of school tax rates as of July 1, 2019 with a view to applying a single tax rate across Québec;
- an increase in the exemption for support payments in respect of dependent children in determining government assistance programs.

These new initiatives represent a total investment of \$271 million in 2019-2020.

- With the enhancements of the tax credit for career extension and the Drive Green program, the investments will total \$531 million in 2019-2020.

Overall, initiatives since the fall 2018 update will put nearly \$5.2 billion back in the pockets of Quebecers over six years.

TABLE B.1

### Financial impact of the measures for Quebecers since the fall 2018 Update on Québec's Economic and Financial Situation

(millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
<b>BUDGET 2019-2020</b>							
<b>Putting money back in the pockets of Quebecers</b>							
Gradual elimination of the additional contribution for childcare	-5.4	-42.2	-116.0	-158.7	-180.3	-184.8	-687.4
Gradual standardization of school tax rates	—	-200.0	-266.9	-262.1	-256.5	-251.2	-1 236.7
Increase in the exemption for support payments in respect of dependent children	—	-28.4	-36.2	-36.2	-36.2	-36.2	-173.2
<b>Subtotal</b>	<b>-5.4</b>	<b>-270.6</b>	<b>-419.1</b>	<b>-457.0</b>	<b>-473.0</b>	<b>-472.2</b>	<b>-2 097.3</b>
Banking on career extension for workers aged 60 and over <sup>(1)</sup>	—	-104.5	-105.6	-106.6	-107.7	-108.8	-533.2
Extension of the Drive Green program <sup>(2)</sup>	—	-156.3	-277.5	—	—	—	-433.8
<b>Total – Budget 2019-2020</b>	<b>-5.4</b>	<b>-531.4</b>	<b>-802.2</b>	<b>-563.6</b>	<b>-580.7</b>	<b>-581.0</b>	<b>-3 064.3</b>
<b>FALL 2018 UPDATE</b>							
Payment of a more generous family allowance <sup>(3)</sup>	-61.9	-249.6	-256.6	-263.1	-270.1	-277.0	-1 378.3
Freeze on the additional contribution for childcare <sup>(3)</sup>	-0.2	-1.2	-2.2	-3.3	-4.5	-5.9	-17.3
Introduction of the senior assistance amount <sup>(3)</sup>	-102.4	-107.6	-113.6	-118.6	-123.6	-128.9	-694.7
Drive Green	-20.7	—	—	—	—	—	-20.7
<b>Total – Fall 2018 update</b>	<b>-185.2</b>	<b>-358.4</b>	<b>-372.4</b>	<b>-385.0</b>	<b>-398.2</b>	<b>-411.8</b>	<b>-2 111.0</b>
<b>TOTAL</b>	<b>-190.6</b>	<b>-889.8</b>	<b>-1 174.6</b>	<b>-948.6</b>	<b>-978.9</b>	<b>-992.8</b>	<b>-5 175.3</b>

(1) For further details, see Appendix 1 ("Banking on Career Extension of Workers Aged 60 and Over") and Section D ("Increasing the Potential of the Economy").

(2) For further details, see Section E ("Acting for the Environment").

(3) For further details, see Appendix 2 ("Recap of the First Steps Announced in Fall 2018").

# 1. MORE MONEY FOR FAMILIES

## 1.1 Gradual elimination of the additional contribution for childcare

In the fall 2018 *Update on Québec's Economic and Financial Situation*, the government reiterated its intention to eliminate the additional contribution for childcare, which varies with family income.

— The government also took the first step by announcing a freeze on the additional contribution payable by more than 140 000 families with children attending a subsidized childcare service.

Budget 2019-2020 gives the government an opportunity to announce that the additional contribution for childcare will be completely eliminated on a gradual basis over four years.<sup>1</sup>

— As of 2019, over 40 000 families will no longer pay the additional contribution and 100 000 families will pay a lower additional contribution.

— In 2022, the additional contribution will be eliminated for every family, easing their financial burden by an average of \$1 200 per year.

When fully implemented, this measure will give nearly \$185 million per year back to families.

TABLE B.2

### Financial impact of the gradual elimination of the additional contribution for childcare<sup>(1)</sup> (millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Gradual elimination of the additional contribution for childcare	-5.4	-42.2	-116.0	-158.7	-180.3	-184.8	-687.4

(1) Additional appropriations totalling \$687.4 million for the period 2018-2019 to 2023-2024 will be granted to the Ministère de la Famille. The amounts for 2018-2019 will be drawn from the sums that become available during the course of the fiscal year.

<sup>1</sup> Gradual elimination of the additional contribution for childcare will require legislative and regulatory amendments.

## Additional contribution for childcare in 2019

The daily rate for subsidized childcare consists of:

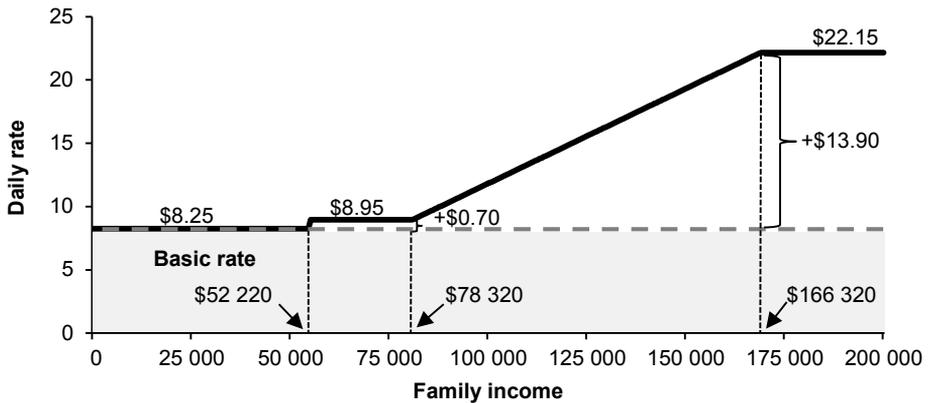
- a basic contribution of \$8.25 payable to the childcare service;
- an additional contribution payable when parents file their income tax return. The amount of the contribution ranges from \$0.70 to \$13.90 based on family income, for a daily rate of between \$8.95 and \$22.15.

The additional contribution of \$0.70 per day is payable by families with an income of \$52 220 to \$78 320. Above a family income of \$78 320, the additional contribution is gradually increased, reaching \$13.90 for a family income of \$166 320.

The additional contribution is reduced by half for the second child and is not payable in respect of the third child and subsequent children.

### Illustration of the daily childcare rate for the first child – 2019

(dollars)



## ❑ Elimination of the additional contribution over four years

Starting in 2019, the minimum and maximum additional contributions for a subsidized childcare service will be reduced by \$0.70 a day, thereby eliminating the bottom rate bracket for the contribution.

— Families with an income below \$78 320 will no longer pay the additional contribution and families with an income above that amount will pay a lower contribution (maximum additional contribution of \$13.20).

In 2020, the income level above which families will have to pay the additional contribution will be raised to \$108 530 and the maximum additional contribution will be reduced to \$8.80 a day.

In 2021, the exemption threshold will change to \$140 065 and the maximum additional contribution will be \$4.40 a day.

In 2022, no family will have to pay the additional contribution.

TABLE B.3

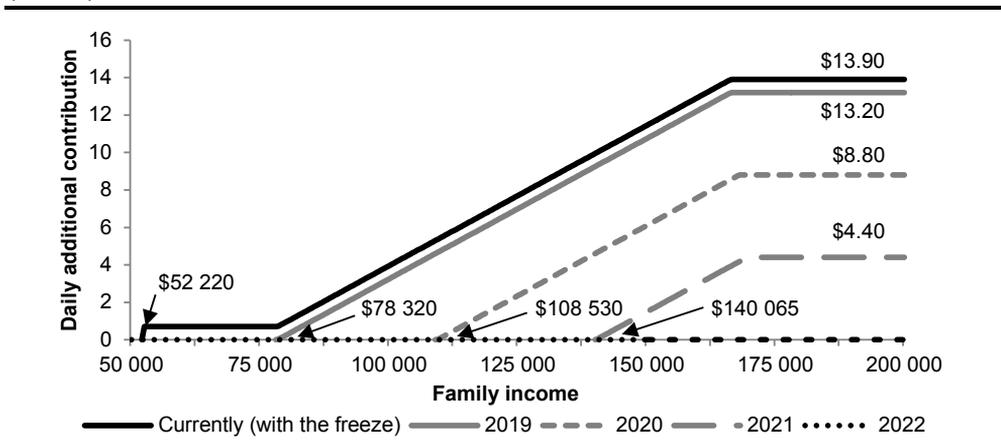
### Gradual elimination of the additional contribution for childcare (dollars)

	Current additional contribution				Gradual elimination			
	First income threshold <sup>(1)</sup>	Minimum amount	Second income threshold <sup>(1)</sup>	Maximum amount	First income threshold	Minimum amount	Second income threshold <sup>(1)</sup>	Maximum amount
2019	52 220	0.70	78 320	13.90	--- Eliminated ---	---	78 320	13.20
2020	52 805	0.70	79 195	13.90	--- Eliminated ---	---	108 530	8.80
2021	53 875	0.70	80 805	13.90	--- Eliminated ---	---	140 065	4.40
2022	54 915	0.70	82 365	13.90	--- Eliminated ---	---	--- Eliminated ---	---

(1) The thresholds for the years 2020 to 2022 are estimates based on the most recent Ministère des Finances forecasts for the indexation rate for the personal income tax system.

CHART B.1

### Gradual elimination of the additional contribution for childcare for the first child (dollars)



## ❑ Illustration of the savings for families

In 2019, every family that pays an additional contribution will see its daily rate decrease by \$0.70, representing annual savings of \$182 in the case of a child attending a subsidized childcare service on a full-time basis.

As of 2020, a family with an income of \$100 000 will no longer pay the additional contribution, saving \$1 027 a year.

The contribution will be eliminated in 2022 for a family with an income of \$170 000, who pays the maximum contribution rate. Such family will save up to \$3 614 upon full implementation of the measure.

On average, elimination of the additional contribution will enable families to save roughly \$1 200 a year.

TABLE B.4

### Illustration of the additional contribution for childcare in the case of a family with one child attending a subsidized childcare service (dollars)

Family income	Daily additional contribution					Maximum annual savings <sup>(1)</sup>			
	Current	2019	2020	2021	2022	2019	2020	2021	2022
Under 52 220	—	—	—	—	—	—	—	—	—
52 220 to 78 320	0.70	—	—	—	—	182	182	182	182
90 000	2.45	1.75	—	—	—	182	637	637	637
100 000	3.95	3.25	—	—	—	182	1 027	1 027	1 027
110 000	5.45	4.75	0.22	—	—	182	1 360	1 417	1 417
120 000	6.95	6.25	1.72	—	—	182	1 360	1 807	1 807
130 000	8.45	7.75	3.22	—	—	182	1 360	2 197	2 197
140 000	9.95	9.25	4.72	—	—	182	1 360	2 587	2 587
150 000	11.45	10.75	6.22	1.49	—	182	1 360	2 590	2 977
160 000	12.95	12.25	7.72	2.99	—	182	1 360	2 590	3 367
170 000	13.90	13.20	8.80	4.40	—	182	1 326	2 470	3 614

(1) Annual savings are calculated on the basis of 260 days of childcare.

## 1.2 Improvement in the assistance granted to parents of a handicapped child with exceptional care needs

Currently, the government grants a supplement for handicapped children with exceptional care needs for some 2 000 children. However, some parents of children who have a serious illness or severe disabilities are not eligible for this financial support.

The government has undertaken work to ensure that government assistance covers more families with a special-needs child. Retraite Québec, the Ministère de la Famille and the Ministère des Finances are currently reviewing the financial assistance granted to parents of a handicapped child with exceptional care needs.

- This budget earmarks amounts in 2020-2021 for the purpose of acting on the findings of the ongoing review so as to improve the assistance provided to such families.

### **Supplement for handicapped children with exceptional care needs**

The government introduced the supplement for handicapped children with exceptional care needs in 2016.

This measure is intended to improve the financial support provided to parents of a child who has a serious illness or severe disabilities, in order to recognize the exceptional nature of their situation and enable them to assume their extraordinary responsibilities.

In 2019, the supplement for handicapped children with exceptional care needs provides monthly financial assistance of \$978, or \$11 736 per year.

This assistance is in addition to the supplement for handicapped children, which amounts to \$2 340 per year for nearly 40 000 children with disabilities.



## 2. GRADUAL STANDARDIZATION OF SCHOOL TAX RATES

The government announced that the school tax system would be reformed for the purpose of gradually establishing a single tax rate applicable across Québec. The single rate, based on the lowest effective rate in 2018-2019, will eliminate the regional disparities existing under the current system, reduce Quebecers' tax burden and simplify administration of the tax by school boards without reducing education funding.

Budget 2019-2020 allows the government to take the first step toward standardizing tax rates and lowering school taxes as of July 1, 2019.<sup>2</sup>

To that end, the government will transfer \$200 million to school boards in 2019-2020 to compensate them for the reduction in their school tax revenues. Thus, the government is making sure to maintain school board funding and protect student services.

— For the subsequent years, the government will determine, during each budget exercise, the additional funding needed to gradually establish a single school tax rate.

The government intends to standardize the tax rates over three years. The annual cost upon full implementation will be around \$800 million.

TABLE B.5

### Financial impact of gradual standardization of school tax rates (millions of dollars)

	2019- 2020 <sup>(1)</sup>	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Gradual standardization of school tax rates	-200.0	-266.9	-262.1	-256.5	-251.2	-1 236.7

(1) The reform is scheduled to come into force on July 1, 2019.

<sup>2</sup> Subject to adoption of Bill 3, *An Act to establish a single school tax rate*.

## ❑ Illustration of the decrease in the school tax

By way of illustration, when the reform is fully implemented, the owner of a home in Montréal assessed at \$270 000 will save \$179, whereas the owner of a home in the Saguenay–Lac-Saint-Jean assessed at the same amount will save \$500.

TABLE B.6

### Illustration of the decrease in the school tax in the case of a home assessed at \$270 000<sup>(1)</sup> (dollars)

	Current		Single rate – Upon full implementation		Difference
	Tax rate <sup>(2)</sup>	School tax <sup>(3)</sup>	Tax rate <sup>(2),(4)</sup>	School tax <sup>(3)</sup>	
Bas-Saint-Laurent	0.26107	640	0.10540	258	<b>-382</b>
Saguenay–Lac-Saint-Jean	0.30932	758	0.10540	258	<b>-500</b>
Capitale-Nationale	0.13360	327	0.10540	258	<b>-69</b>
Mauricie	0.30932	758	0.10540	258	<b>-500</b>
Estrie	0.18434	452	0.10540	258	<b>-194</b>
Montréal	0.17832	437	0.10540	258	<b>-179</b>
Outaouais	0.13694	336	0.10540	258	<b>-78</b>
Abitibi-Témiscamingue	0.13694	336	0.10540	258	<b>-78</b>
Côte-Nord	0.23901	586	0.10540	258	<b>-328</b>
Nord-du-Québec	0.30551	748	0.10540	258	<b>-490</b>
Gaspésie	0.28500	698	0.10540	258	<b>-440</b>
Îles-de-la-Madeleine	0.28420	696	0.10540	258	<b>-438</b>
Chaudière-Appalaches	0.22586	553	0.10540	258	<b>-295</b>
Laval	0.23095	566	0.10540	258	<b>-308</b>
Lanaudière	0.27072	663	0.10540	258	<b>-405</b>
Laurentides <sup>(5)</sup>	0.10540	258	0.10540	258	<b>—</b>
Montérégie	0.17832	437	0.10540	258	<b>-179</b>
Centre-du-Québec	0.29640	726	0.10540	258	<b>-468</b>

(1) According to data compiled by the Institut de la statistique du Québec, the average value of a single-family home in Québec in 2018 was \$269 697. Statistics are available in the Databank of Official Statistics on Québec.

(2) Rate per \$100 of adjusted standardized assessment.

(3) The school tax payable includes the basic exemption for the first \$25 000 of the adjusted standardized assessment.

(4) The single tax rate corresponds to the lowest effective rate in Québec in 2018–2019, that is, the rate in the Laurentides region.

(5) Taxpayers in the Laurentides region already pay the lowest school tax rate in Québec.

### 3. INCREASE IN THE EXEMPTION FOR SUPPORT PAYMENTS IN RESPECT OF DEPENDENT CHILDREN

Budget 2019-2020 includes investments totalling \$173.2 million over five years to provide better support to low-income families that receive support payments in respect of dependent children and assistance under certain government programs.

TABLE B.7

#### Financial impact of the increase in the exemption for support payments in respect of dependent children, by program

(millions of dollars)

Program	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	Total
Social assistance <sup>(1)</sup>	-25.2	-30.2	-30.2	-30.2	-30.2	-146.0
Student financial assistance <sup>(2)</sup>	-2.0	-4.0	-4.0	-4.0	-4.0	-18.0
Housing assistance <sup>(3)</sup>	-0.8	-1.5	-1.5	-1.5	-1.5	-6.8
Legal aid <sup>(4)</sup>	-0.4	-0.5	-0.5	-0.5	-0.5	-2.4
<b>TOTAL</b>	<b>-28.4</b>	<b>-36.2</b>	<b>-36.2</b>	<b>-36.2</b>	<b>-36.2</b>	<b>-173.2</b>

(1) Additional appropriations totalling \$146.0 million for the period 2019-2020 to 2023-2024 will be granted to the Ministère du Travail, de l'Emploi et de la Solidarité sociale. The amounts for 2019-2020 will be drawn from the Contingency Fund.

(2) Additional appropriations totalling \$18.0 million for the period 2019-2020 to 2023-2024 will be granted to the Ministère de l'Éducation et de l'Enseignement supérieur.

(3) Additional appropriations totalling \$6.8 million for the period 2019-2020 to 2023-2024 will be granted to the Ministère des Affaires municipales et de l'Habitation. The amounts for 2019-2020 will be drawn from the Contingency Fund.

(4) Additional appropriations totalling \$2.4 million for the period 2019-2020 to 2023-2024 will be granted to the Ministère de la Justice. The amounts for 2019-2020 will be drawn from the Contingency Fund.

Eligibility and the amount granted to households that apply for financial assistance under certain government programs are determined on the basis of total household income, including income from child support payments. The programs include, in particular, social assistance, student financial assistance, housing assistance and legal aid.

Consequently, households that receive income from child support payments may see their benefit amount go down or be deemed ineligible for the program because such income is added to the household's other income sources.

The following government programs already exclude a portion of the income from child support payments for the purpose of calculating eligible income:

- the social assistance programs, which exempt the first \$100 of support payments per month per dependent child;
- the student financial assistance program, which exempts \$1 200 with respect to support payments per year for each dependent child.

To further support beneficiaries of child support, particularly single-parent families, Budget 2019-2020 raises the exemption for income from child support payments from the calculation of government financial assistance:<sup>3</sup>

- from \$100 to \$350 per month per dependent child for the social assistance programs;
- from \$1 200 to \$4 200 per year per dependent child for the student financial assistance program;
- from \$0 to \$4 200 per year per dependent child for the legal aid program and the housing assistance programs (low-rental housing, rent supplement and shelter allowance).

Thanks to this enhancement, a greater number of households that receive child support payments and assistance under government programs will enjoy a full exemption of such payments from the calculation of budgetary programs.

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<sup>3</sup> Regulatory amendments will be required.

**FINANCIAL IMPACT OF THE MEASURES**

TABLE B.8

**Financial impact of the measures to put money back in the pockets of Quebecers**

(millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Gradual elimination of the additional contribution for childcare	-5.4	-42.2	-116.0	-158.7	-180.3	-184.8	-687.4
Gradual standardization of school tax rates	—	-200.0	-266.9	-262.1	-256.5	-251.2	-1 236.7
Increase in the exemption for support payments in respect of dependent children							
– Social assistance	—	-25.2	-30.2	-30.2	-30.2	-30.2	-146.0
– Student financial assistance	—	-2.0	-4.0	-4.0	-4.0	-4.0	-18.0
– Housing assistance	—	-0.8	-1.5	-1.5	-1.5	-1.5	-6.8
– Legal aid	—	-0.4	-0.5	-0.5	-0.5	-0.5	-2.4
Subtotal	—	-28.4	-36.2	-36.2	-36.2	-36.2	-173.2
<b>TOTAL</b>	<b>-5.4</b>	<b>-270.6</b>	<b>-419.1</b>	<b>-457.0</b>	<b>-473.0</b>	<b>-472.2</b>	<b>-2 097.3</b>



## APPENDIX 1: BANKING ON CAREER EXTENSION FOR WORKERS AGED 60 AND OVER

To strengthen the tax incentive already offered to encourage experienced workers to remain in the labour market, Budget 2019-2020 includes two changes. Starting in 2019:

- the age of eligibility for the tax credit will be lowered from 61 to 60;
- the ceiling on excess work income eligible for the tax credit will be raised to \$10 000 for workers aged 60 to 64.

In addition, the tax credit for experienced workers will be renamed the tax credit for career extension.

The higher ceilings on excess work income will mean an additional tax cut for workers aged 60 to 64 of up to between \$150 and \$1 500 based on age.

TABLE B.9

### Parameters of the increase in the ceiling on excess work income based on age – 2019 (dollars)

Age of worker	Amount before increase	Amount after increase	Increase	Maximum tax cut <sup>(1)</sup>
60	—	10 000	<b>10 000</b>	<b>1 500</b>
61	3 000	10 000	<b>7 000</b>	<b>1 050</b>
62	5 000	10 000	<b>5 000</b>	<b>750</b>
63	7 000	10 000	<b>3 000</b>	<b>450</b>
64	9 000	10 000	<b>1 000</b>	<b>150</b>
65 and over	11 000	11 000	—	—

(1) The maximum additional tax cut is obtained by applying the tax credit rate of 15% to the amount of the increase.

For a 60 year-old whose only income is work income, the enhanced tax credit will raise the income level at which the worker starts paying Québec income tax from \$18 129 to \$28 226.

Nearly 158 000 workers will benefit from the enhanced tax credit for career extension. More than 20 000 of them will no longer have to pay Québec income tax.

For further details on the measure, see Section D (“Increasing the Potential of the Economy”).



## **APPENDIX 2: RECAP OF THE FIRST STEPS ANNOUNCED IN FALL 2018**

### **❑ Payment of a more generous family allowance**

In the fall 2018 *Update on Québec's Economic and Financial Situation*, the government took the first step toward granting the same maximum and minimum family allowance amounts for each child, regardless of birth order.

Effective January 2019, the maximum amount granted for the second and third children rose from \$1 235 to \$1 735. Thanks to this increase, families with two children saw their family allowance payment go up by as much as \$500. Families with three or more children gained up to \$1 000.

Through this measure, over 423 000 families will receive nearly \$1.4 billion more in financial assistance over six years. In addition, this step has already enabled the government to meet 43% of its commitment in respect of family allowance.

### **❑ Freeze on the additional contribution for childcare**

The government acted swiftly to deliver on its commitment to eliminate the additional contribution for subsidized childcare services by announcing that the additional contribution will be frozen at the 2018 amount starting in 2019.

More than 140 000 families with young children benefit from the freeze on the additional contribution for childcare.

### **❑ Introduction of the senior assistance amount**

The government announced the introduction of the senior assistance amount, a new refundable tax credit for individuals aged 70 or over.

When they file their 2018 income tax return in spring 2019, seniors will receive additional tax assistance of up to \$200. The maximum tax credit will be \$400 for senior couples in which both spouses are 70 or over.

— The tax credit is reduced at a rate of 5% at an income above \$22 500 in the case of a single senior and \$36 600 in the case of a senior couple.

More than 570 000 seniors will receive financial assistance totalling upward of \$100 million a year as of 2018-2019.



# Section C

## IMPROVING THE QUALITY OF EDUCATION AND HEALTH SERVICES

- Summary ..... C.3**
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  - 1.1 Giving every child the means to reach his or her full potential ..... C.7
  - 1.2 Supporting teachers and promoting the profession ..... C.8
  - 1.3 Supporting the regions and higher education ..... C.9
  - 1.4 Promoting recreation and sport ..... C.10
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- 2. Improving the accessibility and quality of health services ..... C.13**
  - 2.1 Providing better services to seniors ..... C.15
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  - 2.5 Improving health and social service infrastructure ..... C.21



## SUMMARY

Education and health are among the government's top three priorities.

The *Québec Budget Plan – March 2019* announces immediate actions to foster educational success and strengthen access to health care services. More specifically:

- in the education sector, the directions being taken aim to help every child reach his or her full potential;
- in the health sector, the government is equipping itself to provide old and young alike with the care and services they need.

The government plans to invest an additional \$7.3 billion in these two priority missions by 2023-2024, broken down as follows:

- a 5.1% increase in spending on education and higher education in 2019-2020 and a total of \$2.4 billion over five years;
- a 5.4% increase in spending on health and social services in 2019-2020 and a total of \$4.9 billion over six years.

TABLE C.1

### Financial impact of the education and health measures (millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Education	—	-230	-317	-498	-625	-743	-2 414
Health	-90	-801	-847	-931	-1 112	-1 122	-4 903
<b>TOTAL</b>	<b>-90</b>	<b>-1 031</b>	<b>-1 164</b>	<b>-1 429</b>	<b>-1 737</b>	<b>-1 865</b>	<b>-7 316</b>

Note: Totals may not add due to rounding.

Furthermore, in order to offer Quebecers modern and quality infrastructure, the 2019-2029 Québec Infrastructure Plan (QIP) provides for the following investments:

- \$20.3 billion in the education and higher education sector;
- \$20.2 billion in the health and social services sector.



# 1. FOSTERING EDUCATIONAL SUCCESS

Education is the government's top priority. The government's goal is to equip every child to reach his or her full potential.

To that end, the government intends to, among other things:

- begin rolling out universal, non-compulsory kindergarten for 4 year-olds;
- develop the range of extracurricular activities in secondary schools to make sports and cultural activities or help with homework available to students;
- support student success and retention and add special education classes.

Lastly, Budget 2019-2020 includes measures to promote the teaching profession, further support higher education institutions in all regions of Québec and democratize access to recreation and sport.

Spending on education and higher education is projected to increase by 5.1% in 2019-2020 and an average of 3.8% in the subsequent two years.

Details of the measures and their implementation will be announced at a later date by the Minister of Education and Higher Education and the Minister for Education.

## ❑ \$2.4 billion more for education

Budget 2019-2020 invests an additional \$2.4 billion in education by 2023-2024, including \$230 million in 2019-2020. The total investment breaks down as follows:

- \$1.7 billion to give every child the means to reach his or her full potential;
- \$339 million to support teachers and promote the profession;
- \$269 million to support the regions and higher education;
- \$76 million to promote recreation and sport.

TABLE C.2

### Financial impact of the education measures (millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Giving every child the means to reach his or her full potential	—	-102	-179	-360	-487	-605	-1 731
Supporting teachers and promoting the profession	—	-68	-68	-68	-68	-68	-339
Supporting the regions and higher education	—	-54	-54	-54	-54	-54	-269
Promoting recreation and sport	—	-7	-17	-17	-17	-17	-76
<b>TOTAL</b>	<b>—</b>	<b>-230</b>	<b>-317</b>	<b>-498</b>	<b>-625</b>	<b>-743</b>	<b>-2 414</b>

Notes: Totals may not add due to rounding.

Funding for these initiatives is granted to the Ministère de l'Éducation et de l'Enseignement supérieur and the Sports and Physical Activity Development Fund, as the case may be.

## 1.1 Giving every child the means to reach his or her full potential

### □ Support student success and retention

The government wants to see to the needs of vulnerable clientele groups. In the education sector, this commitment is reflected in four main areas of action.

- First, it is supporting schools by providing special education services that address the needs of students experiencing difficulty in their schooling.
- The government is also supporting schools in disadvantaged neighbourhoods with the aim of giving students a greater chance of succeeding in school. To do so, the government is increasing and improving the allocation of funding related to deprivation indicators.
- In addition, community organizations that provide complementary education services to help boost student success and retention receive financial support from the government.
- Lastly, the government intends to promote better use of school and municipal infrastructure.

Budget 2019-2020 provides \$25 million a year as of 2019-2020 to support student success and retention.

### □ Roll out 4-year-old kindergarten

The government wants to offer universal, full-day kindergarten for 4 year-olds, with non-compulsory attendance, so as to allow every child to develop his or her full potential.

Since schools in some underprivileged neighbourhoods already offer kindergarten for 4 year-olds, the criteria defining such neighbourhoods will be relaxed so as to give a greater number of children access to these services.

- Universal kindergarten for 4 year-olds will be rolled out taking into account the school system's current resources. The teachers will be supported by an educator or special education technician and a team of professionals. The government plans to add 250 new classes starting in September 2019.

Budget 2019-2020 provides funding ranging from \$36 million in 2019-2020 to \$436 million in 2023-2024 for the purpose of rolling out 4-year-old kindergarten.

### □ Add an extra hour of extracurricular activities a day in secondary schools

Further investments will be made to add an extra hour of extracurricular activities a day in nearly 140 secondary schools starting in 2019-2020 so as to encourage regular physical, artistic, cultural, scientific, socio-educational and community engagement activities as well as offer help with homework.

Budget 2019-2020 provides funding in the amount of \$21 million in 2019-2020, \$62 million in 2020-2021 and \$124 million in subsequent years for the purpose of adding an extra hour of extracurricular activities a day.

### **Add special education classes**

The number of special education classes will be increased for the purpose of lowering teacher/student ratios and providing tailored support to students with special needs for whom a regular class does not provide an optimal learning environment. The addition of 150 special education classes in 2019-2020 will provide such students with schooling that better matches their needs.

Budget 2019-2020 provides annual funding of \$20 million as of 2019-2020 to add special education classes.

## **1.2 Supporting teachers and promoting the profession**

### **Increase direct professional support services to students**

Steps will be taken to increase the professional and technical support services provided to preschool, elementary and secondary students, adult education and vocational training. These changes will better address students' needs and provide better support to the teaching staff.

Budget 2019-2020 includes \$47 million a year in funding as of 2019-2020 to ensure a minimum level of direct services to students.<sup>1</sup>

### **Offer merit scholarships for future teachers**

Budget 2019-2020 includes substantial investments in the academic success of university students studying to become teachers. Scholarships will be offered to students with an excellent academic record as an incentive to enrol and stay in a study program leading to a teaching career.

Budget 2019-2020 includes investments totalling nearly \$16 million a year as of 2019-2020 to offer merit scholarships for future teachers.

### **Develop a mentoring program for future teachers**

The government ensures that vocational integration measures such as mentoring programs are implemented to facilitate the transition from university to entry into a teaching career, a decisive stage in the decision to pursue a teaching career.

Budget 2019-2020 provides \$5 million a year in funding as of 2019-2020 to develop a mentoring program for future teachers.

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<sup>1</sup> Including the funding announced in previous fiscal years, a total of \$302 million will have been invested in this initiative in 2023-2024.

## 1.3 Supporting the regions and higher education

### ❑ Increase CEGEP funding

Budget 2019-2020 increases the funding for CEGEPs to further boost student achievement and improve the services offered by CEGEPs across Québec.

Budget 2019-2020 provides investments totalling nearly \$29 million a year as of 2019-2020 to increase CEGEP funding and align the funding model with the new needs.

### ❑ Support regional universities

Québec has a top-quality university system that addresses the diverse needs of the individuals and communities served by the universities. The system is well established throughout Québec.

The government is consolidating these achievements by providing greater financial support to regional universities. The goal is to:

- strengthen the universities' strategic role in knowledge transmission and research development in their given region;
- enable the universities to play their full role in regional socioeconomic development.

Budget 2019-2020 includes \$15 million a year in funding as of 2019-2020 to support regional universities.

### ❑ Ensure a better match between training and labour market needs

In a context of labour shortage, particularly in the regions, increasing the graduation rate in study programs that fill labour market needs is crucial.

Targeted measures will help develop and tailor training to the varying situations of Québec's educational institutions and regions.

Budget 2019-2020 invests \$5 million a year as of 2019-2020 to ensure a better match between training and labour market needs. Of that amount, \$3 million will be paid to universities.

### ❑ Roll out vocational training measures

The government supports concrete actions to encourage secondary-college level double diploma (SSD-DVS) programs, apprenticeships and school-to-work transition of students in vocational training, strengthen regional structures and develop new forms of training. It thereby supports regional consultation structures focused on the development of vocational training.

Budget 2019-2020 provides \$5 million a year as of 2019-2020 to roll out vocational training measures.

## 1.4 Promoting recreation and sport

### Democratize access to recreation and sport

The government wants to make physical, sport and recreational activities more accessible. It is therefore funding travel to participate in sport and recreational activities in remote regions, as well as implementing various initiatives to encourage people to participate in physical, sport and recreational activities.

Budget 2019-2020 invests \$7 million a year as of 2019-2020 to democratize access to recreation and sport.

### Promote support for international sporting events

The government supports the organization of international events through the assistance program for international sporting events. The program has allowed Québec to host world-class sporting events since 2006 as well as contributed to the development of a sports culture among the population.

Budget 2019-2020 includes annual funding in the amount of \$5 million from 2020-2021 to 2023-2024 to promote the program.

### Support trail and recreation site upgrades and improvements

The government wants to help democratize sport by ensuring broader access to sport, recreation and outdoor activity infrastructure for all Quebecers.

The support program for trail and recreation site upgrades and improvements is a key measure of the Policy on Physical Activity, Sport and Recreation, *Quebecers on the Move!*

Budget 2019-2020 invests \$5 million a year from 2020-2021 to 2023-2024 to support this program.

## 1.5 Improving education and higher education infrastructure

Education infrastructure must provide healthy, safe, accessible environments that are conducive to students' learning and development.

The 2019-2029 QIP includes \$20.3 billion in education and higher education infrastructure investments.

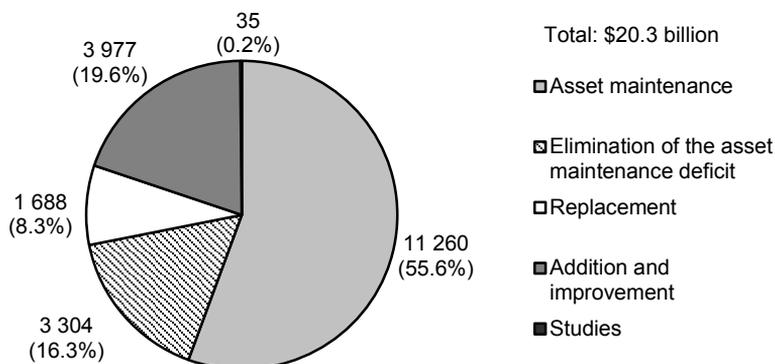
— These sums will go toward renovating existing schools and building new ones, maintaining buildings and adding learning spaces.

Some 80% of the total planned investments, that is, \$16.3 billion, will go toward maintaining existing infrastructure in good condition, including \$3.3 billion to eliminate the asset maintenance deficit.

Investments for the upgrading or construction of infrastructure total \$4 billion and are earmarked for, in particular, the expansion or construction of new schools in Québec's regions to accommodate the increase in student numbers.

CHART C.1

### 2019-2029 Québec Infrastructure Plan investments in education and higher education, by type of investment (millions of dollars)



Note: These investments are in addition to sums from the Sports and Physical Activity Development Fund earmarked for education and higher education.

Source: Secrétariat du Conseil du trésor.

TABLE C.3

**Breakdown of the announced education and higher education measures**  
(millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
<b>Giving every child the means to reach his or her full potential</b>							
Roll out 4-year-old kindergarten	—	-36	-72	-191	-318	-436	-1 053
Add an extra hour of extracurricular activities a day in secondary schools	—	-21	-62	-124	-124	-124	-455
Support student success and retention	—	-25	-25	-25	-25	-25	-123
Add special education classes	—	-20	-20	-20	-20	-20	-100
Facilitate access to cultural outings and enrich the content of school libraries <sup>(1)</sup>	—	—	—	—	—	—	—
<b>Subtotal</b>	<b>—</b>	<b>-102</b>	<b>-179</b>	<b>-360</b>	<b>-487</b>	<b>-605</b>	<b>-1 731</b>
<b>Supporting teachers and promoting the profession</b>							
Increase direct professional support services to students	—	-47	-47	-47	-47	-47	-235
Offer merit scholarships for future teachers	—	-16	-16	-16	-16	-16	-79
Develop a mentoring program for future teachers	—	-5	-5	-5	-5	-5	-25
<b>Subtotal</b>	<b>—</b>	<b>-68</b>	<b>-68</b>	<b>-68</b>	<b>-68</b>	<b>-68</b>	<b>-339</b>
<b>Supporting the regions and higher education</b>							
Increase CEGEP funding	—	-29	-29	-29	-29	-29	-144
Support regional universities	—	-15	-15	-15	-15	-15	-75
Ensure a better match between training and labour market needs	—	-5	-5	-5	-5	-5	-25
Roll out vocational training measures	—	-5	-5	-5	-5	-5	-25
<b>Subtotal</b>	<b>—</b>	<b>-54</b>	<b>-54</b>	<b>-54</b>	<b>-54</b>	<b>-54</b>	<b>-269</b>
<b>Promoting recreation and sport</b>							
Democratize access to recreation and sport	—	-7	-7	-7	-7	-7	-36
Promote support for international sporting events <sup>(2)</sup>	—	—	-5	-5	-5	-5	-20
Support trail and recreation site upgrades and improvements <sup>(2)</sup>	—	—	-5	-5	-5	-5	-20
<b>Subtotal</b>	<b>—</b>	<b>-7</b>	<b>-17</b>	<b>-17</b>	<b>-17</b>	<b>-17</b>	<b>-76</b>
<b>TOTAL</b>	<b>—</b>	<b>-230</b>	<b>-317</b>	<b>-498</b>	<b>-625</b>	<b>-743</b>	<b>-2 414</b>

Note: Totals may not add due to rounding.

(1) The government committed to funding cultural outings and quality resources in school libraries. The amounts of \$15 million in 2019-2020 and \$30 million in subsequent years will be granted to the Ministère de la Culture et des Communications. The amounts for 2019-2020 will be drawn from the Contingency Fund.

(2) The amounts will be drawn from revenues from the tax on tobacco and deposited in the Sports and Physical Activity Development Fund.

## 2. IMPROVING THE ACCESSIBILITY AND QUALITY OF HEALTH SERVICES

Health and social services are one of the government's top three priorities.

Longer life expectancies and population aging lead to increasing demand for health care and services. To address this challenge, the government is planning significant investments to improve the accessibility and quality of the services provided.

Substantial sums, to the tune of \$2.6 billion by 2023-2024, will be earmarked to offer more home care and services to seniors, start creating seniors' homes in 2021-2022 and provide better support to informal caregivers, among other initiatives.

— More residential beds will be added to ensure the transition to seniors' homes.

Budget 2019-2020 also makes provisions to improve direct services to the public, promote specific initiatives for young people and add caregiving staff.

For that purpose, the government intends to:

— make assistance available for the early detection of learning disabilities in children and provide care and services to young people experiencing difficulties with a view to establishing an early intervention plan;

— reinforce caregiving staff and improve their working conditions;

— extend reimbursement of vision care services to children under 17 so as to boost educational success and potentially reduce the school dropout rate.

Additional investments will also be made to diversify the socioprofessional services provided to adults with an intellectual disability, a physical disability or an autism spectrum disorder in order to support their full social participation.

Budget 2019-2020 raises health and social services spending by 5.4% in 2019-2020 and by an average of 4.1% in the subsequent two years.

Details of the measures and their implementation will be announced at a later date by the Minister of Health and Social Services, the Minister Responsible for Seniors and Informal Caregivers and the Minister for Health and Social Services.

## ❑ \$4.9 billion in additional investments

To deliver on its commitments, the government plans to invest an additional \$4.9 billion in health by 2023-2024, including \$801 million in 2019-2020. Moreover, Budget 2019-2020 includes:

- \$2.6 billion to provide better services to seniors;
- \$574 million to improve direct services to the public;
- \$540 million to promote specific initiatives for young people;
- \$1.1 billion to add more caregiving staff.

These investments will help improve Quebecers' quality of life and health.

TABLE C.4

### Financial impact of the health measures (millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Providing better services to seniors	-80	-391	-391	-465	-636	-636	-2 599
Improving direct services to the public	—	-86	-122	-122	-122	-122	-574
Promoting specific initiatives for young people	—	-88	-98	-108	-118	-128	-540
Adding more caregiving staff	—	-215	-215	-215	-215	-215	-1 075
Other measures	-10	-21	-21	-21	-21	-21	-115
<b>TOTAL</b>	<b>-90</b>	<b>-801</b>	<b>-847</b>	<b>-931</b>	<b>-1 112</b>	<b>-1 122</b>	<b>-4 903</b>

Note: The funding for these initiatives is allocated to the Ministère de la Santé et des Services sociaux.

## 2.1 Providing better services to seniors

### ❑ Strengthen home care and services

The government is in favour of peoples' lifelong autonomy.

— In 2018-2019, approximately 19 million hours of home care and support services will have been provided.

The government is making further investments to strengthen home care and services. Among other things, these investments will enable health and social services institutions to hire resources so they can provide more hours of care and services, representing an increase of nearly 20% compared to 2017-2018.

— Funding is earmarked for the purpose of developing social geriatrics to help prevent the social isolation of seniors.

Budget 2019-2020 provides additional funding in the amount of \$80 million in 2018-2019 and \$280 million a year as of 2019-2020 to strengthen home care and services, among other things.

### ❑ Roll out seniors' homes

The government pledged to develop seniors' homes, which provide a more humane living environment, offering quality care and services.

The government plans to build 30 spacious, air-conditioned seniors' homes offering quality living environments tailored to changing individual needs.

Budget 2019-2020 provides investments totalling \$74 million in 2021-2022 and \$245 million in 2022-2023 and 2023-2024 to roll out seniors' homes.

### ❑ Add residential beds and spaces

There is a growing need for health and social services in Québec due to population aging. Older persons with diminishing autonomy require more and more care, as do adults with special needs. A number of them are waiting for a place in a residential and long-term care centre so they can receive the proper care.

Consequently, the government plans to add 900 more residential beds and spaces in residential and long-term care centre to ensure the transition to seniors' homes.

Budget 2019-2020 includes additional funding in the amount of \$70 million a year as of 2019-2020 to add residential beds and spaces.

## **☐ Improve informal caregivers' quality of life**

There are roughly 1.6 million informal caregivers in Québec, mostly providing services to seniors. Over the years, informal caregivers have seen their caregiving conditions deteriorate. The government promised to improve their living conditions. Respite services and homes for caregivers will be set up to improve their quality of life and support them in the critical social role they play in Québec.

Furthermore, in the coming year, the government will unveil a Québec policy on informal caregivers and will announce the unprecedented development of a new continuum of services to support informal caregivers.

Budget 2019-2020 provides additional funding of \$21 million a year as of 2019-2020 to improve informal caregivers' quality of life.

## **☐ Increase the personal expense allowance**

Adults sheltered in a public health institution are required to make a financial contribution to cover shelter and food expenses. The amount of the contribution is determined based on the user's ability to pay, needs and family situation, less the amount of the personal allowance for a sheltered adult.

Budget 2019-2020 is an opportunity for the government to announce further investments to help maintain or increase the personal expense allowance for many people sheltered in the health and social services network.

Budget 2019-2020 includes annual funding in the amount of \$20 million as of 2019-2020 to increase the personal expense allowance.

## 2.2 Improving direct services to the public

### Reinforce access to frontline services

The government wants to reinforce and improve access to frontline medical services by adding resources in local community service centre facilities.

Budget 2019-2020 includes \$10 million a year as of 2019-2020 to reinforce access to frontline services.

### Establish winter clinics

Winter clinics allow users experiencing minor health problems, such as flu, gastroenteritis and other winter infections, and who do not have a family physician to see a doctor quickly. Setting up winter clinics is an effective way to meet the needs of the population during peak winter epidemic periods.

Budget 2019-2020 provides annual funding of \$3 million as of 2019-2020 to establish winter clinics.

### Ensure a stronger presence of specialized nurse practitioners within the network

The government wants to improve the accessibility of care and services provided to Quebecers by ensuring that patients can consult specialized nurse practitioners for chronic illnesses and common health problems.

Budget 2019-2020 includes \$40 million in annual funding as of 2019-2020 to ensure a stronger presence of specialized nurse practitioners in the network.

### Enhance the Support Program for Community Organizations

Community organizations work with the most vulnerable people in society in matters of health and well-being.

— In 2017-2018, they received \$580 million in funding to carry out their mission.

The government recognizes the vital contribution of community organizations to maintaining and improving Quebecers' health and well-being.

— Furthermore, it pledges to demonstrate greater transparency with regard to allocated funding.

Budget 2019-2020 provides an additional \$30 million a year as of 2019-2020 to enhance the Support Program for Community Organizations.

## ❑ **See to succeed**

The government pledged to reimburse a portion of the cost of glasses and contact lenses for children 17 and under with the goal of boosting educational success and potentially reducing the school dropout rate. Costs will be reimbursed, up to \$250 per 24 months, by the Régie de l'assurance maladie du Québec.

— This more inclusive coverage will take effect in September 2019.

Budget 2019-2020 invests an additional \$36 million a year as of 2020-2021 to extend the vision care coverage for young people.

— The amount required for 2019-2020 will be drawn from the funds allocated to the Ministère de la Santé et des Services sociaux.

## ❑ **Enhance the National Strategy for Labour Market Integration and Maintenance of Handicapped Persons**

The purpose of the National Strategy for Labour Market Integration and Maintenance of Handicapped Persons,<sup>2</sup> which took effect in 2008, is to ensure that people with disabilities enjoy equal employment opportunities and to increase their labour market participation.

The government plans to diversify the supply of socioprofessional services for adults with an intellectual disability, a physical disability or an autism spectrum disorder to ensure their full social participation.

Budget 2019-2020 includes \$3 million a year in funding as of 2019-2020 to enhance the National Strategy for Labour Market Integration and Maintenance of Handicapped Persons.

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<sup>2</sup> Jointly implemented by the Ministère du Travail, de l'Emploi et de la Solidarité sociale and the Ministère de la Santé et des Services sociaux.

## 2.3 Promoting specific initiatives for young people

### Implement early screening for learning disabilities

The government pledged to screen all Québec children aged 5 and under for neurodevelopmental disorders so as to establish an early intervention plan in consultation with parents and schools, including measures to support the children's families.

Budget 2019-2020 provides investments totalling \$48 million in 2019-2020 for earlier screening for learning disabilities. The funding will gradually rise to \$88 million by 2023-2024.

### Promote Aire ouverte centres for young people's mental health

Aire ouverte centres provide young people aged 12 to 25 with a range of health and wellness services, including mental and sexual health services as well as other services related to school and employment. The centres' primary mission is to help young people dealing with mental health, drinking or drug issues or having adaptation problems.

The government plans to open ten more Aire ouverte centres, including four in 2019-2020.

Budget 2019-2020 includes an additional \$20 million a year as of 2019-2020 to promote Aire ouverte centres.

### Improve youth protection

Québec has seen a steady increase in child abuse and neglect cases in the last few years. In 2017-2018, over 90 000 situations were reported to youth protection services, an increase of 5.3% compared to 2016-2017.

The government intends to ensure better protection for children whose development or security is or may be in danger by increasing the number of caseworkers for youth in difficulty or at risk.

Budget 2019-2020 provides for annual investments in the order of \$18 million as of 2019-2020 to improve youth protection.

## **Establish a treatment program for oral sequelae**

Nearly 300 children in Québec are diagnosed with cancer each year. Up to 15% of them could develop complex oral sequelae requiring years of treatment. In addition, up to 35% of children diagnosed with cancer could develop oral sequelae requiring a minor or moderate level of care. These children must have access to the proper dental care.

Budget 2019-2020 injects \$2 million a year as of 2019-2020 to establish a treatment program for oral sequelae.

## **2.4 Adding more caregiving staff**

### **Improve services**

The caregiving staff is central to the provision of health and social services. Over the last few years, their job has become increasingly demanding.

Past reforms, coupled with a labour shortage, has led to exhaustion among caregiving staff members.

The government made a commitment to provide greater support to caregiving staff in residential and long-term care centres and hospitals. To deliver on that commitment, more nurses, nursing assistants, patient-care attendants and other health and social service practitioners will be hired.

The addition of staff, particularly nursing staff, will bring the services provided in institutions in line with the growing needs of users and the population at large.

Budget 2019-2020 includes annual funding in the amount of \$200 million as of 2019-2020.

### **Train new patient-care attendants**

The government wants to reinforce care and service teams by banking on training that will enable students to put their knowledge to work in Québec health institutions.

Budget 2019-2020 earmarks annual funding of \$15 million as of 2019-2020 to train new patient-care attendants.

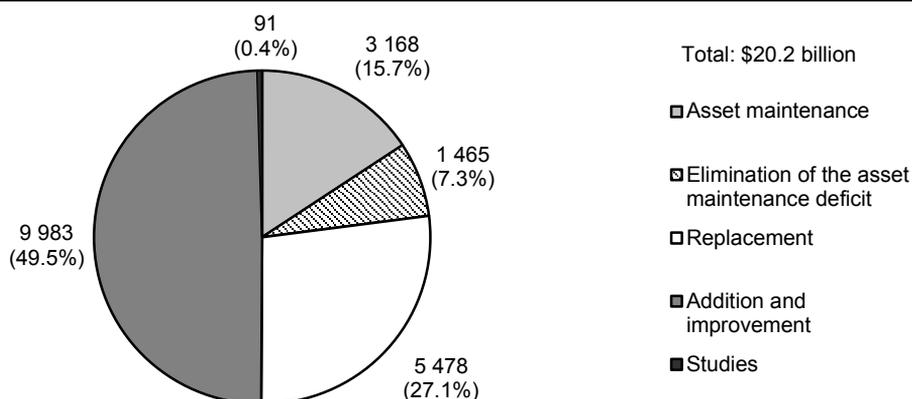
## 2.5 Improving health and social service infrastructure

The 2019-2029 QIP provides \$20.2 billion in investments for the health and social services sector.

- The amount earmarked for construction of new or improvement of existing infrastructure is nearly \$10 billion, including \$1 billion for the gradual construction of seniors' homes.
- The planned investments for replacement of existing infrastructure, including obsolete equipment, total \$5.5 billion.
- Lastly, \$3.2 billion will be invested in the renovation of existing infrastructure.

CHART C.2

### 2019-2029 Québec Infrastructure Plan in the health and social services sector, by type of investment (millions of dollars)



Source: Secrétariat du Conseil du trésor.

TABLE C.5

**Breakdown of the announced health and social services measure**  
(millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
<b>Providing better services to seniors</b>							
Strengthen home care and services	-80	-280	-280	-280	-280	-280	-1 480
Roll out seniors' homes	—	—	—	-74	-245	-245	-564
Add residential beds and spaces	—	-70	-70	-70	-70	-70	-350
Improve informal caregivers' quality of life	—	-21	-21	-21	-21	-21	-105
Increase the personal expense allowance	—	-20	-20	-20	-20	-20	-100
<b>Subtotal</b>	<b>-80</b>	<b>-391</b>	<b>-391</b>	<b>-465</b>	<b>-636</b>	<b>-636</b>	<b>-2 599</b>
<b>Improving direct services to the public</b>							
Reinforce access to frontline services	—	-10	-10	-10	-10	-10	-50
Establish winter clinics	—	-3	-3	-3	-3	-3	-15
Ensure a stronger presence of specialized nurse practitioners within the network	—	-40	-40	-40	-40	-40	-200
Enhance the Support Program for Community Organizations	—	-30	-30	-30	-30	-30	-150
See to succeed <sup>(1)</sup>	—	—	-36	-36	-36	-36	-144
Enhance the National Strategy for the Integration and Maintenance of Handicapped Persons	—	-3	-3	-3	-3	-3	-15
<b>Subtotal</b>	<b>—</b>	<b>-86</b>	<b>-122</b>	<b>-122</b>	<b>-122</b>	<b>-122</b>	<b>-574</b>
<b>Promoting specific initiatives for young people</b>							
Implement early screening for learning disabilities	—	-48	-58	-68	-78	-88	-340
Promote Aire ouverte centres for young people's mental health	—	-20	-20	-20	-20	-20	-100
Improve youth protection	—	-18	-18	-18	-18	-18	-90
Establish a treatment program for oral sequelae	—	-2	-2	-2	-2	-2	-10
<b>Subtotal</b>	<b>—</b>	<b>-88</b>	<b>-98</b>	<b>-108</b>	<b>-118</b>	<b>-128</b>	<b>-540</b>
<b>Adding more caregiving staff</b>							
Improve services	—	-200	-200	-200	-200	-200	-1 000
Train new patient-care attendants	—	-15	-15	-15	-15	-15	-75
<b>Subtotal</b>	<b>—</b>	<b>-215</b>	<b>-215</b>	<b>-215</b>	<b>-215</b>	<b>-215</b>	<b>-1 075</b>
<b>Other measures</b>	<b>-10</b>	<b>-21</b>	<b>-21</b>	<b>-21</b>	<b>-21</b>	<b>-21</b>	<b>-115</b>
<b>TOTAL</b>	<b>-90</b>	<b>-801</b>	<b>-847</b>	<b>-931</b>	<b>-1 112</b>	<b>-1 122</b>	<b>-4 903</b>

(1) The extended coverage will be offered and funded according to needs starting in September 2019.

# Section D

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## SUMMARY

The effects of population aging are increasingly noticeable on Québec's economy.

Over the next few years, the increase in the potential of Québec's economy will largely depend on its ability to take advantage of the current labour pool, attract new skilled workers, particularly in advanced fields, and stimulate investment and business growth. The government intends to act on the three following fronts:

- increase the employment rate of the current labour pool;
- increase the pool of available workers;
- improve productivity and promote business growth.

To increase the potential of Québec's economy, Budget 2019-2020 provides for initiatives totalling nearly \$3.7 billion. These initiatives are in addition to those of the fall 2018 *Update on Québec's Economic and Financial Situation*, which aimed at encouraging business investment, including accelerated depreciation measures.

TABLE D.1

### Financial impact of the initiatives to increase the potential of the economy (millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Increasing labour market participation	—	-269.0	-338.8	-369.3	-376.3	-394.4	-1 747.8
Acting now for business investment and growth	—	-17.7	-27.4	-35.3	-31.9	-17.4	-129.7
Stimulating innovation to create the jobs of tomorrow	-329.6	-57.0	-74.0	-98.1	-95.1	-55.1	-708.9
Boosting regional development	-17.5	-103.0	-164.0	-124.8	-157.8	-148.1	-715.2
Fostering entrepreneurship and participation of young people in the economy	-5.0	-14.6	-14.8	-13.3	-14.6	-12.4	-74.7
Promoting culture	-3.0	-37.5	-53.5	-57.7	-60.0	-83.9	-295.6
Giving ourselves the means to perform better abroad	—	-2.4	-3.5	-4.4	-4.4	-4.4	-19.1
Supporting Québec researchers	-1.5	-1.9	-4.1	-4.1	-4.2	-2.1	-17.9
Ensuring tax fairness	—	-1.5	1.5	4.0	6.0	9.0	19.0
<b>TOTAL</b>	<b>-356.6</b>	<b>-504.6</b>	<b>-678.6</b>	<b>-703.0</b>	<b>-738.3</b>	<b>-708.8</b>	<b>-3 689.9</b>



# 1. INCREASING LABOUR MARKET PARTICIPATION

In 2018, the Québec labour market recorded a historically low unemployment rate of 5.5%.

This decline in the unemployment rate, observed for more than a decade, is expected to continue in the coming years. It is projected to decrease to 5.3% in 2020.

This situation is partly due to the aging population, which reduces the size of the available labour pool. This phenomenon could limit the growth of real GDP in the coming years.

Thus, full use of the potential labour pool will be required to support economic growth throughout Québec.

To increase labour market participation, Budget 2019-2020 provides more than \$1.7 billion in additional assistance over five years to:

- encourage Québec workers to extend their career;
- better integrate immigrants to support economic growth;
- implement the National Strategy for Labour Market Integration and Maintenance of Handicapped Persons;
- meet the specific needs of the labour market.

TABLE D.2

## Financial impact of the measures to increase labour market participation (millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Encouraging Québec workers to extend their career	—	-113.1	-170.0	-197.3	-200.9	-210.7	-892.0
Better integrating immigrants to support economic growth	—	-146.0	-146.0	-146.0	-146.0	-146.0	-730.0
Implementing the National Strategy for Labour Market Integration and Maintenance of Handicapped Persons	—	-6.7	-9.6	-12.8	-16.2	-19.5	-64.8
Meeting the specific needs of the labour market	—	-3.2	-13.2	-13.2	-13.2	-18.2	-61.0
<b>TOTAL</b>	<b>—</b>	<b>-269.0</b>	<b>-338.8</b>	<b>-369.3</b>	<b>-376.3</b>	<b>-394.4</b>	<b>-1 747.8</b>

## 1.1 Encouraging Québec workers to extend their career

The contribution of experienced workers to the labour market is important and their expertise promotes the competitiveness of Québec businesses.

- Québec lags behind as regards employment rate for those aged 60 and over. If Québec's employment rate were to catch up with Ontario's, Québec could benefit from over 89 000 additional workers.

For experienced workers, the decision to remain in the labour market or not may be motivated by financial incentives encouraging them to stay in the workforce.

Moreover, although many experienced workers wish to remain in the labour market, many of them want to slow down or are considering progressive retirement. Others would like to take on different responsibilities within the company, which would require training adapted to their needs.

However, the costs associated with the specific needs of these workers can be a barrier for businesses, particularly SMBs, to keep experienced workers in employment.

To leverage the experience of these workers, Budget 2019-2020 provides \$892 million over five years to:

- bank on career extension for workers aged 60 and over;
- reduce payroll taxes to foster the retention of experienced workers;
- improve public employment services programs to better support experienced workers.

TABLE D.3

**Financial impact of the measures to encourage Québec workers to extend their career**  
(millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Banking on career extension for workers aged 60 and over	—	-104.5	-105.6	-106.6	-107.7	-108.8	-533.2
Reducing payroll taxes to foster the retention of experienced workers	—	-4.6	-60.4	-86.7	-89.2	-97.9	-338.8
Improving public employment services programs to better support experienced workers <sup>(1)</sup>	—	-4.0	-4.0	-4.0	-4.0	-4.0	-20.0
<b>TOTAL</b>	<b>—</b>	<b>-113.1</b>	<b>-170.0</b>	<b>-197.3</b>	<b>-200.9</b>	<b>-210.7</b>	<b>-892.0</b>

(1) The sums required for the Ministère du Travail, de l'Emploi et de la Solidarité sociale will be drawn from the Labour Market Development Fund.

### 1.1.1 Banking on career extension for workers aged 60 and over

Currently, Québec's tax system offers a non-refundable tax credit to experienced workers aged 61 and over to encourage them to remain in the labour market as long as possible.

The government wishes to increase the labour market participation of workers aged 60 and over. To this end, Budget 2019-2020 provides that starting in 2019:

- the age of eligibility for the tax credit will be lowered to include workers aged 60;
- the ceiling on excess work income eligible for the tax credit will be raised to \$10 000 for workers aged 60 to 64 and will remain at \$11 000 for those aged 65 and over.

Thus, thanks to these enhancements, workers aged 60 to 64 will be able to increase their work income up to \$28 226 before paying Québec income tax in 2019.

To better reflect the objective of the measure, this tax credit will be renamed tax credit for career extension.

The total cost of the tax credit enhancement is more than \$104 million per year starting in 2019-2020.

## □ A tax reduction for workers aged 60 to 64

The tax credit ceiling applicable to excess work income will be raised to \$10 000 for workers aged 60 to 64. It remains at \$11 000 for those aged 65 and over.

- The additional tax reduction for workers aged 60 could reach \$1 500.
- The higher ceilings on excess work income will allow workers aged 61 to 64 to benefit from a maximum tax reduction ranging from \$150 to \$1 050.

TABLE D.4

### Parameters of the increase in the ceilings on excess work income based on age – 2019

(dollars)

Age of worker	Amount before increase	Amount after increase	Increase	Maximum tax cut <sup>(1)</sup>
60	—	10 000	10 000	1 500
61	3 000	10 000	7 000	1 050
62	5 000	10 000	5 000	750
63	7 000	10 000	3 000	450
64	9 000	10 000	1 000	150
65 and over	11 000	11 000	—	—

(1) The maximum additional tax cut is calculated by applying the tax credit rate of 15% to the amount of the increase.

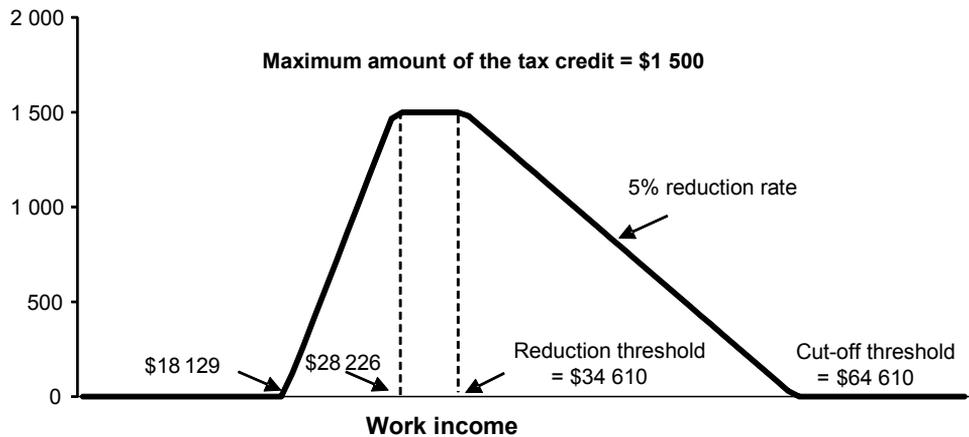
## ❑ Example for a 60-year-old worker

For a 60-year-old whose only income is work income, the enhanced tax credit will raise the income level at which the worker starts paying Québec income tax from \$18 129 to \$28 226.

In order to target lower-income workers, this tax credit is made reducible based on work income starting at \$34 610. As a result, this worker will no longer receive tax assistance if their income exceeds \$64 610.

CHART D.1

### Example of the tax credit for career extension for a worker aged 60 – 2019 (dollars)



## ❑ Enhanced assistance for nearly 158 000 workers

Workers aged 60 will be able to benefit from this tax credit for the first time when they file their 2019 tax return. This enhancement will allow nearly 44 000 new workers to benefit from an average tax assistance of \$955.

Current beneficiaries of the tax credit aged 61 to 64, 114 000 workers, will benefit from an average gain of \$550.

Overall, the enhancement of the tax credit for career extension will benefit nearly 158 000 workers aged 60 to 64. Of these, more than 20 000 workers will no longer have to pay Québec income tax.

## A lower employment rate for those aged 60 and over in Québec

Although employment rates are on the rise, Québec lags behind Ontario and Canada with regard to the employment rate for individuals 60 years of age and older.

- In 2018, the employment rate in Québec for those aged 55 to 59 was higher than that of Ontario and Canada.
- However, the employment rate is lower in Québec for those aged 60 to 64. It was at 48.5% in 2018, 6.3 percentage points lower than Ontario's (or –4.6 percentage points lower than Canada's).
- For those aged 65 and over, the employment rate of 10.3% is also lower in Québec, more than 3 percentage points lower than in Ontario or Canada.

If Québec's employment rates were to catch up with Ontario's, Québec would have 36 900 additional workers aged 60 to 64 and 52 400 workers aged 65 and over, for a total of 89 300 additional workers.

The government therefore intends to take action to increase work incentives for individuals aged 60 and over, or, in other words, the age at which they are more likely to retire.

### Employment rate in Québec, Ontario and Canada – 2018

(per cent)

Age group	Québec	Ontario	Canada
55 to 59	72.2	71.6	71.8
60 to 64	48.5	54.8	53.1
65 and over	10.3	13.7	13.4

Source: Statistics Canada.

## 1.1.2 Reducing payroll taxes to foster the retention of experienced workers

In order to encourage experienced workers to extend their career, businesses may have to adapt their working conditions in order to offer them greater flexibility in terms of the organisation of work and offer training to meet the needs of these workers, among other things.

Granting flexible working conditions may result in additional costs for employers, particularly in terms of working time arrangements. These additional costs are a barrier as regards the efforts to retain experienced workers, particularly for SMBs.

To support SMBs<sup>1</sup> in their efforts to retain experienced workers and encourage their return to work, Budget 2019-2020 provides for the implementation of a measure to reduce payroll taxes.

### **□ A tax relief for 34 000 businesses**

The reduction in payroll taxes will provide more than 34 000 SMBs from all sectors of activity with a significant reduction in Québec payroll contributions related to wages paid to workers aged 60 and over.

— This tax relief will contribute to the retention of 112 000 experienced workers.

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<sup>1</sup> Enterprises whose paid-up capital is less than \$15 million.

## □ Main parameters of the measure

The reduction of payroll taxes to encourage the retention of experienced workers, which will take the form of a refund, will be offered to SMBs of all sectors. It will apply to Québec payroll taxes for workers aged 60 and over.

Eligible businesses will be able to benefit from a tax credit relating to payroll taxes of:

- 50% for workers aged 60 to 64, up to a maximum of \$1 250 per worker;
- 75% for workers aged 65 and over, up to a maximum of \$1 875 per worker.

TABLE D.5

### Main parameters of the reduction of payroll taxes to foster the retention of experienced workers

<b>Eligible employers</b>	Corporations that meet the main conditions for eligibility for the small business deduction
<b>Eligible employees</b>	Employees aged 60 and over subject to Québec payroll taxes
<b>Eligible payroll taxes</b>	Québec contributions <sup>(1)</sup> paid by businesses
<b>Maximum rate of payroll taxes reduction<sup>(2)</sup></b>	50% for workers aged 60 to 64 75% for workers aged 65 and over
<b>Maximum payroll taxes reduction</b>	\$1 250 for workers aged 60 to 64 \$1 875 for workers aged 65 and over

(1) Contributions to the Health Services Fund, the Québec Pension Plan, the Québec Parental Insurance Plan and the Commission des normes, de l'équité, de la santé et de la sécurité du travail.

(2) The rate will be reduced linearly for a total payroll between \$1 million and the threshold for the reduced rates of employer contribution to the Health Services Fund.

### Illustration of the impact of payroll taxes reduction to foster the retention of experienced workers

The following example illustrates the case of an eligible retail SMB whose employees include a 65-year-old worker earning \$42 500 per year on a full-time basis. This employee reduces their work offer and their compensation decreases accordingly, to \$15 000.

To compensate for the decrease in labour supply, the SMB hires a 60-year-old part-time worker with an annual salary of \$27 500.

For these two workers, the business must pay \$3 796 in Québec payroll taxes, which equates to 8.9% of the paid salaries.

The reduction in payroll taxes to foster the retention of experienced workers will reduce the SMB's payroll taxes' expenses by \$2 212, or:

- \$962 for the 65-year-old worker, a 75.0% reduction;
- \$1 250 for the 60-year-old worker, a 49.7% reduction.

#### Illustration of the impact of payroll taxes reduction to foster the retention of experienced workers

(in dollars, unless otherwise indicated)

Targeted worker	Annual salary	Payroll taxes <sup>(1)</sup>	Payroll taxes reduction	
			Amount	In %
Worker aged 65	15 000	1 283	962	75.0
Worker aged 60	27 500	2 513	1 250	49.7 <sup>(2)</sup>
<b>Total</b>	<b>42 500</b>	<b>3 796</b>	<b>2 212</b>	<b>58.3</b>

(1) Employer's payroll taxes eligible for the reduction, namely contributions to the Health Services Fund, the Québec Pension Plan, the Québec Parental Insurance Plan and the Commission des normes, de l'équité, de la santé et de la sécurité du travail.

(2) Due to the maximum reduction of \$1 250, the effective reduction rate is less than 50%.

### 1.1.3 Improving public employment services programs to better support experienced workers

Québec has an increasing number of workers aged 55 and over who have special needs either to fill a position or to extend their career.

In order to adapt the offering of public employment services, Budget 2019-2020 provides an additional \$20 million over five years to retain and attract more experienced workers to the labour market.

This sum will make it possible, in particular, to adapt the organisation of work within businesses, promote in-company training, facilitate the transfer of skills and support experienced workers looking for a job.

## 1.2 Better integrating immigrants to support economic growth

Immigration contributes significantly to supporting Québec's economic growth, particularly in a context of labour shortage where an increase in the size of the pool of available workers is necessary to meet the needs of businesses.

Québec faces challenges as regards the integration of immigrants, in particular overqualification and a high unemployment rate among newcomers.

Budget 2019-2020 provides additional funds totalling \$730 million over five years to promote better integration of immigrants into communities and the labour market and contribute to their retention throughout Québec.

These sums will be used to implement a new personalized pathway to support immigrants throughout their integration into Québec society, particularly in the labour market.

TABLE D.6

### Financial impact of the measures to better integrate immigrants to support economic growth (millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Better integrating immigrants to support economic growth <sup>(1)</sup>	—	-146.0	-146.0	-146.0	-146.0	-146.0	-730.0

(1) Appropriations will be granted to the Ministère de l'Immigration, de la Diversité et de l'Inclusion.

### □ New immigration pathway for a successful integration

Québec society is responsible for providing services that promote the full participation of immigrants in its economic prosperity and socio-cultural development.

This service offer facilitates the steps taken by immigrants, which allows them to better integrate into Québec society.

In this context, the Ministère de l'Immigration, de la Diversité et de l'Inclusion plans to implement a personalized immigration pathway as well as an expanded offering of francization and integration services.

This personalized pathway will include an analysis of the needs of immigrants in order to direct them to the available resources.

The new immigration pathway will change government approaches to immigration planning, as well as to immigrant prospection, attraction, international recruitment, selection, francization and integration.

For example, this new pathway will:<sup>2</sup>

- expand access to several integration and francization programs to all immigrants, including temporary foreign workers;
- support communities, which play a key role in the integration of immigrants;
- assist businesses in recruiting and retaining temporary foreign workers by improving the government's regional service offer.

These initiatives will thus make it possible to offer support to immigrant workers that is better adapted to their skills and better suited to the needs of the Québec labour market. They will also benefit all immigrants, including temporary foreign workers and their spouses, as well as permanent residents who have been living in Québec for several years.

In addition, the Ministère de l'Immigration, de la Diversité et de l'Inclusion intends to better monitor and evaluate the pathways of immigrants in order to adapt its service offer according to the evolving needs of immigrants and businesses.

In addition to facilitating the integration of immigrants into Québec society, this new pathway will allow a better match between the skills sought by employers and those offered by immigrants.

Details on the new pathway will be presented at a later date by the Minister of Immigration, Diversity and Inclusion.

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<sup>2</sup> The new pathway will be implemented subject to the adoption of the bill *An Act to increase Québec's socio-economic prosperity and adequately meet labour market needs through successful immigrant integration*.

### 1.3 Implementing the National Strategy for Labour Market Integration and Maintenance of Handicapped Persons

Budget 2019-2020 provides an additional \$64.8 million over five years for the 2019-2024 National Strategy for Labour Market Integration and Maintenance of Handicapped Persons.

The Strategy will encourage the participation in the labour market of persons with disabilities who have the capacity to do so, in addition to promoting their social integration.

The amounts allocated for the Strategy will make it possible mainly to finance the Subsidy Program for Adapted Enterprises and the Employment Integration Contract Measure.

TABLE D.7

#### Financial impact of the measures to integrate and retain handicapped persons

(millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Adding positions to the Subsidy Program for Adapted Enterprises and other actions	—	-4.2	-6.9	-9.8	-12.9	-15.9	-49.7
Increasing the number of participants in the Employment Integration Contract Measure	—	-2.5	-2.7	-3.0	-3.3	-3.6	-15.1
<b>TOTAL</b>	<b>—</b>	<b>-6.7</b>	<b>-9.6</b>	<b>-12.8</b>	<b>-16.2</b>	<b>-19.5</b>	<b>-64.8</b>

Note: The required amounts from the Ministère du Travail, de l'Emploi et de la Solidarité sociale will be drawn from the Labour Market Development Fund.

#### 1.3.1 Adding positions to the Subsidy Program for Adapted Enterprises and other actions

The Subsidy Program for Adapted Enterprises aims to provide employment for persons with disabilities in an adapted business. The program provides a subsidy in the form of a contribution from Emploi-Québec to cover a portion of the salary and related expenses incurred by adapted businesses.

Adapted businesses are non-profit organizations or cooperatives that produce goods or services and employ, in a proportion of at least 60% of their workforce, persons with disabilities who cannot work in a standard environment.

The Strategy will include the addition of 400 positions to the Subsidy Program for Adapted Enterprises. Other actions will also be taken to promote the integration and retention of people with disabilities.

In total, the addition of positions to the Subsidy Program for Adapted Enterprises and the funding of other actions to integrate and retain people with disabilities represent an additional cost of \$49.7 million over five years.

### 1.3.2 Increasing the number of participants in the Employment Integration Contract Measure

The Employment Integration Contract Measure is a program offered by Emploi-Québec that promotes access to the labour market for handicapped persons. Through this program, employers are reimbursed for certain expenses necessary for the integration or retention of handicapped persons. Most businesses, public or private, are eligible for this measure.

The Strategy will add 500 regular participants to this program, which represents an additional cost of \$15.1 million over five years.

### 1.4 Meeting the specific needs of the labour market

The labour market's specific needs require targeted government actions. Thus, Budget 2019-2020 provides \$61 million over five years to:

- improve the short-term training program favouring internships for occupations prioritized by the Commission des partenaires du marché du travail (CPMT);
- recognize new indemnities for the purposes of the tax credit for the reporting of tips.

TABLE D.8

#### Financial impact of the measures to meet the specific needs of the labour market

(millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Improving the short-term training program favouring internships for occupations prioritized by the CPMT <sup>(1)</sup>	—	—	-10.0	-10.0	-10.0	-15.0	-45.0
Recognizing new indemnities for the purposes of the tax credit for the reporting of tips	—	-3.2	-3.2	-3.2	-3.2	-3.2	-16.0
<b>TOTAL</b>	<b>—</b>	<b>-3.2</b>	<b>-13.2</b>	<b>-13.2</b>	<b>-13.2</b>	<b>-18.2</b>	<b>-61.0</b>

(1) Appropriations will be granted to the Ministère du Travail, de l'Emploi et de la Solidarité sociale.

### **1.4.1 Improving the short-term training program favouring internships for occupations prioritized by the CPMT**

The short-term training program favouring internships for occupations prioritized by the CPMT provides grants to targeted businesses and promoters to enable employees to participate in vocational or technical training recognized by the Ministère de l'Éducation et de l'Enseignement supérieur.

The objective of this program is to offer training that meets the needs of businesses in order to promote the mobility and advancement of their employees within the company.

In response to growing demand from businesses wishing to benefit from the program, Budget 2019-2020 provides \$45 million over four years, increasing the available envelope from \$30 million to \$75 million for the period 2019-2020 to 2023-2024.

### **1.4.2 Recognizing new indemnities for the purposes of the tax credit for the reporting of tips**

The restaurant and hotel sector is currently confronted with a significant labour shortage. To help employers in this sector offer more advantageous working conditions, the government intends to improve the tax credit for the reporting of tips.

— The main purpose of the tax credit for the reporting of tips is to compensate employers in the restaurant and hotel sector for the additional charges and indemnities they have to incur as a result of declared or allocated tips.

To that end, indemnities attributable to tips paid by employers for absences due to family obligations or health reasons will be added to the expenses eligible for the tax credit for the reporting of tips.

Thus, this compensation for the additional costs that employers must incur will make it possible to offer more attractive benefits to workers in the industry.

— Additional support of \$3.2 million per year will be provided to businesses starting in 2019-2020.

## 2. ACTING NOW FOR BUSINESS INVESTMENT AND GROWTH

The development of Québec's economic potential depends on the ability of Québec businesses to invest in their growth.

To support business investment and growth, Budget 2019-2020 provides initiatives totalling nearly \$130 million to:

- support economic development more effectively;
- reduce approval times for investment projects.

These initiatives are in addition to the actions already taken as part of the fall 2018 *Update on Québec's Economic and Financial Situation*.

TABLE D.9

### Financial impact of the measures aimed at acting now for business investment and growth (millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Supporting economic development more effectively	—	-11.0	-19.0	-27.9	-25.5	-12.0	-95.4
Reducing approval times for investment projects	—	-6.7	-8.4	-7.4	-6.4	-5.4	-34.3
<b>TOTAL</b>	<b>—</b>	<b>-17.7</b>	<b>-27.4</b>	<b>-35.3</b>	<b>-31.9</b>	<b>-17.4</b>	<b>-129.7</b>

## 2.1 Supporting economic development more effectively

To achieve its objectives related to business investment, attracting foreign investment, innovation and exports, the government is revising its current economic development intervention model to:

- facilitate the steps taken by Québec businesses to carry out their investment projects;
- support business growth and promote the retention of corporate ownership in Québec;
- contribute more to increased productivity through innovation and the digital transition;
- boost foreign investment prospecting as well as exports.

Budget 2019-2020 provides \$95 million over five years to improve government intervention in economic development, by:

- enhancing Investissement Québec's capitalization from \$4 billion to \$5 billion;
- providing a \$1-billion envelope for the growth of Québec businesses and the retention of head offices;
- enhancing the Exportation program;
- increasing economic resources for Québec offices in Canada;
- supporting investment by SMBs in more sectors;
- enhancing the Audit industrie 4.0 program;
- developing the Réseau des centres d'expertise industrielle 4.0;
- increasing the investment envelope for shipyards;
- expanding the scope of the Mining and Hydrocarbon Capital Fund.

In addition to these interventions, the government will review Investissement Québec's role and will provide it with the tools it needs to carry out its mission.

- Details on the review of Investissement Québec's role will be made public in the near future by the Minister of Economy and Innovation.

TABLE D.10

**Financial impact of the measures aimed at supporting economic development more effectively**  
(millions of dollars)

	2018- 2019	2019- 2020 <sup>(1)</sup>	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Enhancing Investissement Québec's capitalization from \$4 billion to \$5 billion <sup>(2)</sup>	—	—	—	—	—	—	—
Providing a \$1-billion envelope for the growth of Québec businesses and the retention of head offices <sup>(3)</sup>	—	—	—	—	—	—	—
Enhancing the Exportation program <sup>(4)</sup>	—	-7.0	-7.0	-7.0	-7.0	-7.0	-35.0
Increasing economic resources for Québec offices in Canada <sup>(4)</sup>	—	-1.5	-1.5	-1.5	-1.5	-1.5	-7.5
Supporting investment by SMBs in more sectors <sup>(4)</sup>	—	—	-7.0	-15.9	-13.5	—	-36.4
Enhancing the Audit industrie 4.0 program <sup>(4)</sup>	—	-1.5	-2.5	-2.5	-2.5	-2.5	-11.5
Developing the Réseau des centres d'expertise industrielle 4.0 <sup>(4)</sup>	—	-1.0	-1.0	-1.0	-1.0	-1.0	-5.0
Increasing the investment envelope for shipyards <sup>(3)</sup>	—	—	—	—	—	—	—
Expanding the scope of the Mining and Hydrocarbon Capital Fund	—	—	—	—	—	—	—
<b>TOTAL</b>	<b>—</b>	<b>-11.0</b>	<b>-19.0</b>	<b>-27.9</b>	<b>-25.5</b>	<b>-12.0</b>	<b>-95.4</b>

(1) The amounts for 2019-2020 will be drawn from the Contingency Fund.

(2) Investissement Québec's capitalization will be enhanced through a subscription by the Minister of Finance to its capital stock.

(3) The necessary amounts will be made available through an advance from the Minister of Finance to the Economic Development Fund.

(4) Appropriations will be granted to the Ministère de l'Économie et de l'Innovation.

### 2.1.1 Enhancing Investissement Québec's capitalization from \$4 billion to \$5 billion

Investissement Québec's operations are financed with its own equity as well as available amounts from the Economic Development Fund and the Mining and Hydrocarbon Capital Fund.

To increase the amounts made available to Investissement Québec, Budget 2019-2020 provides for a \$1 billion increase in its capital stock, bringing it from \$4 billion to \$5 billion. This enhancement will allow Investissement Québec to use its own equity to increase its transactions with businesses, particularly loans and equity participation.

## **2.1.2 Providing a \$1-billion envelope for the growth of Québec businesses and the retention of head offices**

The government is committed to taking action to better support business growth and ensure the protection of head offices.

To that end, Budget 2019-2020 provides for:

- the implementation of a \$1-billion envelope to assist with the development of strategic businesses in Québec;
- the constitution of a team whose mandate will be to develop business intelligence in the field of head office protection.

Details on these initiatives will be announced at a later date by the Minister of Economy and Innovation.

## **2.1.3 Enhancing the Exportation program**

The Exportation program aims at preparing Québec businesses to export and supports them in the development and diversification of their markets.

This program contributes to the hiring of specialists in foreign market development and to the financing of studies and promotional tools.

In order to increase the number of Québec exporting businesses and support the diversification and consolidation of export markets, Budget 2019-2020 provides \$35 million over five years to enhance the Exportation program.

Adjustments will also be made to the program's normative framework to meet certain needs targeted by Québec businesses.

## **2.1.4 Increasing economic resources for Québec offices in Canada**

Canadian markets represent an important opportunity for Québec businesses to develop and diversify their markets.

To further exploit this potential, Budget 2019-2020 provides \$7.5 million over five years to improve the services offered by Québec offices in Canada, which will support Québec businesses seeking to develop their operations in other Canadian provinces.

These funds will contribute to the opening of a Québec office in Vancouver and a satellite office in Calgary, as well as the addition of resources in the Toronto and Moncton offices.

### **2.1.5 Supporting investment by SMBs in more sectors**

The ESSOR program supports businesses in the manufacturing and propulsive tertiary sectors for capital and equipment financing to increase their productivity or production. The investments made aim, in particular, at facilitating the technological, digital and green transition of SMBs in these sectors.

In order to extend the ESSOR program to businesses in a larger number of sectors of activity and enable it to carry out more interventions, Budget 2019-2020 provides additional appropriations of \$36.4 million.

### **2.1.6 Enhancing the Audit industrie 4.0 program**

Industry 4.0 is the interconnection of equipment and systems, combined with the use of the Internet and data collection.

Digital audits measure the digital maturity of a business and support the development of a digital transformation plan that takes into account strategic and operational challenges.

Budget 2019-2020 provides \$11.5 million over five years to enhance the current Audit industrie 4.0 program for businesses in the manufacturing sector, and to expand it to benefit businesses in other sectors.

### **2.1.7 Developing the Réseau des centres d'expertise industrielle 4.0**

The Réseau des centres d'expertise industrielle 4.0 will offer demonstration services of digital solutions to help manufacturing businesses integrate them.

Budget 2019-2020 provides \$5 million over five years, in particular to hire personnel who will advise and support manufacturing businesses in four industrial expertise centres 4.0 located in Montréal, Longueuil, Drummondville and Québec City.

This initiative will be implemented by the Ministère de l'Économie et de l'Innovation in collaboration with Investissement Québec and the Centre de recherche industrielle du Québec.

## 2.1.8 Increasing the investment envelope for shipyards

The government wishes to offer Québec shipyards the opportunity to carry out their projects within a more flexible and accessible financing structure, thus allowing them to free up funds to modernize their equipment and boost their productivity.

To that end, Budget 2019-2020 provides a \$200-million envelope for equity participation in Québec shipyards' projects.

The envelope is made available for the years 2019-2020 and 2020-2021. It is open to all Québec shipyards.

Selected projects must generate economic spinoffs in Québec, demonstrate their profitability and offer satisfactory return prospects for the government.

## 2.1.9 Expanding the scope of the Mining and Hydrocarbon Capital Fund

The Mining and Hydrocarbon Capital Fund, which invests in mining and hydrocarbon businesses located in Québec through equity participation, has a capitalization of \$1 billion.

In order to support the exploitation and processing of all natural resources, Budget 2019-2020 will extend the Mining and Hydrocarbon Capital Fund's scope to projects related to all natural resources and energy development. In this context, the fund will be renamed the Natural Resources and Energy Capital Fund.

Particularly, the changes to the fund will support projects in the mining, forestry, green energy and energy transition sectors. The fund's mode of intervention will continue to take the form of equity participation with expected returns.

## 2.2 Accelerated depreciation measures to encourage investment

The competitiveness of the business tax system is crucial to supporting the growth of Québec's economy.

As part of the fall 2018 *Update on Québec's Economic and Financial Situation*, the government took measures representing more than \$1.6 billion to make the tax system more favourable to economic growth.

## ❑ Additional business investment of more than \$6 billion by 2024

Québec businesses can now benefit from significant tax measures aimed at stimulating their investments, including:

- an increase to 100% in the depreciation rate and the implementation of a new permanent additional capital cost allowance of 30% in respect of computer hardware, manufacturing and processing equipment, clean energy generation equipment and intellectual property;
- the introduction of enhanced depreciation allowing businesses to deduct up to three times the usual accelerated capital cost allowance in the year of acquisition in respect of all other types of investment.

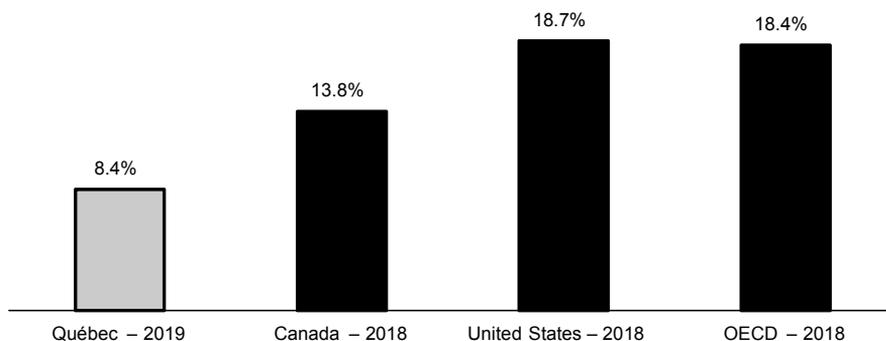
On an annual basis, 90 000 businesses in Québec will benefit from these new initiatives, which will further raise business investment by more than \$6 billion by 2024.

### One of the industrialized countries' most competitive tax rate on investment

With the tax measures announced in fall 2018 by the Québec government, Québec's marginal effective tax rate (METR) on investment will average 8.4% in 2019.

Québec's METR thus compares favourably with the rates of its Canadian and international trading partners, which averaged 13.8% in Canada, 18.7% in the United States and 18.4% in OECD countries in 2018.

#### Comparison of the METR in Québec and that of selected territories



## ☐ More competitive tax and contribution rates for the Health Services Fund

The accelerated depreciation measures are in addition to reductions in corporate income tax rates and employer contribution rates to the Health Services Fund (HSF).

Indeed, the Québec tax system will have:

- the lowest general corporate tax rate in Canada by 2020, at 11.5%;
- a tax rate for SMBs of all sectors of 4.0% starting in 2021, which will bring it closer to the Ontario rate of 3.5%;
- a total payroll threshold for the reduced HSF contribution rates of \$7 million in 2022, which will extend access to the reduced rates to more SMBs.

### 2.3 Reducing approval times for investment projects

In order to protect the environment, the implementation of certain investment projects is subject to government approval so that environmental rules are respected.

However, lengthy approval times can hinder the completion of investments. The environmental impact assessment of these projects must continue to be carried out rigorously, but in a timelier manner.

To reduce approval times, the government is providing \$34.3 million over five years.

TABLE D.11

#### Financial impact of the measures to reduce approval times for investment projects (millions of dollars)

	2018- 2019	2019- 2020 <sup>(1)</sup>	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Reducing the processing time for environmental authorization files <sup>(2)</sup>	—	-5.0	-5.0	-4.0	-3.0	-2.0	-19.0
Increasing resources allocated to the assessment of investment projects' impacts on wildlife and wildlife habitats <sup>(3)</sup>	—	-1.7	-3.4	-3.4	-3.4	-3.4	-15.3
<b>TOTAL</b>	<b>—</b>	<b>-6.7</b>	<b>-8.4</b>	<b>-7.4</b>	<b>-6.4</b>	<b>-5.4</b>	<b>-34.3</b>

(1) The amounts for 2019-2020 will be drawn from the Contingency Fund.

(2) Appropriations will be granted to the Ministère de l'Environnement et de la Lutte contre les changements climatiques.

(3) Appropriations will be granted to the Ministère des Forêts, de la Faune et des Parcs.

### **2.3.1 Reducing the processing time for environmental authorization files**

The government wishes to facilitate the procedures for applicants of environmental authorizations. The long delays in obtaining these authorizations are an obstacle for Québec's economic development.

Thus, in order to ensure the diligent processing of these requests and to better support project promoters, while respecting environmental requirements, Budget 2019-2020 provides \$19 million over five years for additional staff.

### **2.3.2 Increasing resources allocated to the assessment of investment projects' impacts on wildlife and wildlife habitats**

The Ministère des Forêts, de la Faune et des Parcs provides scientific advice on impacts on wildlife and wildlife habitats as part of environmental assessments for investment projects.

To meet the government's commitments to reduce analysis times, additional staff, especially in the regions, is required at the Ministère des Forêts, de la Faune et des Parcs.

Budget 2019-2020 provides \$15.3 million over five years to speed up the analysis of the impacts on wildlife habitats associated with major investment projects.



### 3. STIMULATING INNOVATION TO CREATE THE JOBS OF TOMORROW

In order to boost innovation and develop an economy supported by high value-added and well-paying jobs, it is necessary to support the activities of the best Québec research centres, improve access to specialized research infrastructures and develop a skilled workforce in emerging sectors such as artificial intelligence.

Budget 2019-2020 provides nearly \$709 million to boost innovation and create the jobs of tomorrow. This amount will be used to:

- invest in innovative projects;
- speed up the adoption of artificial intelligence.

TABLE D.12

**Financial impact of the measures aimed at stimulating innovation to create the jobs of tomorrow**  
(millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Investing in innovative projects	-229.6	-20.0	-30.0	-40.0	-50.0	-10.0	-379.6
Speeding up the adoption of artificial intelligence	-100.0	-37.0	-44.0	-58.1	-45.1	-45.1	-329.3
<b>TOTAL</b>	<b>-329.6</b>	<b>-57.0</b>	<b>-74.0</b>	<b>-98.1</b>	<b>-95.1</b>	<b>-55.1</b>	<b>-708.9</b>

### 3.1 Investing in innovative projects

The implementation of the best innovative projects can transform our economy.

To that end, Budget 2019-2020 provides nearly \$380 million to foster innovation. More specifically, this amount will make it possible to:

- develop strategic sites for innovative businesses;
- enhance the Programme Innovation Bois;
- increase genomics research;
- support the Quebec consortium for industrial bioprocess research and innovation.

TABLE D.13

#### Financial impact of the measures to invest in innovating projects (millions of dollars)

	2018- 2019 <sup>(1)</sup>	2019- 2020 <sup>(2)</sup>	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Developing strategic sites for innovative businesses <sup>(3)</sup>	-220.0	-10.0	-20.0	-30.0	-40.0	—	-320.0
Enhancing the Programme Innovation Bois <sup>(4)</sup>	—	-10.0	-10.0	-10.0	-10.0	-10.0	-50.0
Increasing genomics research <sup>(3)</sup>	-7.5	—	—	—	—	—	-7.5
Supporting the Quebec consortium for industrial bioprocess research and innovation <sup>(5)</sup>	-2.1	—	—	—	—	—	-2.1
<b>TOTAL</b>	<b>-229.6</b>	<b>-20.0</b>	<b>-30.0</b>	<b>-40.0</b>	<b>-50.0</b>	<b>-10.0</b>	<b>-379.6</b>

(1) The amounts for 2018-2019 will be drawn from the sums that become available during the course of the fiscal year.

(2) The amounts for 2019-2020 will be drawn from the Contingency Fund.

(3) Appropriations will be granted to the Ministère de l'Économie et de l'Innovation.

(4) Appropriations will be granted to the Ministère des Forêts, de la Faune et des Parcs.

(5) Appropriations will be granted to the Ministère des Transports.

### 3.1.1 Developing strategic sites for innovative businesses

In certain municipalities of Québec, land with high development potential remains underdeveloped because of the significant work required to upgrade it.

In this regard, Budget 2019-2020 provides \$320 million, which will be dedicated in particular to the decontamination of land, the construction of public infrastructure and the acquisition and development of strategically-located land with demonstrated economic development potential in various municipalities, namely:

- \$100 million for eastern Montréal, which is a first step;
- \$50 million for Québec City;
- \$70 million for Gatineau, Laval, Longueuil, Lévis, Sherbrooke, Trois-Rivières and Saguenay;
- \$100 million for future projects.

The government is committed to bringing together research, innovation and entrepreneurship activities in a single appealing environment. By creating appealing spaces for innovative businesses and citizens, the development of land identified by certain municipalities will help promoting the most promising innovative projects.

Details on this initiative will be announced at a later date by the Minister of Economy and Innovation.

### 3.1.2 Enhancing the Programme Innovation Bois

The objective of the Programme Innovation Bois is to encourage investment by businesses and research centres so as to support the creation of innovative products and processes in the forestry sector.

To support innovation in the forest products industry, Budget 2019-2020 provides a \$50-million increase over five years to the Programme Innovation Bois, increasing the program's envelope from \$45 million to \$95 million for the period 2019-2020 to 2023-2024.

The government's contribution thus acts as an important lever to generate strategic investments from other partners.

This enhancement will also allow businesses in the forest products industry to create linkages with non-traditional partners, for example in the fields of metallurgy, plastics and life sciences, so as to accelerate research and development, the commercialization of new products and the modernization of this industry.

### **3.1.3 Increasing genomics research**

Génome Québec is helping speed up the discovery of new applications for genomics in strategic fields such as health, agri-food, forestry and the environment. In particular, Génome Québec's activities maximize the socio-economic spinoffs of these applications in Québec by funding major research initiatives thanks to the contribution of governments and private partners.

An amount of \$7.5 million will be made available in 2018-2019 to support Génome Québec's operations, the funding of research platforms and the joint financing of genomics research activities.

### **3.1.4 Supporting the Quebec consortium for industrial bioprocess research and innovation**

The marine biotechnology sector offers interesting opportunities for several industrial sectors in Québec. These technologies are used in particular in developing pharmaceutical and cosmetic products as well as in animal health.

To support the development of marine biotechnologies in Québec, \$2.1 million will be made available in 2018-2019 to fund the Quebec consortium for industrial bioprocess research and innovation (CRIBIQ). This sum will make it possible to contribute to the innovative projects of businesses using marine biotechnologies.

### 3.2 Speeding up the adoption of artificial intelligence

Québec is a world leader in research on artificial intelligence. By promoting the development of artificial intelligence, the government is enabling businesses to adopt new technologies and become more competitive on global markets.

Because there are many breakthroughs in this promising field, Québec must ensure that it has world-class equipment and that it can make this equipment more accessible. In addition, Québec must have a qualified workforce capable of meeting the needs of businesses wishing to adopt solutions based on artificial intelligence.

To that end, the government is providing more than \$329 million to speed up the adoption of artificial intelligence.

TABLE D.14

#### Financial impact of the measures to speed up the adoption of artificial intelligence (millions of dollars)

	2018- 2019 <sup>(1)</sup>	2019- 2020 <sup>(2)</sup>	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Expanding the training offer in artificial intelligence	—	-2.5	-2.5	-2.5	-2.5	-2.5	-12.5
Attracting researchers in artificial intelligence to Québec	—	-7.0	-7.0	-8.0	-8.0	-8.0	-38.0
Encouraging businesses to use artificial intelligence	—	-6.5	-13.5	-15.0	-15.0	-15.0	-65.0
Increasing Québec's computational power <sup>(3)</sup>	—	-6.0	-6.0	-17.5	-2.5	-2.5	-34.5
Supporting technologies that support artificial intelligence <sup>(4)</sup>	—	-15.0	-15.0	-15.1	-17.1	-17.1	-79.3
Supporting research activities in artificial intelligence	-100.0	—	—	—	—	—	-100.0
<b>TOTAL</b>	<b>-100.0</b>	<b>-37.0</b>	<b>-44.0</b>	<b>-58.1</b>	<b>-45.1</b>	<b>-45.1</b>	<b>-329.3</b>

Note: Appropriations will be granted to the Ministère de l'Économie et de l'Innovation.

(1) The amounts for 2018-2019 will be drawn from the sums that become available during the course of the fiscal year.

(2) The amounts for 2019-2020 will be drawn from the Contingency Fund.

(3) Additional investments of \$20 million are provided for in the 2019-2029 Québec Infrastructure Plan.

(4) Additional investments of \$48.5 million are provided for in the 2019-2029 Québec Infrastructure Plan.

### **3.2.1 Expanding the training offer in artificial intelligence**

Businesses must have access to a skilled workforce to be able to assimilate new technologies related to artificial intelligence. In this context, the government is providing \$12.5 million over five years to expand training opportunities for students at all levels and workers in this field.

This funding will be used in particular to develop specialized courses and training in artificial intelligence. Financial assistance will be provided to organizations capable of meeting the needs of educational institutions and businesses and supporting trainers throughout the territory.

### **3.2.2 Attracting researchers in artificial intelligence to Québec**

The strength of Québec's artificial intelligence research network helps attract the best researchers in the world and allows for unique advances. Since international competition is becoming organized, it is necessary to pursue efforts to increase Québec's attractiveness for researchers in the field of artificial intelligence.

Budget 2019-2020 provides \$38 million over five years to consolidate Québec's position as a world leader in the field of artificial intelligence on an international scale.

This funding will help attract artificial intelligence researchers to Québec universities and support doctoral and post-doctoral training offered by research centres.

### **3.2.3 Encouraging businesses to use artificial intelligence**

Past government investments have contributed to positioning Québec as a leader in artificial intelligence research.

Budget 2019-2020 provides \$65 million over five years to facilitate the integration of artificial intelligence in businesses, as well as in public organizations.

This funding will make it possible, in particular, to:

- support the upgrading of knowledge and skills of instructors and consultants;
- support businesses which design applications based on artificial intelligence;
- increase the integration of artificial intelligence applications in businesses.

### 3.2.4 Increasing Québec's computational power

The development of artificial intelligence is based in part on the ability to compute and process a massive amount of data. In Québec, the growth of research and development activities in artificial intelligence is putting such pressure on computing infrastructures that a capacity deficit has been observed.

Thus, Budget 2019-2020 provides \$34.5 million over five years to increase Québec's computational power and facilitate its access and use by Québec researchers and businesses.

This funding will make it possible, in particular, to:

- provide premises with the necessary equipment to house high-performance calculators;
- match potential federal government funds for the acquisition of equipment;
- have the necessary resources to use these new infrastructures.

### 3.2.5 Supporting technologies that support artificial intelligence

Advanced technologies have been developed in Québec, particularly in the fields of electronic design, photonic solutions and semiconductors to support the development of artificial intelligence.

To support their development, it is important that Québec has a critical mass of world class researchers and equipment. In this context, Budget 2019-2020 provides \$79.3 million over the next five years to:

- fund research chairs affiliated with the Université de Sherbrooke that will help attract the world's best researchers and promote applied research;
- provide public research centres and businesses with access to world-class infrastructure, such as a quantum computer and equipment for manufacturing electronic and photonic components;
- provide Québec with a micro-nanotechnology device design and manufacturing department that, by hiring specialized engineers and researchers, will support Québec educational institutions and businesses, giving them privileged access to complex software and manufacturing processes for designing prototypes;
- contribute to the development of emerging businesses, among other things, by supporting specialized incubators and accelerators.

### 3.2.6 Supporting research activities in artificial intelligence

Research and development is the key to success in the field of artificial intelligence. In this regard, Budget 2019-2020 provides \$100 million to support four major initiatives in this area, namely:

- IVADO LABS;
- SCALE.AI;
- Montréal Institute for Learning Algorithms (MILA);
- PROMPT-QUÉBEC.

#### **IVADO LABS**

IVADO LABS is a leader in the development of artificial intelligence solutions. Its collaborative approach allows the transfer of expertise to businesses to facilitate their technological transition.

Budget 2019-2020 provides \$35 million for projects carried out in Québec by businesses of all industrial sectors using artificial intelligence applications. These projects should enable businesses to accelerate their digital transformation.

The government will promote the implementation of artificial intelligence solutions in businesses by assuming a share of the required funding.

#### **SCALE.AI**

SCALE.AI, the artificial intelligence supercluster, aims among other things at building next-generation supply chains. SCALE.AI is a business stakeholder group whose objective is to accelerate the adoption of technologies powered by artificial intelligence.

An amount of \$15 million will be made available in 2018-2019 for industrial projects in Québec to optimize supply chains through artificial intelligence, in order to develop collaborative relationships between developers and end users.

**□ MILA**

MILA is a research centre specializing in artificial intelligence that brings together, in particular, artificial intelligence resources from the Université de Montréal and McGill University. It is recognized worldwide for its breakthroughs in many fields, including language modelling, machine translation and object recognition.

To support MILA's growth, Budget 2019-2020 provides \$32.5 million to enhance its operations and develop the artificial intelligence cluster in Québec. In particular, the funding will make it possible to:

- train the next generation of workers in the field of artificial intelligence;
- establish research partnerships aimed, among other things, at supporting the adoption of artificial intelligence by Québec SMBs;
- create and incubate businesses in the field of artificial intelligence.

**□ PROMPT-QUÉBEC**

PROMPT-QUÉBEC is an industrial research sector group that creates front-line networks between businesses, universities, research centres and college centres for technology transfer. It accelerates the innovation process of Québec businesses through the joint financing of research projects in partnership with other businesses, mainly in the field of information and communications technologies.

An amount of \$17.5 million will be made available in 2018-2019 to support collaborative projects in the field of artificial intelligence carried out by businesses supported by PROMPT-QUÉBEC.



## 4. BOOSTING REGIONAL DEVELOPMENT

Québec's economic growth requires the active participation of the regions. In this regard, the government intends to put in place specific levers that will boost their development.

Budget 2019-2020 provides more than \$715 million dollars to:

- enhance the tax holiday for large investment projects in the regions;
- improve regional infrastructure;
- stimulate tourism in Québec;
- support the development of the bio-food sector.

TABLE D.15

### Financial impact of the measures to boost regional development (millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Enhancing the tax holiday for large investment projects in the regions <sup>(1)</sup>	—	—	—	—	—	—	—
Improving regional infrastructure	-17.5	-47.4	-88.0	-62.2	-95.0	-85.0	-395.1
Stimulating tourism in Québec	—	-1.6	-7.0	-8.6	-8.8	-9.1	-35.1
Supporting the development of the bio-food sector	—	-54.0	-69.0	-54.0	-54.0	-54.0	-285.0
<b>TOTAL</b>	<b>-17.5</b>	<b>-103.0</b>	<b>-164.0</b>	<b>-124.8</b>	<b>-157.8</b>	<b>-148.1</b>	<b>-715.2</b>

(1) Due to the 60-month period during which businesses can carry out their investment projects, the financial impact of this measure will be felt beyond the period 2023-2024.

## 4.1 **Enhancing the tax holiday for large investment projects in the regions**

The regions' prosperity depends in large part on the vitality of their economy.

Budget 2019-2020 provides for the enhancement of the tax holiday for large investment projects to support businesses in carrying out major projects in the regions.

Thus, the investment threshold for qualification purposes of an investment project carried out in a region will be reduced from \$75 million to \$50 million.

— This measure will increase support for investment projects in the regions while promoting the expansion of Québec businesses established there.

### **☐ Supporting the realization of \$800 million in investment in the regions**

This initiative will support projects expected to total \$800 million over the next few years.

Annually, the implementation of these projects should:

- contribute \$650 million to GDP;
- generate \$50 million in tax benefits.

Thus, the implementation of these investment projects will strengthen the economic structure of the regions and the productivity of their businesses.

## Tax holiday for large investment projects

The tax holiday for large investment projects provides businesses with tax assistance corresponding to 15% of eligible investment expenditures in the form of:

- a fifteen-year tax holiday on a corporation's income from eligible activities;
- a fifteen-year holiday from employer contributions to the Health Services Fund (HSF) regarding the portion of wages paid attributable to time devoted to eligible activities.

Businesses wishing to qualify an investment project for the tax holiday have until December 31, 2020 to submit an initial certificate application to the Minister of Finance.

### Eligibility criteria

To qualify as a large investment project, a project must meet the following conditions:

- be carried out in Québec;
- involve investments that will be used to carry out activities included in the eligible activity sectors;
- reach the required investment threshold within the planned period and maintain it;
- not have started before the initial certificate application was submitted.

### Eligible activity sectors

The project must involve activities included in one or more of the following activity sectors:

- manufacturing;
- wholesale trade;
- warehousing and storage;
- data processing, data hosting and related services;
- operation of eligible digital platforms.

### Investment threshold

Investment expenditures attributable to the implementation of a large investment project must total a minimum of \$100 million or \$50 million if the project is carried out in a designated region.<sup>1</sup>

The investment threshold must be reached no later than 60 months after the date of issue of the initial certificate.

<sup>1</sup> Designated regions are the territories included in the following administrative regions, regional county municipalities (RCMs) and urban agglomeration: Abitibi-Témiscamingue, Bas-Saint-Laurent, Côte-Nord, Gaspésie-Îles-de-la-Madeleine, Nord-du-Québec, Saguenay-Lac-Saint-Jean, Charlevoix-Est RCM in the administrative region of the Capitale-Nationale, Granit and Haut-Saint-François RCMs in the administrative region of Estrie, Antoine-Labelle RCM in the administrative region of Laurentides, Mékinac RCM and the agglomeration of La Tuque in the administrative region of Mauricie and Pontiac and La Vallée-de-la-Gatineau RCMs in the administrative region of Outaouais.

## 4.2 Improving regional infrastructure

To be able to use their full potential, Québec regions must have access to adapted infrastructure. Budget 2019-2020 provides for initiatives totalling \$395.1 million to meet the particular needs of certain regions to:

- ensure access to high-speed Internet connection and a broadband cellular network in all regions;
- support the extension of the natural gas distribution network;
- support the implementation of transportation logistics for liquefied natural gas on the Côte-Nord;
- support the development of the Société ferroviaire et portuaire de Pointe-Noire;
- enhance the Sainte-Anne-de-Beaupré wharf;
- support the QcRail project;
- support the development of multi-user infrastructure in northern areas.

TABLE D.16

### Financial impact of the measures to improve regional infrastructure (millions of dollars)

	2018- 2019 <sup>(1)</sup>	2019- 2020 <sup>(2)</sup>	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Ensuring access to high-speed Internet connection and a broadband cellular network in all regions <sup>(3),(4)</sup>	—	-40.0	-40.0	-45.0	-95.0	-85.0	-305.0
Supporting the extension of the natural gas distribution network <sup>(5)</sup>	—	-2.4	-38.0	-7.2	—	—	-47.6
Supporting the implementation of transportation logistics for liquefied natural gas on the Côte-Nord <sup>(5)</sup>	—	-5.0	-10.0	-10.0	—	—	-25.0
Supporting the development of the Société ferroviaire et portuaire de Pointe-Noire <sup>(6),(7)</sup>	—	—	—	—	—	—	—
Enhancing the Sainte-Anne-de-Beaupré wharf <sup>(8),(9)</sup>	-10.0	—	—	—	—	—	-10.0
Supporting the QcRail project <sup>(5)</sup>	-7.5	—	—	—	—	—	-7.5
Supporting the development of multi-user infrastructure in northern areas <sup>(6)</sup>	—	—	—	—	—	—	—
<b>TOTAL</b>	<b>-17.5</b>	<b>-47.4</b>	<b>-88.0</b>	<b>-62.2</b>	<b>-95.0</b>	<b>-85.0</b>	<b>-395.1</b>

(1) The amounts for 2018-2019 will be drawn from the sums that become available during the course of the fiscal year.

(2) The amounts for 2019-2020 will be drawn from the Contingency Fund.

(3) The financial impact is \$400 million over seven years. Since it can take more than a year to carry out a project, the financial impact of some projects will continue beyond 2023-2024.

(4) Appropriations will be granted to the Ministère de l'Économie et de l'Innovation.

(5) Appropriations will be granted to the Ministère de l'Énergie et des Ressources naturelles.

(6) The necessary amounts will be made available through an advance from the Minister of Finance to the Société du Plan Nord.

(7) Investments of \$50 million are provided for in the 2019-2029 Québec Infrastructure Plan.

(8) Appropriations will be granted to the Ministère de la Sécurité publique.

(9) Investments of \$10 million are provided for in the 2019-2029 Québec Infrastructure Plan.

#### 4.2.1 Ensuring access to high-speed Internet connection and a broadband cellular network in all regions

Budget 2019-2020 provides an additional investment of \$400 million over seven years to establish access to quality digital infrastructure throughout Québec.

As part of a call for projects process which will be launched in the coming months, the new Québec haut débit program will provide funding for the most promising projects.

Through this initiative, Québec businesses and households in rural and remote areas who still do not have access to a high-speed Internet<sup>3</sup> connection or a broadband cellular network will be serviced.

Thus, this new program will make it possible to:

- address pressing needs for high-speed Internet service and an efficient cellular network;
- promote the attraction and retention of citizens and organizations;
- contribute to the attraction and creation of new businesses.

The Québec government will work with municipalities and regional county municipalities (RCMs) to accelerate the rolling out of quality digital infrastructure in underserved and un-served areas.

Thanks to the contribution of the federal government and its promoters, the new investments totalling \$400 million planned by the Québec government will enable regions to build a complete and modern digital infrastructure.

TABLE D.17

**Financial impact of the measure to ensure access to high-speed Internet connection and a broadband cellular network in all regions**  
(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	Total
Ensuring access to high-speed Internet connection and a broadband cellular network in all regions	-40.0	-40.0	-45.0	-95.0	-85.0	-55.0	-40.0	-400.0

<sup>3</sup> The use of the term “high-speed Internet” refers to targets established by the Canadian Radio-Television and Telecommunications Commission (CRTC), namely an Internet connection with a download speed of at least 50 Mbps, an upload speed of at least 10 Mbps and an option for unlimited monthly data transfer.

### **Collaboration with municipalities**

The Fédération québécoise des municipalités (FQM) and the Union des municipalités du Québec will participate in a collaborative process involving the Québec government, regional county municipalities (RCMs) and municipalities to accelerate the rolling out of high-speed Internet access in underserved or un-served areas.

To that end, the rolling out of high-speed Internet in the regions will be supported in RCMs and municipalities. One of the FQM's mandates will be to design a precise mapping of high-speed Internet access needs.

The Québec government's contribution will amount to nearly \$460 000 over three years and will be drawn from the appropriations granted to the Ministère de l'Économie et de l'Innovation for the Québec haut débit program.

#### **4.2.2 Supporting the extension of the natural gas distribution network**

Natural gas supply is one of the activities that can promote regional economic development. Many projects to extend the natural gas network have been carried out in different regions of Québec.

To support a new project aimed at expanding the natural gas distribution network in the Montmagny region, Budget 2019-2020 provides \$47.6 million over three years.

This investment will extend the gas network by approximately 80 km from Saint-Henri-de-Lévis to the city of Montmagny by way of the municipalities of Saint-Charles-de-Bellechasse, Saint-Raphaël and Saint-François-de-la-Rivière-du-Sud.

The extension of the natural gas distribution network in these communities will promote the establishment, retention and competitiveness of businesses.

#### **4.2.3 Supporting the implementation of transportation logistics for liquefied natural gas on the Côte-Nord**

A call for projects was launched by the Société du Plan Nord and the Ministère de l'Énergie et des Ressources naturelles to find a solution allowing the implementation of transport logistics to supply the Côte-Nord with liquefied natural gas. In particular, the solution will have to:

- be reliable, simple and reduce supply risk;
- meet the needs of manufacturers of the Côte-Nord at a competitive price;
- limit environmental impacts.

To support the implementation of such logistics, Budget 2019-2020 provides \$25 million over three years for the construction of storage and regasification infrastructure for the benefit of businesses converted to natural gas.

Details will be made public in the near future by the Minister of Energy and Natural Resources.

## ❑ **Promoting the conversion to natural gas of major industrial consumers on the Côte-Nord**

The integration of natural gas into the activities of major industrial consumers on the Côte-Nord will require the conversion of their equipment currently powered by petroleum products.

Budget 2019-2020 provides for the inclusion, in the ÉcoPerformance program of Transition énergétique Québec, of a new component to support major industrial projects.

Details on this new component are presented in Section E (“Acting for the Environment”).

### **4.2.4 Supporting the development of the Société ferroviaire et portuaire de Pointe-Noire**

The Société ferroviaire et portuaire de Pointe-Noire is a limited partnership that has multi-user transportation, handling and processing infrastructure for export.

Demand for the services of the Société ferroviaire et portuaire de Pointe-Noire is growing rapidly and could exceed the capacity of its facilities before the end of 2019.

Budget 2019-2020 provides \$50 million to increase the capacity of the Société ferroviaire et portuaire de Pointe-Noire's facilities and ensure the environmental compliance of its site in the context of its growing activities.

The funds will be made available to the Société du Plan Nord for new equity participation.

The federal government has also been invited to contribute financially, in particular through the National Trade Corridors Fund.

### **4.2.5 Enhancing the Sainte-Anne-de-Beaupré wharf**

The development and enhancement project for the Sainte-Anne-de-Beaupré wharf is a key element in the revitalization of the downtown area and surrounding areas. On the economic front, funds totalling \$13.7 million will allow the enhancement of the territory and the boosting of the local economy, notably through the development of a cruise offer.

Budget 2019-2020 provides an opportunity to contribute to this major project and provides \$10 million to the Fonds de développement économique de la région de la Capitale-Nationale of the Secrétariat à la Capitale-Nationale for the development and enhancement of the Sainte-Anne-de-Beaupré wharf.

#### 4.2.6 Supporting the QcRail project

The extension of the railway network between Dolbeau-Mistassini and Baie-Comeau could provide western Canadian exporters with new access to international markets thanks to a deepwater port.

For the Port of Baie-Comeau, such a connection to the North American network may represent a significant development opportunity by encouraging bulk exports through Québec.

Budget 2019-2020 provides \$7.5 million in 2018-2019 to help carry out a feasibility study to validate the potential of such a project.

Given its expertise, the Société du Plan Nord will be mandated to carry out the initiative. In addition to the private sector, the federal government will also be invited to contribute financially to this study, including through the National Trade Corridors Fund.

#### 4.2.7 Supporting the development of multi-user infrastructure in northern areas

The development of infrastructure providing access to resources in a remote region can generate significant costs, often at the expense of the promoter of the first project.

Once developed, these infrastructures can facilitate the implementation of other projects and benefit local and indigenous populations. In this context, the government could contribute financially to the development of multi-user infrastructure, under the following conditions:

- the infrastructure must be used for more than one project, offer economic development potential and be acceptable for the local and indigenous populations concerned;
- the project must offer, depending on the form of the contribution, return prospects or a repayment period acceptable to the government.

Budget 2019-2020 provides a \$10-million envelope to support first projects that meet these conditions. The envelope will be made available in 2019-2020 to the Société du Plan Nord for equity participation.

### 4.3 Stimulating tourism in Québec

The tourism industry plays an important role in Québec's economic development, particularly in the regions, where it promotes job creation and economic diversification.

In Québec, tourist influx, both from Canada and abroad, has continued to reach new heights in recent years. To take advantage of this growth, Budget 2019-2020 provides \$35.1 million over five years for the tourism sector.

More specifically, this sum will make it possible to:

- invest in Société des établissements de plein air du Québec (Sépaq) establishments;
- develop Québec's tourist attractions;
- support the renewal of the tourism offering;
- promote local and regional products through the development of food tourism and agrotourism.

TABLE D.18

#### Financial impact of the measures to stimulate tourism in Québec (millions of dollars)

	2018- 2019	2019- 2020 <sup>(1)</sup>	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Investing in Sépaq establishments <sup>(2)</sup>	—	-0.4	-1.9	-3.1	-4.1	-4.9	-14.4
Developing Québec's tourist attractions <sup>(3),(4)</sup>	—	-1.2	-3.1	-3.5	-4.7	-4.2	-16.7
Supporting the renewal of the tourism offering <sup>(5)</sup>	—	—	—	—	—	—	—
Promoting local and regional products <sup>(3)</sup>	—	—	-2.0	-2.0	—	—	-4.0
<b>TOTAL</b>	<b>—</b>	<b>-1.6</b>	<b>-7.0</b>	<b>-8.6</b>	<b>-8.8</b>	<b>-9.1</b>	<b>-35.1</b>

(1) The amounts for 2019-2020 will be drawn from the Contingency Fund.

(2) Appropriations will be granted to the Ministère des Forêts, de la Faune et des Parcs.

(3) Appropriations will be granted to the Ministère du Tourisme.

(4) The financial impact of the allocation of a \$40 million intervention envelope is \$16.7 million for the first five years.

(5) The necessary amounts will be made available through an advance from the Minister of Finance to the Tourism Partnership Fund.

### 4.3.1 Investing in Sépaq establishments

Sépaq operates and manages, among other things, national parks, wildlife reserves and tourist establishments that contribute to the economy of all regions of Québec.

Budget 2019-2020 provides for additional investments of \$75 million in Sépaq establishments over the next five years.

- \$30 million will be devoted to upgrading Sépaq's built heritage to meet infrastructure maintenance needs and help the Sépaq continue to offer tourism products which ensure the safety and comfort of visitors.
- \$45 million will be invested in new tourism infrastructures, in particular for the development of the Parc de la Chute-Montmorency and the enhancement of the offer of the Parc national du Mont-Mégantic.

### 4.3.2 Developing Québec's tourist attractions

The Programme de soutien aux stratégies de développement touristique (PSSDT) provides financial support for investment projects that contribute to the enhancement and diversification of Québec's tourist attractions.

- The PSSDT focuses on four areas of intervention: winter tourism, event tourism, nature and adventure tourism and maritime tourism.

To meet the strong demand from businesses wishing to develop attractions in these niches, Budget 2019-2020 provides \$40 million for operations carried out under the PSSDT.

These new funds will generate investments totalling nearly \$219 million.

### 4.3.3 Supporting the renewal of the tourism offering

The Fonds tourisme PME<sup>4</sup> helps businesses carry out their investment projects aimed at improving the tourism offer.

— The projects targeted must in particular make it possible to attract new customers and extend the period of activity of the targeted businesses.

As a continuation of this initiative, Budget 2019-2020 plans to support the capitalization of a new fund to stimulate the emergence of innovative tourism projects.

The government's investment will be in the form of equity participation in a fund of \$11.5 million. This fund will be capitalized equally by the Québec government and Filaction.<sup>5</sup>

### 4.3.4 Promoting local and regional products

Food tourism and agrotourism contribute to the discovery and promotion of local and regional products at the provincial, national and international levels.

To stimulate the development of this type of activity in Québec, Budget 2019-2020 provides a \$4-million increase to the Programme d'aide financière aux festivals et aux événements touristiques.

These funds will be used to finance events that develop food tourism in Québec, such as food fairs and Christmas markets.

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<sup>4</sup> The Fonds tourisme PME is intended to be a flexible financial instrument adapted to the reality of SMBs in the tourism sector. It also represents an important financing lever, particularly with financial institutions and private partners.

<sup>5</sup> Filaction is a fund created in 2001 at the initiative of Fondation. It supports the development of Québec SMBs, particularly in the tourism sector.

## 4.4 Supporting the development of the bio-food sector

The bio-food sector promotes the occupancy and vitality of the territory and stimulates the economic development of Québec's regions, in particular by improving the sector's competitiveness.

To support Québec bio-food businesses, Budget 2019-2020 provides \$285 million over five years to:

- increase investment in the agricultural and agri-food sector;
- reduce the impact of farmland value increases;
- implement initiatives to promote local purchasing;
- meet food inspection and animal welfare needs.

TABLE D.19

### Financial impact of the measures to support the development of the bio-food sector (millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Increasing investment in the agricultural and agri-food sector <sup>(1)</sup>	—	-50.0	-50.0	-50.0	-50.0	-50.0	-250.0
Reducing the impact of farmland value increases <sup>(2)</sup>	—	—	-15.0	—	—	—	-15.0
Implementing initiatives to promote local purchasing <sup>(2),(3)</sup>	—	-2.0	-2.0	-2.0	-2.0	-2.0	-10.0
Meeting food inspection and animal welfare needs <sup>(2),(3)</sup>	—	-2.0	-2.0	-2.0	-2.0	-2.0	-10.0
<b>TOTAL</b>	<b>—</b>	<b>-54.0</b>	<b>-69.0</b>	<b>-54.0</b>	<b>-54.0</b>	<b>-54.0</b>	<b>-285.0</b>

(1) The funds will be financed from the budget surpluses of La Financière agricole du Québec.

(2) Appropriations will be granted to the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation.

(3) The amounts for 2019-2020 will be drawn from the Contingency Fund.

#### **4.4.1 Increasing investment in the agricultural and agri-food sector**

Budget 2019-2020 provides \$250 million over five years to provide additional financial leverage in order to increase investment in the agriculture and agri-food sector.

— The investment envelope will be \$50 million per year from 2019-2020 to 2023-2024.

These funds will make it possible, among other things, to enhance certain investment programs of La Financière agricole du Québec and the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (MAPAQ) aimed at increasing the productivity of agricultural and agri-food businesses.

The terms and conditions of the agricultural investment envelope will be announced at a later date by the Minister of Agriculture, Fisheries and Food.

#### **4.4.2 Reducing the impact of farmland value increases**

Considering the significant investments required for farming activities, all Canadian provinces offer measures to reduce property taxes paid by farmers.

The growth of farmland value has accelerated in recent years, increasing the taxes paid by farmers.

Pending a longer-term solution to this issue, the government intends to increase its support for the agricultural community by \$15 million so that the share of property taxes paid by farmers for the years 2019 and 2020 does not increase.

### 4.4.3 Implementing initiatives to promote local purchasing

Public institutions, such as health and educational institutions, childcare centres and government departments and agencies, are major consumers of bio-food products and could get more products from local producers.

- Suppliers and distributors of local products need to promote their products, in addition to ensuring that they have enough products to meet demand.
- For its part, the institutional community must be able to properly identify Québec bio-food products in order to help its establishments integrate them.

In this context, Budget 2019-2020 provides \$10 million over five years to encourage the purchase of Québec food in public institutions.

- This amount will allow MAPAQ to produce a portrait of Québec's current food supplies and establish a purchasing target for each institution in Québec.

### 4.4.4 Meeting food inspection and animal welfare needs

Quebecers are placing increasing importance on the quality of the food they consume and the health and well-being of animals, which is reflected in the increase in the inspection activities of MAPAQ and its representatives.

To support its mission relating to the enforcement of food inspection regulations, MAPAQ relies on various partnerships, including one with the Ville de Montréal for inspections carried out on its territory.

To allow the government to continue its food safety and animal health and welfare interventions, Budget 2019-2020 provides \$10 million over five years to:

- address the growth in food inspection and animal welfare<sup>6</sup> activities and the increase in associated costs, including care and custody costs of seized animals;
- extend and improve the agreement between MAPAQ and the Ville de Montréal for food inspections carried out on its territory.

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<sup>6</sup> The Animal Welfare and Safety Act, sanctioned in December 2015, is essentially aimed at curbing unacceptable behaviour towards animals.



## 5. FOSTERING ENTREPRENEURSHIP AND PARTICIPATION OF YOUNG PEOPLE IN THE ECONOMY

The Québec government plans to increase Québec's economic potential by:

- fostering entrepreneurship, in particular by improving the entrepreneurship training offer and providing specialized support and financing for businesses;
- ensuring that all young Quebecers participate in the labour market through several initiatives that will stimulate their interest in entrepreneurship and enable them to learn more about employment opportunities.

To that end, Budget 2019-2020 provides nearly \$75 million to:

- support entrepreneurship and business financing;
- encourage employment and business succession.

TABLE D.20

### Financial impact of the measures to foster entrepreneurship and participation of young people in the economy (millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Supporting entrepreneurship and business financing	-4.0	-6.2	-6.1	-4.4	-4.5	-3.5	-28.7
Encouraging employment and business succession	-1.0	-8.4	-8.7	-8.9	-10.1	-8.9	-46.0
<b>TOTAL</b>	<b>-5.0</b>	<b>-14.6</b>	<b>-14.8</b>	<b>-13.3</b>	<b>-14.6</b>	<b>-12.4</b>	<b>-74.7</b>

## 5.1 Supporting entrepreneurship and business financing

Entrepreneurship support agencies, in particular those offering microcredit and crowdfunding, as well as private equity funds can provide entrepreneurs with assistance and funding tailored to their activity sector, stage of development and the specific characteristics of the region where they operate.

To ensure that startup companies and promoters of socioeconomic projects have access to assistance and financial resources tailored to their needs, Budget 2019-2020 provides:

- \$28.7 million to assist entrepreneurship support agencies;
- an envelope of \$85 million to support financing of private equity funds.

TABLE D.21

### Financial impact of the measures to support entrepreneurship and business financing

(millions of dollars)

	2018- 2019 <sup>(1)</sup>	2019- 2020 <sup>(2)</sup>	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Assisting entrepreneurship support agencies <sup>(3)</sup>	-4.0	-6.2	-6.1	-4.4	-4.5	-3.5	-28.7
Supporting private equity funds <sup>(4)</sup>	—	—	—	—	—	—	—
<b>TOTAL</b>	<b>-4.0</b>	<b>-6.2</b>	<b>-6.1</b>	<b>-4.4</b>	<b>-4.5</b>	<b>-3.5</b>	<b>-28.7</b>

(1) The amounts for 2018-2019 will be drawn from the sums that become available during the course of the fiscal year.

(2) The amounts for 2019-2020 will be drawn from the Contingency Fund.

(3) Appropriations will be granted to the Ministère de l'Économie et de l'Innovation.

(4) The necessary amounts will be made available through an advance from the Minister of Finance to the Economic Development Fund.

### 5.1.1 **Assisting entrepreneurship support agencies**

To make it easier to take the entrepreneurial path, various agencies offer advice, assistance and funding geared to the needs of business executives.

Budget 2019-2020 provides \$28.7 million to help entrepreneurship support agencies whose actions make it possible to:

- train and assist entrepreneurs;
- support the implementation of entrepreneurial and socioeconomic projects that meet the needs of communities;
- facilitate access to businesses financing through, in particular, microcredit and crowdfunding.

### 5.1.2 **Supporting private equity funds**

Private equity funds can meet the needs of innovative businesses not only by providing them with capital to support their growth, but also by allowing them to benefit from the advice and support of management teams that have considerable business experience and access to specialized networks.

Budget 2019-2020 provides an envelope of \$85 million to support private equity funds that, in particular:

- meet a specific need in the financing chain, such as access to capital for businesses at the startup stage, in the life sciences sector or that wish to make energy efficiency investments;
- demonstrate their ability to attract a large share of private and institutional equity;
- will adopt an investment policy and a model of governance in keeping with best business practices.

## 5.2 Encouraging employment and business succession

The government's goal is to help young people pursue their ambitions so that they can fulfill themselves, take over from preceding generations and contribute to Québec's economic prosperity.

In Budget 2019-2020, the government is announcing an investment of \$46 million to support young people by fostering student retention, return to school, employment and entrepreneurship.

TABLE D.22

### Financial impact of the measures to encourage employment and business succession

(millions of dollars)

	2018- 2019	2019- 2020 <sup>(1)</sup>	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Four new campuses for the École des entrepreneurs du Québec <sup>(2)</sup>	—	-1.0	-1.0	-1.0	-2.0	-2.0	-7.0
Supporting bio-food training at Macdonald College <sup>(3)</sup>	—	-0.5	-0.7	-0.8	-0.9	-1.0	-3.9
Enhancing the Créneau carrefour jeunesse program <sup>(4)</sup>	—	-2.0	-2.0	-2.0	-2.0	-2.0	-10.0
Providing funding for Youth Employment Services Nunavik to implement the Créneau carrefour jeunesse program <sup>(4)</sup>	—	-0.2	-0.2	-0.2	-0.2	-0.2	-1.0
Investing in Place aux jeunes en région <sup>(4)</sup>	—	-3.5	-3.5	-3.5	-3.5	-3.5	-17.5
Québec initiative for youth entrepreneurial creativity in La Francophonie <sup>(4)</sup>	—	-1.0	-1.1	-1.2	-1.3	—	-4.6
Supporting the programs of the École d'entrepreneurship de Beauce <sup>(4)</sup>	—	-0.2	-0.2	-0.2	-0.2	-0.2	-1.0
Enhancing the local projects funding program <sup>(4),(5)</sup>	-1.0	—	—	—	—	—	-1.0
<b>TOTAL</b>	<b>-1.0</b>	<b>-8.4</b>	<b>-8.7</b>	<b>-8.9</b>	<b>-10.1</b>	<b>-8.9</b>	<b>-46.0</b>

(1) The amounts for 2019-2020 will be drawn from the Contingency Fund.

(2) Appropriations will be granted to the Ministère de l'Économie et de l'Innovation.

(3) Appropriations will be granted to the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation.

(4) Appropriations will be granted to the Ministère du Conseil exécutif.

(5) The amounts for 2018-2019 will be drawn from the sums that become available during the course of the fiscal year.

### 5.2.1 **Four new campuses for the École des entrepreneurs du Québec**

The École des entrepreneurs du Québec aims to develop entrepreneurs' skills in regard to business creation, growth and acquisition.

— Three new service points for this school are already planned for the Bas-Saint-Laurent, Mauricie and Outaouais regions.

To facilitate access to customized training for improving entrepreneurial skills in the regions, Budget 2019-2020 provides for an additional \$7 million over five years to support the creation of four new campuses.

### 5.2.2 **Supporting bio-food training at Macdonald College**

The Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (MAPAQ) takes part in training the next generation of specialists in the bio-food sector.

To that end, MAPAQ entered into a financial agreement with McGill University's Macdonald College in 1975 so that the college could offer the Farm Management and Technology program to English-speaking students in Québec.

— This college-level program, specialized in agriculture and agro-food, is designed to train agricultural enterprise managers.

To address the increase in the number of students enrolled in the program, Budget 2019-2020 provides a \$3.9-million increase over five years in the contribution to Macdonald College for funding this program.

### **5.2.3 Enhancing the Créneau carrefour jeunesse program**

Budget 2019-2020 provides an additional \$10 million over five years for the Créneau carrefour jeunesse program. This program aims, in particular, to encourage vulnerable young people to remain in or return to school so as to obtain quality training for finding a job.

An additional budget of \$1 million will be granted to Youth Employment Services Nunavik to implement the Créneau carrefour jeunesse on its territory. The rolling out of this program will help young people to complete their education, remain in school or enter the labour market.

### **5.2.4 Investing in Place aux jeunes en région**

In Budget 2019-2020, the government is providing an investment of \$17.5 million over five years in Place aux jeunes en région. The goal of this project is to extend and enhance the services currently offered to 83 regional county municipalities (RCMs) faced with the challenge of youth migration in order to further assist young people in their efforts to live and work in the regions.

### **5.2.5 Québec initiative for youth entrepreneurial creativity in La Francophonie**

The Québec initiative for youth entrepreneurial creativity in La Francophonie aims to increase the participation of young people in the Entrepreneuriat program of the Offices jeunesse internationaux du Québec by kindling their entrepreneurial spirit.

To support this initiative, the government will invest \$4.6 million over four years to offer unique opportunities to young people who wish to start a business or develop their market internationally.

### **5.2.6 Supporting the programs of the École d'entrepreneurship de Beauce**

Officially launched in September 2010, the École d'entrepreneurship de Beauce (ÉEB) specializes in training entrepreneurs from all sectors thanks to the expertise of high-level business leaders. The goal of this school is to build Québec's entrepreneurial elite.

To support the development of entrepreneurial skills in Québec, the government is providing funding for two programs in order to increase the number of participants in ÉEB's programs.

- ÉEB's Camp Entrepreneurs en Devenir helps young people to adopt a positive view of entrepreneurship by encouraging them to remain in school and developing their full potential through activities based on entrepreneurial action. To that end, Budget 2019-2020 is providing \$1 million over five years to increase the number of participants in the camp.
- To develop the business experience of Québec entrepreneurs, the Ministère de l'Économie et de l'Innovation is providing \$1.2 million from its available financial resources to support ÉEB over the next three years. The goal is to:
  - finance, in partnership with the private sector, a fund granting interest-free loans, which will increase the number of entrepreneurs using the school's services by 25%;
  - develop a collaborative approach among entrepreneurs in partnership with regional bodies specializing in entrepreneurship, which will support the next generation of entrepreneurs and the growth of businesses.

### **5.2.7 Enhancing the local projects funding program**

Budget 2019-2020 provides a \$1-million enhancement of the local projects funding program. As a result, the Secrétariat à la jeunesse will have the means to rapidly finance a larger number of local youth intervention projects.



## 6. PROMOTING CULTURE

The artistic creativity and vitality of cultural enterprises help to shape Québec's identity while playing an active role in its economic development.

Budget 2019-2020 provides for investments of over \$295 million to:

- encourage cultural creativity;
- enrich culture within communities;
- enhance cultural and religious heritage.

TABLE D.23

### Financial impact of the measures to promote culture (millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Encouraging cultural creativity	—	-10.5	-11.5	-15.7	-18.0	-18.4	-74.1
Enriching culture within communities	-3.0	-17.0	-32.0	-32.0	-32.0	-32.0	-148.0
Investing to enhance cultural and religious heritage	—	-10.0	-10.0	-10.0	-10.0	-33.5	-73.5
<b>TOTAL</b>	<b>-3.0</b>	<b>-37.5</b>	<b>-53.5</b>	<b>-57.7</b>	<b>-60.0</b>	<b>-83.9</b>	<b>-295.6</b>

## 6.1 Encouraging cultural creativity

To provide conditions that foster the creative process as well as optimal production and marketing, more than \$74 million over five years will be allocated to strengthen Québec's cultural offering.

TABLE D.24

### Financial impact of the measures to encourage cultural creativity (millions of dollars)

	2018- 2019	2019- 2020 <sup>(1)</sup>	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Stimulating cultural entrepreneurship	—	-6.5	-6.5	-6.5	-6.5	-6.5	-32.5
Fostering original programming at Télé-Québec	—	-1.0	-2.0	-6.0	-8.0	-8.0	-25.0
Supporting the music industry in the digital age	—	-3.0	-3.0	-3.0	-3.0	-3.0	-15.0
Supporting a program for the upgrading of artist studios <sup>(2)</sup>	—	—	—	-0.2	-0.5	-0.9	-1.6
<b>TOTAL</b>	<b>—</b>	<b>-10.5</b>	<b>-11.5</b>	<b>-15.7</b>	<b>-18.0</b>	<b>-18.4</b>	<b>-74.1</b>

Note: Appropriations will be granted to the Ministère de la Culture et des Communications.

(1) The amounts for 2019-2020 will be drawn from the Contingency Fund.

(2) Investments of \$25 million are provided for in the 2019-2029 Québec Infrastructure Plan. The financial impact corresponds to the cost of debt service.

### 6.1.1 Stimulating cultural entrepreneurship

Québec's cultural artisans and creators work in a context of stiff international competition. To benefit fully from their work, they must be able to create business opportunities or take advantage of those that present themselves.

Budget 2019-2020 provides \$32.5 million over five years to encourage the development of entrepreneurial skills among both artist entrepreneurs and cultural enterprises by, in particular:

- enhancing the assistance programs of the Société de développement des entreprises culturelles (SODEC) to further stimulate initiatives centred on the development of intellectual property and innovative business models that will help Québec's cultural enterprises to shine internationally;
- adapting the support offered by the Conseil des arts et des lettres du Québec (CALQ) to boost artists' entrepreneurial skills and assist them with business and marketing strategies for their creations.

### **6.1.2 Fostering original programming at Télé-Québec**

A public broadcaster for the past 50 years, Télé-Québec plays an important role in Québec's cultural universe by offering quality educational content. In the context of globalized distribution of audiovisual content, which is mostly foreign and in English, support must be provided for the production of original French-language content.

Budget 2019-2020 provides \$25 million over five years to enable Télé-Québec to maintain its leadership in youth programming, offer French-language content that reflects Québec's values and culture and provide a wide audience with access to these original productions on its distribution platforms.

### **6.1.3 Supporting the music industry in the digital age**

The advent of streaming distribution platforms has significantly changed the music industry business model. There has been a decline in proceeds from the sale of physical and digital albums and it has not been offset by proceeds from these platforms.

Players in the music industry must rapidly adapt to this new marketing environment, in particular to ensure the visibility and traceability of Québec's music content that is distributed online, with a view to achieving efficient copyright enforcement and management.

Budget 2019-2020 provides \$15 million over five years in support to the music industry so that it can continue to adapt its business model to the digital age and offer an array of quality music by Québec artists.

### **6.1.4 Supporting a program for the upgrading of artist studios**

Artist studios are ideal places for creative work and an important key to Québec's artistic vitality. However, artists have difficulty holding on to creative spaces that meet their specific needs, mainly in the Montréal area.

Budget 2019-2020 provides an investment of \$25 million over five years to fund an upgrading program of the Ville de Montréal for artist studios. With a \$30-million envelope including the contribution of the Ville de Montréal, this program will make it possible to renovate and equip work spaces for artists, in addition to revitalizing Montréal neighbourhoods and encouraging collective ownership of studios.

## 6.2 Enriching culture within communities

The government wants to ensure that the population as a whole has access to Québec's cultural products. Therefore, \$148 million will be allocated for initiatives to enrich the culture of communities.

TABLE D.25

### Financial impact of the measures to enrich culture within communities (millions of dollars)

	2018- 2019	2019- 2020 <sup>(1)</sup>	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Fostering access to cultural outings and enriching the content offered in school libraries <sup>(2)</sup>	—	-15.0	-30.0	-30.0	-30.0	-30.0	-135.0
Promoting the French language <sup>(2)</sup>	—	-2.0	-2.0	-2.0	-2.0	-2.0	-10.0
Supporting the print media sector with regard to the costs of recycling <sup>(3),(4)</sup>	-3.0	—	—	—	—	—	-3.0
<b>TOTAL</b>	<b>-3.0</b>	<b>-17.0</b>	<b>-32.0</b>	<b>-32.0</b>	<b>-32.0</b>	<b>-32.0</b>	<b>-148.0</b>

(1) The amounts for 2019-2020 will be drawn from the Contingency Fund.

(2) Appropriations will be granted to the Ministère de la Culture et des Communications.

(3) Appropriations will be granted to the Ministère de l'Environnement et de la Lutte contre les changements climatiques.

(4) The amounts for 2018-2019 will be drawn from the sums that become available during the course of the fiscal year.

### 6.2.1 Fostering access to cultural outings and enriching the content offered in school libraries

The government has pledged to fund cultural outings and quality resources in school libraries. Accordingly, additional investments will be used to fund two cultural outings annually for every student at the pre-school, elementary and secondary level. The government is also increasing the amounts provided for the acquisition of literary works, e-books and documentaries in school libraries.

Budget 2019-2020 provides \$135 million over five years to foster access to cultural outings and enrich the content offered in school libraries.

## 6.2.2 Promoting the French language

The Québec government is proposing actions to promote French as a source of pride for Quebecers of all origins, in particular people who are learning French.

- For example, in partnership with the Chamber of Commerce of Metropolitan Montréal, a language partnering program offers free French workshops led by university students to merchants who would like to learn French in their workplace.

Budget 2019-2020 provides \$10 million over five years to better support this type of initiative that offers customized training in French and fosters its use in public spaces in Québec, in particular workplaces in Greater Montréal.

## 6.2.3 Supporting the print media sector with regard to the costs of recycling

Print media owners and distributors have seen the costs associated with the recovery of materials increase in recent years. In a context where information is increasingly migrating to digital media and causing the revenues of print media companies to plunge, the additional financial pressure exerted with respect to their selective collection costs can prove to be problematic.

To help print media companies deal with the technological shift while maintaining the current system for compensating municipalities for selective collection services, Budget 2019-2020 provides RecycleMédias with a non-recurring subsidy of \$3 million.

### 6.3 Investing to enhance cultural and religious heritage

To promote Quebecers' collective heritage, a total of more than \$73 million over five years will be invested to enhance cultural and religious heritage.

TABLE D.26

#### Financial impact of the measures to enhance cultural and religious heritage (millions of dollars)

	2018- 2019	2019- 2020 <sup>(1)</sup>	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Enhancing Québec's cultural heritage <sup>(2)</sup>	—	—	—	—	—	-23.5	-23.5
Supporting and promoting conservation and enhancement of Québec's religious heritage <sup>(2)</sup>	—	-5.0	-5.0	-5.0	-5.0	-5.0	-25.0
Supporting museums	—	-3.0	-3.0	-3.0	-3.0	-3.0	-15.0
Encouraging diversification of the revenues of state-owned cultural enterprises	—	-2.0	-2.0	-2.0	-2.0	-2.0	-10.0
<b>TOTAL</b>	<b>—</b>	<b>-10.0</b>	<b>-10.0</b>	<b>-10.0</b>	<b>-10.0</b>	<b>-33.5</b>	<b>-73.5</b>

Note: Appropriations will be granted to the Ministère de la Culture et des Communications.

(1) The amounts for 2019-2020 will be drawn from the Contingency Fund.

(2) Investments of \$23.5 million and \$25 million, respectively, are provided for in the 2019-2029 Québec Infrastructure Plan.

#### 6.3.1 Enhancing Québec's cultural heritage

Set up in 2006, the Québec Cultural Heritage Fund provides financial support for measures fostering the knowledge, protection, enhancement and transmission of Québec's cultural heritage. It is funded by annual amounts drawn from the revenues generated by the specific tax on tobacco products.

Since the fund's creation, a total of \$150.4 million has been announced for the implementation of projects with investments totaling nearly \$300 million, including the share of partners, heritage property owners, municipalities and non-profit organizations dedicated to enhancing Québec's heritage.

The government is extending for one year, that is, until 2023-2024, the amount of \$19.5 million drawn from the revenues generated by the specific tax on tobacco products and deposited in the Québec Cultural Heritage Fund. Furthermore, the government is adding an amount of \$4 million from these revenues, initially provided for in 2018-2019, bringing the total amount deposited in the Québec Cultural Heritage Fund in 2023-2024 to \$23.5 million.

### **6.3.2 Supporting and promoting conservation and enhancement of Québec's religious heritage**

The Québec Religious Heritage Council (QRHC) has a mission to support and promote the conservation and enhancement of Quebec's religious heritage by providing financial assistance to its partners (places of worship, municipalities, non-profit organizations and private owners).

The spinoffs from investing in the restoration of religious heritage are significant not only on economic, social and professional levels but also from a cultural standpoint. In addition, ever since the number of eligible buildings has increased, restoration needs have grown constantly.

Budget 2019-2020 provides a \$25-million increase over five years for the QRHC to support and enhance religious heritage.

### **6.3.3 Supporting museums**

The assistance program for the operation of museums pays financial assistance for each museum supported.

In 2018, the Ministère de la Culture et des Communications implemented, on behalf of the Québec government, a museum accreditation process assigning a seal of quality to organizations based on their compliance with museum standards and the quality of their offering. A large number of museums that have still not been accredited will obtain the status of accredited museum. Several of these museums will be eligible for and seek funding under the assistance program.

Budget 2019-2020 provides an additional \$15 million over five years for the assistance program to support new museums that qualify.

### **6.3.4 Encouraging diversification of the revenues of state-owned cultural enterprises**

The creation of a matching funds program will encourage state-owned cultural enterprises to diversify their sources of funding and to capitalize a portion of their fundraising income.

The details of this new program will be presented at a later date by the Minister of Culture and Communications.

The government is providing \$10 million over five years to help state-owned cultural enterprises ensure the continuity of a portion of their revenue.



## 7. GIVING OURSELVES THE MEANS TO PERFORM BETTER ABROAD

In a highly competitive international environment, Québec must give itself the means to perform better abroad.

Budget 2019-2020 provides nearly \$20 million to:

- promote research and innovation expertise abroad;
- invest in and diversify promising markets;
- upgrade the professional skills of the diplomatic corps.

TABLE D.27

### Financial impact of the measures to give ourselves the means to perform better abroad (millions of dollars)

	2018-2019	2019-2020 <sup>(1)</sup>	2020-2021	2021-2022	2022-2023	2023-2024	Total
Promoting research and innovation expertise abroad	—	-1.0	-1.4	-1.4	-1.4	-1.4	-6.6
Investing in and diversifying promising markets	—	-1.0	-1.2	-1.2	-1.2	-1.2	-5.8
Upgrading the professional skills of the diplomatic corps	—	-0.4	-0.9	-1.8	-1.8	-1.8	-6.7
<b>TOTAL</b>	<b>—</b>	<b>-2.4</b>	<b>-3.5</b>	<b>-4.4</b>	<b>-4.4</b>	<b>-4.4</b>	<b>-19.1</b>

Note: Appropriations will be granted to the Ministère des Relations internationales et de la Francophonie.

(1) The amounts for 2019-2020 will be drawn from the Contingency Fund.

## **7.1 Promoting research and innovation expertise abroad**

The government aims to deploy research and innovation advisors to provide Quebecers seeking to operate in foreign markets with adequate support. This initiative will contribute to Québec's prosperity.

To that end, Budget 2019-2020 provides \$6.6 million over five years.

## **7.2 Investing in and diversifying promising markets**

The government aims to better position Québec businesses in the Asia-Pacific region and the United States by conducting promotional campaigns, increasing their presence in those areas and enlisting their participation in trade fairs and business missions during one-time events.

In addition, a personalized and specialized services platform will be created for startup businesses in the high-tech sector.

Budget 2019-2020 provides \$5.8 million over five years to expand the presence of Québec businesses internationally, strengthen their participation in existing markets and create new ties with other countries.

## **7.3 Upgrading the professional skills of the diplomatic corps**

The government will create the Institut virtuel de formation à la diplomatie québécoise in order to develop a recruitment strategy and training program for heads of mission and to encourage ongoing training aimed at improving the level of expertise and efficiency of the diplomatic corps.

Budget 2019-2020 provides \$6.7 million over five years for the creation of this institute.

## 8. SUPPORTING QUÉBEC RESEARCHERS

Research develops knowledge in different activity sectors, in particular health and education. Promoting research fosters a dynamic and prosperous economy.

To support research in Québec, Budget 2019-2020 seeks to:

- facilitate access to data for research purposes;
- renew the subsidy for CIRANO;
- support economic research;
- provide funding for the Centre for Productivity and Prosperity of HEC Montréal.

TABLE D.28

### Financial impact of the measures to support Québec researchers (millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Facilitating access to data for research purposes <sup>(1)</sup>	—	-1.5	-1.5	-1.5	-1.5	-1.5	-7.5
Renewing the subsidy for CIRANO	—	—	-2.0	-2.0	-2.1	—	-6.1
Supporting economic research	—	-0.4	-0.6	-0.6	-0.6	-0.6	-2.8
Providing funding for the Centre for Productivity and Prosperity of HEC Montréal <sup>(2)</sup>	-1.5	—	—	—	—	—	-1.5
<b>TOTAL</b>	<b>-1.5</b>	<b>-1.9</b>	<b>-4.1</b>	<b>-4.1</b>	<b>-4.2</b>	<b>-2.1</b>	<b>-17.9</b>

Note: Appropriations will be granted to the Ministère des Finances.

(1) The amounts for 2019-2020 will be drawn from the Contingency Fund.

(2) Plus an amount of \$0.5 million funded from appropriations already granted to the Ministère des Finances in 2018-2019.

## 8.1 Facilitating access to data for research purposes

To simplify and improve access to the data of government departments and bodies, the Institut de la statistique du Québec will set up a service window to meet the needs of researchers associated with public bodies.

- The security conditions for the new service window are currently being verified by the Commission d'accès à l'information. The window will be operational by the end of this process.

When the service window opens, it will enable researchers to access several databases of the Ministère de la Santé et des Services sociaux and the Régie de l'assurance maladie du Québec as well as survey data of the Institut de la statistique du Québec.

In accordance with the government's wishes, the Institut de la statistique du Québec will continue to centre its actions on the protection of personal information. To that end, the Institut de la statistique du Québec will ensure that the service window protects personal information, from the filing of requests to the production of results.

### Increasing the number of secure access points

The Institut de la statistique du Québec will make research data available to researchers associated with public bodies. It will be possible to access this data in the research data access centres of the Institut de la statistique du Québec (CADRISQ). There are currently three CADRISQs, two of which are in Québec City and one in Montréal.

- CADRISQs are secure centres that offer optimal data protection during researchers' work.

Budget 2019-2020 provides for the creation of new CADRISQs, in particular in Sherbrooke and Montréal, as of 2019-2020.

### Enhancing the service offering

In addition to increasing the number of secure access points to meet researchers' needs, the Institut de la statistique du Québec will enhance service offering by adding databases from:

- the Ministère de l'Éducation et de l'Enseignement supérieur;
- Revenu Québec.

This will enable researchers to process a file that matches data from different sources and thus obtain more comprehensive and better quality results, while providing optimal protection of personal information.

Furthermore, to simplify and improve the process for accessing data, amendments will be made to the *Act respecting the Institut de la statistique du Québec*.

Budget 2019-2020 provides \$7.5 million over five years to enable the Institut de la statistique du Québec to provide researchers associated with public bodies with easier access to data.

### **Simplifying the process for accessing the data of departments and bodies**

Currently, a researcher who wants to access a research file containing information from the Ministère de la Santé et des Services sociaux, the Ministère de l'Éducation et de l'Enseignement supérieur and Revenu Québec has to submit access requests that are studied by each entity.

Once the databases of these entities are accessible at the service window, the researcher will have to submit only one request.

### **□ Enabling the Institut de la statistique du Québec to fully exercise its role as a statistics agency**

To optimize the institute's work, the government is announcing that it will amend the *Act respecting the Institut de la statistique du Québec* so that this body can use the data made available to researchers through the service window, as well as that transmitted to statistics agencies outside Québec.

In addition, the government will modify the mission of the Institut de la statistique du Québec so that this body is responsible for processing and communicating information to statistics agencies outside Québec.

The Institut de la statistique du Québec will thus be better able to share its data access expertise and ensure that only necessary data are made available.

## **8.2 Renewing the subsidy for CIRANO**

The government wishes to continue its support for research on public policies and the challenges facing Québec.

As of 2020-2021, Budget 2019-2020 will provide \$6.1 million over three years for renewing the subsidy for the Centre interuniversitaire de recherche en analyse des organisations (CIRANO).

### 8.3 Supporting economic research

Québec is faced with a number of challenges, such as population aging, a labour shortage and the fight against climate change, all of which will have major economic consequences over the medium term.

To provide Québec with economic analysis tools and improve knowledge and forecasts of real economic activity and the underlying risks, the government is providing \$2.8 million over five years to support economic research.

This amount will be used to fund:

- the development of high-performance economic and environmental models for making greenhouse gas (GHG) emissions projections for Québec;
  - These models will help to improve the tools of the Ministère des Finances and the Ministère de l'Environnement et de la Lutte contre les changements climatiques so as to obtain more detailed and in-depth measurements of the impacts of measures to fight climate change.
  - They will also help to study these questions in a complex context of reconciling economic growth with reducing GHG emissions.
- a research chair in macroeconomics and forecasting at UQAM, which will reflect a desire to provide Québec with additional measuring instruments that will enable it to improve knowledge and economic activity forecasts;
- surveys and studies for the government concerning, for example, Quebecers retirement savings needs.

### 8.4 Providing funding for the Centre for Productivity and Prosperity of HEC Montréal

HEC Montréal's Centre for Productivity and Prosperity – Walter J. Somers Foundation (CPP-HEC) has a mission to disseminate information on productivity issues geared to a wide audience.

To ensure the predictability and planning of its research activities in the coming years, a total of \$2 million will be allocated to CPP-HEC in 2018-2019.

This contribution will enable the centre to pursue its research, which aims, in particular, to analyze the productivity challenges affecting Québec's economy and propose innovative solutions to ensure Québec's prosperity.

## 9. ENSURING TAX FAIRNESS

The government is faced with numerous challenges when it comes to funding public services, creating a fair tax environment and combatting certain economic and financial crimes.

To ensure tax fairness and the integrity of the tax system, the government will put measures in place in 2019-2020 to:

- strengthen the mandatory disclosure mechanism and improve the rules governing the use of nominees;
- block access to public contracts for businesses and promoters that have used abusive tax avoidance strategies;
- foster tax fairness in the sharing economy;
- extend the *Attestation de Revenu Québec* to public building cleaning services;
- increase tax compliance in respect of transactions on financial markets.

In addition, not only to fight tax evasion, but also to more effectively combat fraud, money laundering and the funding of criminal activities, Budget 2019-2020 provides for measures to:

- strengthen corporate transparency;
- more effectively combat fraud against the government;
- entrust administration of the *Money-Services Businesses Act* to Revenu Québec.

Budget 2019-2020 provides additional appropriations of \$14 million over five years to fund the measures presented. These measures are described in *Additional Information 2019-2020*.

TABLE D.29

**Financial impact of the measures to ensure tax fairness**

(millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
<b>New initiatives to ensure tax fairness</b>							
Strengthening the mandatory disclosure mechanism and improving the rules governing the use of nominees	—	—	—	—	—	—	—
Blocking access to public contracts for businesses and promoters that have used abusive tax avoidance strategies	—	—	—	—	—	—	—
Fostering tax fairness in the sharing economy	—	—	5.0	7.0	9.0	12.0	33.0
Extending the <i>Attestation de Revenu Québec</i> to public building cleaning services	—	—	—	—	—	—	—
Increasing tax compliance in respect of transactions on financial markets	—	—	—	—	—	—	—
<b>Measures to combat fraud, money laundering and the funding of criminal activities</b>							
Strengthening corporate transparency <sup>(1)</sup>	—	-0.5	-2.0	-1.5	-1.5	-1.5	-7.0
Combatting fraud against the government more effectively <sup>(2)</sup>	—	-1.0	-1.5	-1.5	-1.5	-1.5	-7.0
Entrusting administration of the <i>Money-Services Businesses Act</i> to Revenu Québec	—	—	—	—	—	—	—
<b>TOTAL</b>	<b>—</b>	<b>-1.5</b>	<b>1.5</b>	<b>4.0</b>	<b>6.0</b>	<b>9.0</b>	<b>19.0</b>

(1) Appropriations will be granted to the Ministère du Travail, de l'Emploi et de la Solidarité sociale. The amounts for 2019-2020 will be drawn from the Contingency Fund.

(2) Appropriations will be granted to the Ministère des Finances du Québec for the Provision to increase any appropriation for initiatives concerning revenues of and fraud against the government.

## Financial impact of the initiatives

TABLE D.30

### Financial impact of the initiatives to increase the potential of the economy (millions of dollars)

	2018- 2019 <sup>(1)</sup>	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
<b>Increasing labour market participation</b>							
Encouraging Québec workers to extend their career							
– Banking on career extension for workers aged 60 and over	—	-104.5	-105.6	-106.6	-107.7	-108.8	-533.2
– Reducing payroll taxes to foster the retention of experienced workers	—	-4.6	-60.4	-86.7	-89.2	-97.9	-338.8
– Improving public employment services programs to better support experienced workers	—	-4.0	-4.0	-4.0	-4.0	-4.0	-20.0
Better integrating immigrants to support economic growth	—	-146.0	-146.0	-146.0	-146.0	-146.0	-730.0
Implementing the National Strategy for Labour Market Integration and Maintenance of Handicapped Persons							
– Adding positions to the Subsidy Program for Adapted Enterprises and other actions	—	-4.2	-6.9	-9.8	-12.9	-15.9	-49.7
– Increasing the number of participants in the Employment Integration Contract Measure	—	-2.5	-2.7	-3.0	-3.3	-3.6	-15.1
Meeting the specific needs of the labour market							
– Improving the short-term training program favouring internships for occupations prioritized by the CPMT	—	—	-10.0	-10.0	-10.0	-15.0	-45.0
– Recognizing new indemnities for the purposes of the tax credit for the reporting of tips	—	-3.2	-3.2	-3.2	-3.2	-3.2	-16.0
<b>Subtotal</b>	<b>—</b>	<b>-269.0</b>	<b>-338.8</b>	<b>-369.3</b>	<b>-376.3</b>	<b>-394.4</b>	<b>-1 747.8</b>

TABLE D.30

**Financial impact of the initiatives to increase the potential of the economy**  
(cont.)  
(millions of dollars)

	2018- 2019 <sup>(1)</sup>	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
<b>Acting now for business investment and growth</b>							
Supporting economic development more effectively							
– Enhancing Investissement Québec's capitalization from \$4 billion to \$5 billion	—	—	—	—	—	—	—
– Providing a \$1-billion envelope for the growth of Québec businesses and the retention of head offices	—	—	—	—	—	—	—
– Enhancing the Exportation program	—	-7.0	-7.0	-7.0	-7.0	-7.0	-35.0
– Increasing economic resources for Québec offices in Canada	—	-1.5	-1.5	-1.5	-1.5	-1.5	-7.5
– Supporting investment by SMBs in more sectors	—	—	-7.0	-15.9	-13.5	—	-36.4
– Enhancing the Audit industrie 4.0 program	—	-1.5	-2.5	-2.5	-2.5	-2.5	-11.5
– Developing the Réseau des centres d'expertise industrielle 4.0	—	-1.0	-1.0	-1.0	-1.0	-1.0	-5.0
– Increasing the investment envelope for shipyards	—	—	—	—	—	—	—
– Expanding the scope of the Mining and Hydrocarbon Capital Fund	—	—	—	—	—	—	—
Reducing approval times for investment projects							
– Reducing the processing time for environmental authorization files	—	-5.0	-5.0	-4.0	-3.0	-2.0	-19.0
– Increasing resources allocated to the assessment of investment projects' impacts on wildlife and wildlife habitats	—	-1.7	-3.4	-3.4	-3.4	-3.4	-15.3
<b>Subtotal</b>	<b>—</b>	<b>-17.7</b>	<b>-27.4</b>	<b>-35.3</b>	<b>-31.9</b>	<b>-17.4</b>	<b>-129.7</b>

TABLE D.30

**Financial impact of the initiatives to increase the potential of the economy**  
(cont.)  
(millions of dollars)

	2018- 2019 <sup>(1)</sup>	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
<b>Stimulating innovation to create the jobs of tomorrow</b>							
Investing in innovative projects							
– Developing strategic sites for innovative businesses	-220.0	-10.0	-20.0	-30.0	-40.0	—	-320.0
– Enhancing the Programme Innovation Bois	—	-10.0	-10.0	-10.0	-10.0	-10.0	-50.0
– Increasing genomics research	-7.5	—	—	—	—	—	-7.5
– Supporting the Quebec consortium for industrial bioprocess research and innovation	-2.1	—	—	—	—	—	-2.1
Speeding up the adoption of artificial intelligence							
– Expanding the training offer in artificial intelligence	—	-2.5	-2.5	-2.5	-2.5	-2.5	-12.5
– Attracting researchers in artificial intelligence to Québec	—	-7.0	-7.0	-8.0	-8.0	-8.0	-38.0
– Encouraging businesses to use artificial intelligence	—	-6.5	-13.5	-15.0	-15.0	-15.0	-65.0
– Increasing Québec's computational power	—	-6.0	-6.0	-17.5	-2.5	-2.5	-34.5
– Supporting technologies that support artificial intelligence	—	-15.0	-15.0	-15.1	-17.1	-17.1	-79.3
– Supporting research activities in artificial intelligence							
▪ IVADO LABS	-35.0	—	—	—	—	—	-35.0
▪ SCALE.AI	-15.0	—	—	—	—	—	-15.0
▪ MILA	-32.5	—	—	—	—	—	-32.5
▪ PROMPT-QUÉBEC	-17.5	—	—	—	—	—	-17.5
<b>Subtotal</b>	<b>-329.6</b>	<b>-57.0</b>	<b>-74.0</b>	<b>-98.1</b>	<b>-95.1</b>	<b>-55.1</b>	<b>-708.9</b>

TABLE D.310

## Financial impact of the initiatives to increase the potential of the economy (cont.)

(millions of dollars)

	2018- 2019 <sup>(1)</sup>	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
<b>Boosting regional development</b>							
Enhancing the tax holiday for large investment projects in the regions	—	—	—	—	—	—	—
Improving regional infrastructure							
— Ensuring access to high-speed Internet connection and a broadband cellular network in all regions	—	-40.0	-40.0	-45.0	-95.0	-85.0	-305.0
— Supporting the extension of the natural gas distribution network	—	-2.4	-38.0	-7.2	—	—	-47.6
— Supporting the implementation of transportation logistics for liquefied natural gas on the Côte-Nord	—	-5.0	-10.0	-10.0	—	—	-25.0
— Supporting the development of the Société ferroviaire et portuaire de Pointe-Noire	—	—	—	—	—	—	—
— Enhancing the Sainte-Anne-de-Beaupré wharf	-10.0	—	—	—	—	—	-10.0
— Supporting the QcRail project	-7.5	—	—	—	—	—	-7.5
— Supporting the development of multi-user infrastructure in northern areas	—	—	—	—	—	—	—
Stimulating tourism in Québec							
— Investing in Sépaq establishments	—	-0.4	-1.9	-3.1	-4.1	-4.9	-14.4
— Developing Québec's tourist attractions	—	-1.2	-3.1	-3.5	-4.7	-4.2	-16.7
— Supporting the renewal of the tourism offering	—	—	—	—	—	—	—
— Promoting local and regional products	—	—	-2.0	-2.0	—	—	-4.0

TABLE D.30

**Financial impact of the initiatives to increase the potential of the economy**

(cont.)

(millions of dollars)

	2018- 2019 <sup>(1)</sup>	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
<b>Boosting regional development (cont.)</b>							
Supporting the development of the bio-food sector							
– Increasing investment in the agricultural and agri-food sector	—	-50.0	-50.0	-50.0	-50.0	-50.0	-250.0
– Reducing the impact of farmland value increases	—	—	-15.0	—	—	—	-15.0
– Implementing initiatives to promote local purchasing	—	-2.0	-2.0	-2.0	-2.0	-2.0	-10.0
– Meeting food inspection and animal welfare needs	—	-2.0	-2.0	-2.0	-2.0	-2.0	-10.0
<b>Subtotal</b>	<b>-17.5</b>	<b>-103.0</b>	<b>-164.0</b>	<b>-124.8</b>	<b>-157.8</b>	<b>-148.1</b>	<b>-715.2</b>
<b>Fostering entrepreneurship and participation of young people in the economy</b>							
Supporting entrepreneurship and business financing							
– Assisting entrepreneurship support agencies	-4.0	-6.2	-6.1	-4.4	-4.5	-3.5	-28.7
– Supporting private equity funds	—	—	—	—	—	—	—
Encouraging employment and business succession							
– Four new campuses for the École des entrepreneurs du Québec	—	-1.0	-1.0	-1.0	-2.0	-2.0	-7.0
– Supporting bio-food training at Macdonald College	—	-0.5	-0.7	-0.8	-0.9	-1.0	-3.9
– Enhancing the Créneau carrefour jeunesse program	—	-2.0	-2.0	-2.0	-2.0	-2.0	-10.0
– Providing funding for Youth Employment Services Nunavik to implement the Créneau carrefour jeunesse program	—	-0.2	-0.2	-0.2	-0.2	-0.2	-1.0
– Investing in Place aux jeunes en région	—	-3.5	-3.5	-3.5	-3.5	-3.5	-17.5
– Québec initiative for youth entrepreneurial creativity in La Francophonie	—	-1.0	-1.1	-1.2	-1.3	—	-4.6
– Supporting the programs of the École d'entrepreneurship de Beauce	—	-0.2	-0.2	-0.2	-0.2	-0.2	-1.0
– Enhancing the local projects funding program	-1.0	—	—	—	—	—	-1.0
<b>Subtotal</b>	<b>-5.0</b>	<b>-14.6</b>	<b>-14.8</b>	<b>-13.3</b>	<b>-14.6</b>	<b>-12.4</b>	<b>-74.7</b>

TABLE D.30

**Financial impact of the initiatives to increase the potential of the economy**

(cont.)

(millions of dollars)

	2018- 2019 <sup>(1)</sup>	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
<b>Promoting culture</b>							
Encouraging cultural creativity							
– Stimulating cultural entrepreneurship	—	-6.5	-6.5	-6.5	-6.5	-6.5	-32.5
– Fostering original programming at Télé-Québec	—	-1.0	-2.0	-6.0	-8.0	-8.0	-25.0
– Supporting the music industry in the digital age	—	-3.0	-3.0	-3.0	-3.0	-3.0	-15.0
– Supporting a program for the upgrading of artist studios	—	—	—	-0.2	-0.5	-0.9	-1.6
Enriching culture within communities							
– Fostering access to cultural outings and enriching the content offered in school libraries	—	-15.0	-30.0	-30.0	-30.0	-30.0	-135.0
– Promoting the French language	—	-2.0	-2.0	-2.0	-2.0	-2.0	-10.0
– Supporting the print media sector with regard to the costs of recycling	-3.0	—	—	—	—	—	-3.0
Investing to enhance cultural and religious heritage							
– Enhancing Québec's cultural heritage	—	—	—	—	—	-23.5	-23.5
– Supporting and promoting conservation and enhancement of Québec's religious heritage	—	-5.0	-5.0	-5.0	-5.0	-5.0	-25.0
– Supporting museums	—	-3.0	-3.0	-3.0	-3.0	-3.0	-15.0
– Encouraging diversification of the revenues of state-owned cultural enterprises	—	-2.0	-2.0	-2.0	-2.0	-2.0	-10.0
<b>Subtotal</b>	<b>-3.0</b>	<b>-37.5</b>	<b>-53.5</b>	<b>-57.7</b>	<b>-60.0</b>	<b>-83.9</b>	<b>-295.6</b>
<b>Giving ourselves the means to perform better abroad</b>							
– Promoting research and innovation expertise abroad	—	-1.0	-1.4	-1.4	-1.4	-1.4	-6.6
– Investing in and diversifying promising markets	—	-1.0	-1.2	-1.2	-1.2	-1.2	-5.8
– Upgrading the professional skills of the diplomatic corps	—	-0.4	-0.9	-1.8	-1.8	-1.8	-6.7
<b>Subtotal</b>	<b>—</b>	<b>-2.4</b>	<b>-3.5</b>	<b>-4.4</b>	<b>-4.4</b>	<b>-4.4</b>	<b>-19.1</b>

TABLE D.30

**Financial impact of the initiatives to increase the potential of the economy**  
(cont.)  
(millions of dollars)

	2018- 2019 <sup>(1)</sup>	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
<b>Supporting Québec researchers</b>							
– Facilitating access to data for research purposes	—	-1.5	-1.5	-1.5	-1.5	-1.5	-7.5
– Renewing the subsidy for CIRANO	—	—	-2.0	-2.0	-2.1	—	-6.1
– Supporting economic research	—	-0.4	-0.6	-0.6	-0.6	-0.6	-2.8
– Providing funding for the Centre for Productivity and Prosperity of HEC Montréal	-1.5	—	—	—	—	—	-1.5
<b>Subtotal</b>	<b>-1.5</b>	<b>-1.9</b>	<b>-4.1</b>	<b>-4.1</b>	<b>-4.2</b>	<b>-2.1</b>	<b>-17.9</b>
<b>Ensuring tax fairness</b>	<b>—</b>	<b>-1.5</b>	<b>1.5</b>	<b>4.0</b>	<b>6.0</b>	<b>9.0</b>	<b>19.0</b>
<b>TOTAL – INCREASING THE POTENTIAL OF THE ECONOMY</b>	<b>-356.6</b>	<b>-504.6</b>	<b>-678.6</b>	<b>-703.0</b>	<b>-738.3</b>	<b>-708.8</b>	<b>-3 689.9</b>

Note: A negative amount indicates a cost for the government.

(1) The amounts for 2018-2019 will be drawn from the sums that become available during the course of the fiscal year.



# Section E

## ACTING FOR THE ENVIRONMENT

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## SUMMARY

Budget 2019-2020 provides \$1 276 million in funding over six years to take meaningful action on the environment in the medium and long terms. The new measures are in addition to the public transit efforts and the measures already in place to foster government action on the environment.

More specifically, Budget 2019-2020 includes:

- \$1 050 million primarily to enhance initiatives under the 2013-2020 Climate Change Action Plan;
- \$126 million to protect the environment, including measures relating to public dams and forest fire fighting;
- \$100 million to improve the management of residual materials, such as plastic and glass.

TABLE E.1

### Financial impact of the measures to act for the environment

(millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Fight against climate change	—	-376.3	-438.0	-91.4	-73.6	-70.5	-1 049.8
Environmental protection	-50.7	-12.4	-23.0	-20.6	-17.2	-1.8	-125.7
Residual materials management	—	-6.2	-30.1	-25.5	-22.2	-16.0	-100.0
<b>TOTAL</b>	<b>-50.7</b>	<b>-394.9</b>	<b>-491.1</b>	<b>-137.5</b>	<b>-113.0</b>	<b>-88.3</b>	<b>-1 275.5</b>



# 1. FIGHT AGAINST CLIMATE CHANGE

Québec's climate change action plan is being enhanced to the tune of \$1 billion using the sums available in the Green Fund.

This enhancement is a transitional step toward preparing the next government action plan, which will include a review of Québec's approach to fighting climate change.

The aim of the enhancement of the 2013-2020 Climate Change Action Plan is to:

- encourage sustainable transportation, particularly the purchase of electric vehicles;
- support businesses, especially large industrial businesses subject to the carbon market, in their energy transition process;
- facilitate adaptation to climate change impacts;
- support other climate change measures, particularly in the forest sector.

The funding will come out of higher-than-expected revenues from the sale of greenhouse gas (GHG) emission allowances on the carbon market and measures under the 2013-2020 Climate Change Action Plan related to projects that could not be implemented or whose funding was reviewed.

TABLE E.2

## Financial impact of the measures to fight climate change (millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Encouraging sustainable transportation	-173.8	-291.5	—	—	—	-465.3
Supporting businesses in their energy transition process	-165.5	-102.6	-55.8	-43.0	-43.0	-409.9
Adapting to climate change impacts	-22.4	-20.1	-13.7	-8.1	-5.0	-69.3
Other climate change measures	-14.6	-23.8	-21.9	-22.5	-22.5	-105.3
<b>TOTAL</b>	<b>-376.3</b>	<b>-438.0</b>	<b>-91.4</b>	<b>-73.6</b>	<b>-70.5</b>	<b>-1 049.8</b>

## 1.1 Québec's strategy for fighting climate change

Climate change disrupts ecosystems and impacts quality of life, health, infrastructure and the economy, among other things.

— All societies need to work together to meet the climate challenge so as to limit the impacts of climate change on quality of life and safeguard the environment they bequeath to future generations.

To that end, Québec has adopted ambitious GHG emission reduction targets that are consistent with scientific recommendations and international commitments.

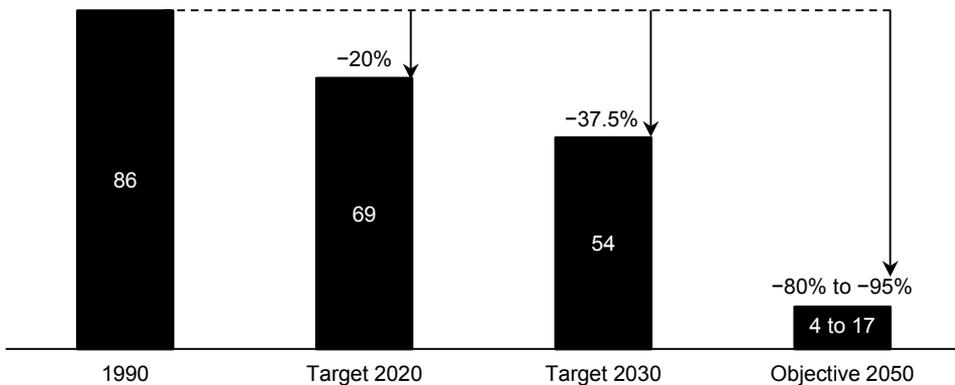
— Québec's 2020 and 2030 targets are to reduce GHG emissions by 20% and 37.5%, respectively, relative to the 1990 level.

— Declaring itself bound by the Paris Agreement, Québec committed to, among other things, helping to limit global warming to no more than 2°C above pre-industrial levels.

— In addition, alongside numerous state governments and partner countries, Québec signed the Global Climate Leadership Memorandum of Understanding, which aims to reduce emissions by 80% to 95% below 1990 levels by 2050.

CHART E.1

### Québec's GHG emissions in 1990 and reduction targets (million tonnes of CO<sub>2</sub> equivalent, unless otherwise indicated)



Source: Ministère de l'Environnement et de la Lutte contre les changements climatiques.

## ❑ Québec's actions to fight climate change

Québec established an approach to fighting climate change that hinges on two main tools, namely:

- a cap-and-trade system for greenhouse gas emission allowances (henceforth “GHG emissions cap-and-trade system”),<sup>1</sup> which places a price on carbon pollution;
  - Under the system, businesses, households and public institutions whose activities emit GHGs are required to pay for the carbon pollution they produce (“polluter pay” principle), which provides an incentive to reduce their emissions.
- full reinvestment of the revenue from that system in funding measures to fight climate change (climate change action plans) through the Green Fund.
  - One of the objectives of the measures is to financially support households and businesses in their efforts to reduce their GHG emissions.

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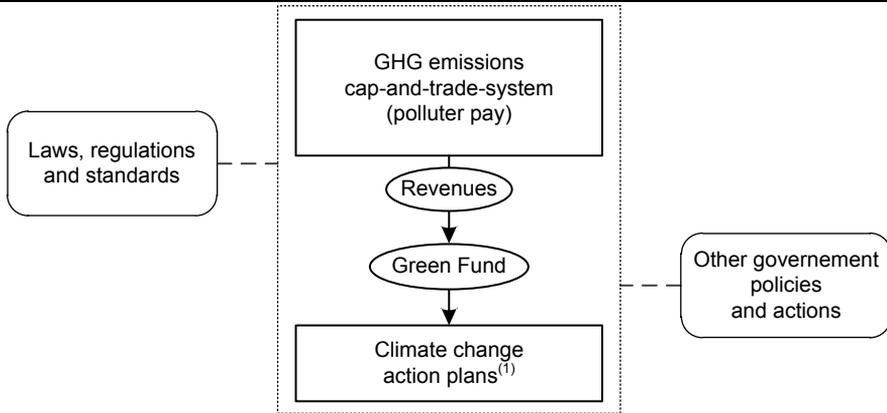
<sup>1</sup> See Appendix for an explanation of how Québec’s GHG emissions cap-and-trade system works.

Other levers employed by the government also help fight climate change, in particular:

- standards, laws and regulations, such as the zero-emission vehicle standard<sup>2</sup> and the *Regulation respecting halocarbons*;<sup>3</sup>
- government policies and actions, such as various transportation action plans, residual materials management policies as well as different government policy directions in land use planning.

ILLUSTRATION E.1

**Québec's actions to fight climate change**



(1) Fifteen government departments and bodies participate directly in the 2013-2020 Climate Change Action Plan's implementation, including Transition énergétique Québec, the Ministère des Transports and the Ministère de l'Environnement et de la Lutte contre les changements climatiques.

Source: Ministère des Finances du Québec.

<sup>2</sup> The zero-emission vehicle standard motivates manufacturers and dealers to make more electric vehicles available to Québec consumers.

<sup>3</sup> Halocarbons comprise all ozone-depleting substances and replacement substances. They are used in, for example, refrigeration and air conditioning units.

## ❑ **Pricing and capping of pollution to encourage households and businesses to reduce their GHG emissions**

Like several other governments, Québec established a system in which households, businesses and public institutions that emit GHGs have to pay for the pollution they produce.

- The objective of the system is to promote low-carbon behaviours by factoring the cost of GHG pollution into the price of goods and services produced and consumed.
- Québec and California linked their respective carbon trading systems so that they could work together to meet their GHG reduction targets effectively and at lower cost.

### ■ **The cap-and-trade system: the best way to reduce GHG emissions**

Under the cap-and-trade system, the government sets a limit on the amount of GHG pollution sectors covered by the system are allowed to produce.

- Each year, the limit (emission cap) is lower, resulting in a reduction in GHG emissions.

The cap-and-trade system functions like a market, with a supply and demand for pollution rights (allowances).

- Governments issue allowances giving the right to emit a certain amount of GHGs. This emission allowance supply reflects the annual emission caps.
- The demand reflects households' and businesses' GHG emissions reduction efforts and costs as well as their preferences.

As with any market, the price is determined by the interaction of supply and demand.

- In the specific case of the carbon market, the harder and costlier it is for households and businesses to reduce their emissions, the higher the demand for pollution rights and the higher the price on pollution.
- An increase in the price on pollution will have various effects, which will lower emission levels. For example, a price increase could:
  - provide an incentive for businesses to take steps to reduce their GHG emissions if it enables them to lower their pollution costs and improve their profit margin;
  - provide an incentive for households to change their vehicle for a more energy-efficient model or use public transit.

## ❑ Reduction of 20% relative to the 1990 level

The 2020 target corresponds to a 20% reduction in GHG emissions relative to the 1990 level of 86 million tonnes of CO<sub>2</sub> equivalent.

It represents a target emission level of 69 million tonnes of CO<sub>2</sub> equivalent in 2020 and a net reduction of 17 million tonnes of CO<sub>2</sub> equivalent relative to the 1990 level.

— However, the actual GHG emissions reduction effort required is higher than the net reduction because it also has to offset the increase in GHG emissions associated with economic growth during the target period, among other things.

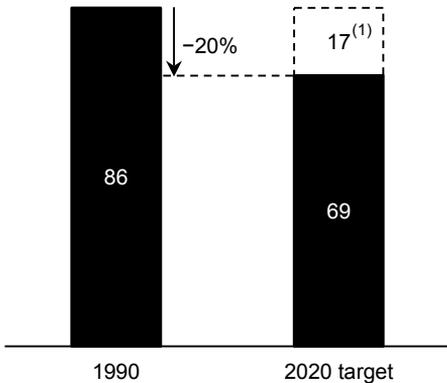
Furthermore, the reduction applies to all GHG emissions, regardless of whether they are priced.

— According to the 2016 inventory of GHG emissions in Québec, 82% of emissions are generated by sectors largely covered by the cap-and-trade system.

CHART E.2

### GHG emissions in 1990 and 2020 reduction target

(million tonnes of CO<sub>2</sub> equivalent, unless otherwise indicated)



(1) This is in addition to the efforts needed to offset the impact of economic growth.

Sources: Ministère de l'Environnement et de la Lutte contre les changements climatiques and Ministère des Finances du Québec.

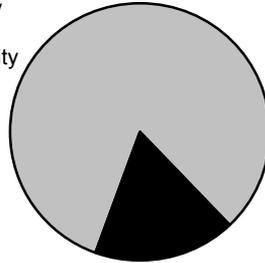
CHART E.3

### GHG emissions from sectors covered and not covered by the cap-and-trade system, 2016

(per cent)

Sectors covered (82% of emissions):

- Transportation (except air and marine)
- Industry
- Heating
- Electricity



Sectors not covered

(18% of emissions):

- Agriculture
- Waste
- Transportation (air and marine)

Sources: Ministère de l'Environnement et de la Lutte contre les changements climatiques and Ministère des Finances du Québec.

## ❑ 9% reduction in GHG emissions between 1990 and 2016

According to the most recent inventory, Québec's GHG emission level declined by 9% between 1990 and 2016, despite a 22% increase in emissions from the transportation sector.

- The increase in the transportation sector flows from greater use of trucking to transport goods, as well as economic and population growth, higher household income and consumer preferences, which had an impact on travel, number of vehicles per capita and vehicle choices.

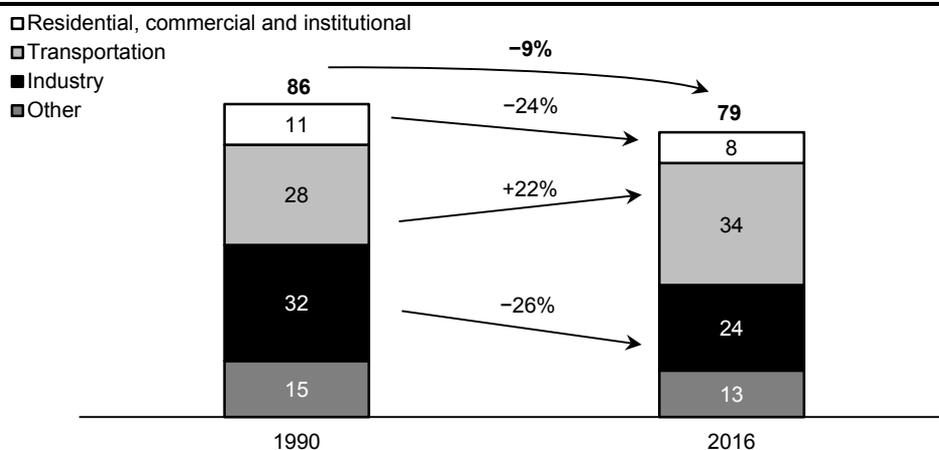
The increase in emissions from transportation was offset by:

- a 26% reduction in industrial emissions;
  - The economic transformation between 1990 and 2016 is reflected in the replacement of polluting factories and processes, an increasing use of cleaner energy sources, and efficiency gains and adjustments in production, among other things.
- a 24% reduction in emissions from residential, commercial and institutional buildings.

CHART E.4

### Changes in Québec's GHG emissions – 1990 to 2016

(million tonnes of CO<sub>2</sub> equivalent, unless otherwise indicated)



Sources: Ministère de l'Environnement et de la Lutte contre les changements climatiques and Ministère des Finances du Québec.

## Lowest GHG emissions per capita in Canada

Québec's GHG emissions per capita are lower than the Canadian and North American averages.

- In 2016,<sup>1</sup> Québec had the lowest GHG emissions per capita of the Canadian provinces and territories, at 9.6 tonnes of CO<sub>2</sub> equivalent per capita, compared to the Canadian average of 19.4 tonnes of CO<sub>2</sub> equivalent per capita.
- Québec's ranking is largely due to the importance of hydroelectricity as a source of power generation and a driver of economic growth.

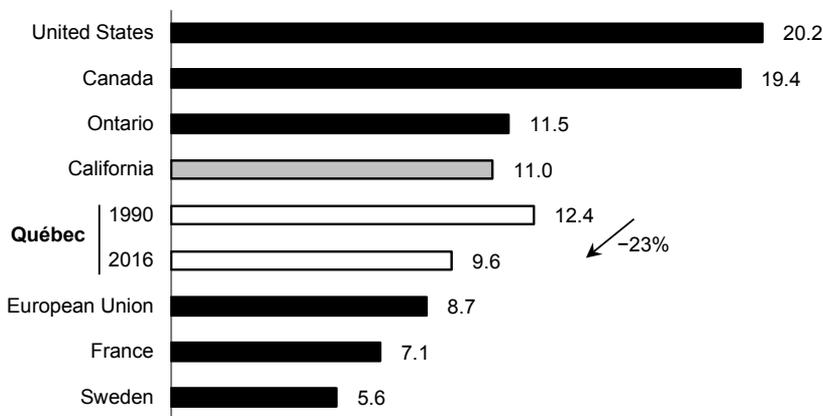
### 23% reduction in Québec's GHG emissions per capita since 1990

Québec's per capita GHG emissions decreased 23% from 1990 to 2016. The reduction is due primarily to:

- the 24% reduction in GHG emissions from residential, commercial and institutional buildings;
- the significant reductions (–26%) achieved in the industrial sector since 1990, notably due to energy efficiency gains, greater use of cleaner energy sources (e.g. hydroelectricity and natural gas), improvements in production processes and adjustments in production.

### Comparison of GHG emissions in selected jurisdictions

(tonnes of CO<sub>2</sub> equivalent per capita, 2016 unless otherwise indicated)



Sources: Statistics Canada, Environment and Climate Change Canada, Eurostat, California Air Resources Board, United States Census Bureau, United States Environmental Protection Agency, Ministère de l'Environnement et de la Lutte contre les changements climatiques and Ministère des Finances du Québec.

<sup>1</sup> The most recent information available.

## ❑ Review of the approach to fighting climate change

Québec has set ambitious targets for reducing its GHG emissions. The goal is to reduce emissions by 20% in 2020 relative to the 1990 level, and by 37.5% in 2030.

In the coming year, the government will unveil an enhanced approach that will make it possible to:

- target the most effective means for both fighting and adapting to climate change;
- seize economic development and technological innovation opportunities that will increase Québec's ability to combat climate change;
- reflect the reality of Québec, which has the lowest GHG emissions per capita in Canada owing to the prominent role played by hydroelectricity.

The unveiling of the enhanced approach will also provide an opportunity to lighten the current governance structure for the fight against climate change.

The goal of the review will be to ensure rapid implementation of the initiatives funded by the substantial sums in the Green Fund generated by Québec's GHG emissions cap-and-trade system and reposition the Minister of the Environment and the Fight Against Climate Change in the government's environmental actions.

## A governance structure in need of streamlining

The Conseil de gestion du Fonds vert was established in 2017 to improve the governance of the Green Fund and the transparency of monitoring and assessing the measures financed by the fund.

The difficulties encountered in determining the roles of each player involved in management of the Green Fund has resulted in the overlapping of certain responsibilities and cumbersome processes. In some instances, the departments and bodies concerned have to deal with the Ministère de l'Environnement et de la Lutte contre les changements climatiques (MELCC) and the Conseil de gestion du Fonds vert.

The method of governance has also led to confusion between management and monitoring of the Green Fund and management and monitoring of the 2013-2020 Climate Change Action Plan (2013-2020 CCAP), whose implementation and coordination is under the purview of the Minister of the Environment and the Fight Against Climate Change. This has resulted in delays in the approval and implementation of measures as well as less flexibility in government action.

- For example, to get a program approved, the department or body concerned has to get an opinion from both the Conseil de gestion du Fonds vert and the MELCC, in addition to the normal authorizations.
  - Following their respective reviews, both bodies make a recommendation to the Minister of the Environment and the Fight Against Climate Change as to whether or not the program should be approved.
  - Similarly, in the case of reallocation of sums between programs administered by a given partner, the partner obtains approval from both the Conseil de gestion du Fonds vert and the Minister of the Environment and the Fight Against Climate Change. A reallocation of sums also entails an amendment to the agreement between the partner and the Conseil de gestion du Fonds vert.
- Furthermore, a funding increase for certain measures, a reallocation of sums under the 2013-2020 CCAP or even a new measure requires an order in council made by Cabinet on joint recommendation by the Minister of the Environment and the Fight Against Climate Change and the Minister of Finance. However, the ministers first obtain the Conseil de gestion du Fonds vert's opinion on all of the amendments to the 2013-2020 CCAP.
  - The administrative agreements between the Conseil de gestion du Fonds vert and the partners concerned are subsequently amended.
- In addition, a department or body responsible for measures in the 2013-2020 CCAP reports on the measures to both the Conseil de gestion du Fonds vert and the MELCC, leading to a duplication of tasks.
  - For example, the department or body is required to submit to the Conseil de gestion du Fonds vert, twice a year and for each measure, records containing information on the financing and progress of measures, as well as the reduction in GHG emissions, if applicable, for the purposes of preparing the Green Fund's accounts. They have to do same thing with the MELCC for the purposes of government coordination and preparation of financial forecasts.

## 1.2 Encouraging sustainable transportation

Enhancing the 2013-2020 Climate Change Action Plan will maximize GHG emission reductions across Québec. A significant portion of the funding will thus go to the transportation sector, whose GHG emissions rose by 22% between 1990 and 2016.

Budget 2019-2020 provides \$465 million in funding over two years to encourage sustainable transportation through:

- extension of the Drive Green program;
- additional funding to promote alternative forms of transportation;
- funding for measures to foster transportation electrification.

TABLE E.3

### Financial impact of the measures to encourage sustainable transportation (millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
<b>Extension of the Drive Green program<sup>(1)</sup></b>	<b>-156.3</b>	<b>-277.5</b>	—	—	—	<b>-433.8</b>
<b>Promotion of alternative forms of transportation</b>						
– Active transportation in urban areas <sup>(2)</sup>	-10.0	-6.0	—	—	—	-16.0
– Support for the development of new mobility services <sup>(3)</sup>	-5.0	-5.0	—	—	—	-10.0
<b>Subtotal</b>	<b>-15.0</b>	<b>-11.0</b>	—	—	—	<b>-26.0</b>
<b>Fostering of transportation electrification</b>						
– Vehicle charging infrastructure pilot project <sup>(1)</sup>	-0.5	-0.5	—	—	—	-1.0
– Driving school electrification pilot project <sup>(3)</sup>	-2.0	-2.5	—	—	—	-4.5
<b>Subtotal</b>	<b>-2.5</b>	<b>-3.0</b>	—	—	—	<b>-5.5</b>
<b>TOTAL</b>	<b>-173.8</b>	<b>-291.5</b>	—	—	—	<b>-465.3</b>

Note: The necessary sums will be drawn from the Green Fund.

(1) This measure is administered by Transition énergétique Québec.

(2) The sums will be transferred to the Land Transportation Network Fund.

(3) This measure is administered by the Ministère des Transports.

## 1.2.1 Extension of the Drive Green program

Budget 2019-2020 includes the following initiatives in respect of the Drive Green program:

- funding for rebates on the purchase of new electric vehicles<sup>4</sup> in 2019-2020 and 2020-2021;
- broadening of the program to include used all-electric vehicles;
- a review, starting in 2020-2021, of the maximum value of vehicles giving entitlement to a rebate;
- increase in the funding for workplace charging stations.

The \$433.8 million<sup>5</sup> in additional funding should contribute to the purchase of around 66 000 electric vehicles and the installation of nearly 27 500 home charging stations and over 1 200 workplace charging stations.

The government will determine the terms and conditions of the program beyond March 31, 2021 in the next climate change action plan.

TABLE E.4

### Financial impact of the measures to extend the Drive Green program (millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Funding for rebates on the purchase of new electric vehicles	-146.8	-262.1	—	—	—	-408.9
Broadening of the program to include used all-electric vehicles	-8.7	-13.0	—	—	—	-21.7
Funding for workplace charging stations	-0.8	-2.4	—	—	—	-3.2
<b>TOTAL</b>	<b>-156.3</b>	<b>-277.5</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>-433.8</b>

<sup>4</sup> Eligible vehicles include all-electric vehicles, plug-in hybrid vehicles, fuel cell (hydrogen-powered) vehicles, low-speed electric vehicles, electric motorcycles and limited-speed electric motorcycles.

<sup>5</sup> Including these investments, \$755.7 million in rebates will have been paid under the 2013-2020 Climate Change Action Plan for the Drive Green program.

## Broadening of the Drive Green program to include used all-electric vehicles

Owing to the positive findings of an independent analysis and the popularity of the pilot project to promote the purchase of used electric vehicles, used all-electric vehicles will now be covered by the Drive Green program.

Accordingly, the government is allocating a total of \$21.7 million in funding in 2019-2020 and 2020-2021 to encourage the purchase of used all-electric vehicles.

## Review of the rebate eligibility requirements under the Drive Green program

As of 2020-2021, the Drive Green program will be reviewed in order to:

- eliminate the \$3 000 rebate currently offered in respect of vehicles on which the manufacturer's suggested retail price is between \$75 000 and \$125 000;
- lower the maximum manufacturer's suggested retail price of an electric vehicle giving entitlement to the \$8 000 rebate on the purchase of such vehicle from \$75 000 to \$60 000.

TABLE E.5

### Review of the eligibility requirements for the maximum rebate under the Drive Green program (dollars)

Manufacturer's suggested retail price	New vehicles		Used vehicles	
	2019-2020	2020-2021	2019-2020	2020-2021
Under \$60 000	8 000	8 000	4 000	4 000
\$60 000 to \$75 000	8 000	—	4 000	—
\$75 000 to \$125 000 <sup>(1)</sup>	3 000	—	1 500	—
\$125 000 and over	—	—	—	—

(1) Rebates do not apply to hybrid rechargeable vehicles.

The government is allocating \$408.9 million over two years to ensure funding for rebates on the purchase of new electric vehicles and for the installation of home charging stations in 2019-2020 and 2020-2021.

## Rebate for the installation of workplace charging stations

To facilitate the use of electric vehicles, \$3.2 million in additional funding is being provided to cover rebate applications in respect of workplace charging stations in 2019-2020 and 2020-2021.

## 1.2.2 Promotion of alternative forms of transportation

### Active transportation in urban areas

The financial assistance program for the development of active transportation in urban perimeters is designed to support municipalities in developing bicycle and shared bicycle/walking paths, including footbridges and projects to calm traffic in school routes.

To further encourage the development of cycling and pedestrian infrastructure, the government will increase the funding for active transportation in urban areas by \$16 million over two years. This initiative will motivate Quebecers to use their bicycles or walk rather than use their cars and ensure a safer experience.

### Support for the development of new mobility services

The development of new mobility services, which is part of the Sustainable Mobility Policy - 2030, aims to offer users optimum transportation solutions that complement traditional transportation modes (solo driving, public transit, taxi, bicycle and on foot).

The government is investing \$10 million over two years to enhance this program and expand interconnected multimodal services, such as carpooling, self-service cars, shared bicycles and taxibus.

## 1.2.3 Fostering of transportation electrification

### Vehicle charging infrastructure pilot project

The government will fund pilot projects to test charging infrastructure in the electric vehicle fleet. These projects will enable the government to identify technical and operational challenges before installing infrastructure on a larger scale and to address user needs.

— The government is announcing that \$1 million will be invested in this program over two years.

### Driving school electrification pilot project

The 2013-2020 Climate Change Action Plan will receive an injection of \$4.5 million over two years to enable a pilot project for reducing GHG emissions while fostering driving school industry's transition to electric vehicles. Using such vehicles for driving lessons will also enable schools to raise first-time drivers' awareness about green vehicles.

The two-year pilot project will be carried out in some 30 driving schools in various regions of Québec.

### **Continued support for green renovations and more energy-efficient homes**

To reduce Québec households' energy consumption and foster the use of renewable energy sources, the government is maintaining a number of green construction and renovation programs for high-energy-performance homes, namely:

- the Chauffez vert program, which grants homeowners financial assistance for the replacement of fossil-fuel heating systems with systems that use electricity or other renewable sources of energy;
- the Rénoclimat program, which grants financial assistance for insulation work or work affecting the airtightness of a home, replacement of windows and doors, and installation and replacement of mechanical systems to reduce energy consumption in homes;
- the Novoclimat program, which grants financial assistance for the construction of homes that offer energy performance that exceeds the norms in effect;
- the Éconologis program, which offers free advice to low-income households to help them make their homes more energy efficient.

For the period 2018 to 2023, \$330 million<sup>1</sup> in funding will be earmarked for improving energy use in the residential sector.

- The Rénoclimat, Novoclimat and Éconologis programs are administered by Transition énergétique Québec and funded by the annual share.<sup>2</sup> The Chauffez vert program is also administered by Transition énergétique Québec, but is financed by the Green Fund.

In addition, in order to improve housing in rundown residential areas and financially support low- and modest-income homeowners whose dwelling requires major repairs, the government will invest over \$87 million to renew the Rénovation Québec and RénoRégion programs in the coming years.

1 2018-2023 energy transition, innovation and efficiency master plan, Transition énergétique Québec.

2 Energy distributors pay an annual share to Transition énergétique Québec in the form of royalties, which are used to fund energy-efficiency measures.

### 1.3 Supporting businesses in their energy transition process

To promote energy transition among businesses, the government is announcing \$410 million in funding over the next five fiscal years, as follows:

- \$30.0 million for the Technoclimat program;
- \$27.7 million for the ÉcoPerformance program;
- \$30.0 million for the Biomasse forestière résiduelle program;
- \$319.8 million in measures to support large industrial businesses;
- \$2.4 million to support industry-university research in biofuels and bioproducts.

TABLE E.6

**Financial impact of the measures to support businesses in their energy transition process**  
(millions of dollars)

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	Total
Technoclimat <sup>(1)</sup>	-22.0	-8.0	—	—	—	-30.0
ÉcoPerformance <sup>(1)</sup>	-17.7	-10.0	—	—	—	-27.7
Biomasse forestière résiduelle <sup>(1)</sup>	-15.0	-15.0	—	—	—	-30.0
<b>Support for large industrial businesses</b>						
– Introduction of a component for larger projects under the Technoclimat program <sup>(1)</sup>	-15.0	-15.0	—	—	—	-30.0
– Introduction of a component for large industrial projects under the ÉcoPerformance program <sup>(1)</sup>	-30.0	-33.8	-20.0	-8.0	-8.0	-99.8
– Implementation of new support measures for large industrial businesses	-65.0	-20.0	-35.0	-35.0	-35.0	-190.0
<b>Subtotal</b>	<b>-110.0</b>	<b>-68.8</b>	<b>-55.0</b>	<b>-43.0</b>	<b>-43.0</b>	<b>-319.8</b>
Support for industry-university research in biofuels and bioproducts <sup>(2)</sup>	-0.8	-0.8	-0.8	—	—	-2.4
<b>TOTAL</b>	<b>-165.5</b>	<b>-102.6</b>	<b>-55.8</b>	<b>-43.0</b>	<b>-43.0</b>	<b>-409.9</b>

Note: The necessary sums will be drawn from the Green Fund.

(1) This measure is administered by Transition énergétique Québec.

(2) This measure is administered by the Ministère de l'Énergie et des Ressources naturelles.

### 1.3.1 Enhancement of the Technoclimat program

The Technoclimat program provides financial assistance for developers wishing to show the potential of innovative technology in energy efficiency, renewable energy or bioenergy production and GHG emissions reduction.

— It also provides support for testing such technologies that are not available or have limited availability on the Québec market.

To support more innovative projects, the government plans to invest \$30 million in this program over two years.

### 1.3.2 Enhancement of the ÉcoPerformance program

The ÉcoPerformance program provides financial assistance for projects implementing energy efficiency and conversion measures to reduce GHG emissions and energy consumption of businesses, institutions and municipalities.

The program contributes to industry's transition to a low-carbon economy, thereby improving Québec's energy and environmental performance.

To further support projects that should improve Québec's energy and environmental performance, the government plans to invest \$27.7 million in this program over two years.

### 1.3.3 Enhancement of the Biomasse forestière résiduelle program

The Biomasse forestière résiduelle program is intended to support energy production from residual forest biomass.

— The program offers financial support to businesses, institutions and municipalities for forest biomass conversion projects.

To reduce consumption of petroleum products in favour of renewable energies, the government plans to invest \$30 million in this program over two years.

In addition to contributing substantially to Québec's energy transition, the sustainable recovery of residual forest biomass will help support and diversify regional industrial sectors.

### 1.3.4 Support for large industrial businesses

The industrial sector accounts for more than 30% of Québec's GHG emissions, making it an important partner in achieving GHG emissions reduction targets.

- There is considerable potential for reducing GHG emissions in this sector, but the associated costs to businesses can be substantial.
- Large industrial businesses operate in a global context. They must receive assistance to seize the opportunities afforded by the fight against climate change and limit its impact on their competitiveness.

To reduce the industrial sector's GHG emissions, the government is taking immediate action and announcing \$320 million in funding for the:

- introduction, under the Technoclimat program, of a component for larger projects;
- introduction, under the ÉcoPerformance program, of a component for large industrial projects;
- examination and implementation of support measures adapted to the needs and challenges of large industrial businesses.

#### Introduction of a component for larger projects under the Technoclimat program

Many technological innovation projects in the industrial sector could require that technology demonstrations be carried out, such as the construction of pilot plants, whose costs exceed current eligibility thresholds for the Technoclimat program. To support these larger innovative projects and assist industrial businesses, the government is announcing that \$30 million will be invested over two years to fund a new component of the Technoclimat program.

Details on the new component will be announced at a later date by Transition énergétique Québec.

#### Introduction of a component for large industrial projects under the ÉcoPerformance program

Budget 2019-2020 provides nearly \$100 million over five years for a new component of the ÉcoPerformance program to support large industrial projects that do not meet the program's current eligibility criteria. Under this new component, \$45 million is being allocated to enable energy conversion by large industrial consumers of petroleum products that could benefit from the logistics for supplying the Côte-Nord with liquefied natural gas.

Details on the new component will be announced at a later date by Transition énergétique Québec.

## ❑ **Examination and implementation of support measures for large industrial businesses**

Support for large industrial businesses must be flexible and adapted to their realities, and take many forms, as the challenge posed by climate change demands innovation.

In this respect, an interdepartmental committee<sup>6</sup> is working to determine the best measures for supporting large industrial businesses in their transition toward a low-carbon economy.

A number of measures are being examined and some of them could, for example, be in the form of:

- an intervention group to provide large industrial businesses with personalized assistance in determining support and emission-reduction measures adapted to their needs;
  - This will make it possible to combat climate change and strengthen the competitiveness of businesses.
- a call for projects, open to large industrial businesses, inviting them to propose GHG emissions reduction projects, which do not meet the criteria of the current programs.

To that end, the government is announcing that it will set aside \$190 million to begin implementing support measures that match the needs of large industrial businesses.

### **1.3.5 Support for industry-university research in biofuels and bioproducts**

The government is announcing that \$2.4 million will be invested over the next three years for industry-university research in biofuels and bioproducts.

This measure, which was introduced in 2007-2008, will enable the government to continue the financial support provided to the Industrial Research Chair on Cellulosic Ethanol and Biocommodities at the Université de Sherbrooke.

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<sup>6</sup> The committee is composed of representatives of the Ministère de l'Économie et de l'Innovation, the Ministère de l'Environnement et de la Lutte contre les changements climatiques, the Ministère des Forêts, de la Faune et des Parcs, the Ministère de l'Énergie et des Ressources naturelles, the Ministère des Finances du Québec, Transition énergétique Québec, the Conseil de gestion du Fonds vert and the Société du Plan Nord.

## 1.4 Adapting to climate change impacts

To help Québec adapt to and deal with the impacts of climate change, the government will invest:

- \$21.1 million in adaptation measures for municipalities and living environments;
- \$10.3 million to enhance Québec's Action-Climate program;
- \$20.1 million to develop knowledge for reinforcing adaptation to climate change;
- \$17.8 million to increase the government's climate expertise.

TABLE E.7

### Financial impact of the climate change adaptation measures (millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
<b>Adapting municipalities and living environments</b>						
– Support for municipalities in implementing disaster prevention initiatives <sup>(1)</sup>	-1.0	-0.5	-0.7	—	—	-2.2
– Continuation of greening to reduce the health impact of urban heat islands <sup>(2)</sup>	-5.0	-3.0	-2.0	—	—	-10.0
– Interventions and studies to reduce the health impact of climate change <sup>(2)</sup>	-1.6	-0.7	-0.1	—	—	-2.4
– Strengthening of the ability to assess the vulnerability of drinking water sources to climate change and to predict flooding <sup>(3)</sup>	-2.5	-4.0	—	—	—	-6.5
<b>Subtotal</b>	<b>-10.1</b>	<b>-8.2</b>	<b>-2.8</b>	<b>—</b>	<b>—</b>	<b>-21.1</b>
Enhancing Québec's Action-Climate program <sup>(3)</sup>	-2.5	—	-0.3	-4.1	-3.4	-10.3
<b>Developing knowledge to reinforce climate change adaptation</b>						
– Permafrost research <sup>(3)</sup>	-0.3	-0.3	-0.3	-0.3	-0.3	-1.5
– Climate simulation – Centre pour l'étude et la simulation du climat à l'échelle régionale <sup>(3)</sup>	-0.3	-0.3	-0.3	-0.3	-0.3	-1.5
– Air quality, climate change and health <sup>(3)</sup>	-1.0	-1.0	-1.0	-1.0	-1.0	-5.0
– International Climate Cooperation Program <sup>(3)</sup>	-2.9	-3.4	-3.7	-2.1	—	-12.1
<b>Subtotal</b>	<b>-4.5</b>	<b>-5.0</b>	<b>-5.3</b>	<b>-3.7</b>	<b>-1.6</b>	<b>-20.1</b>
Climate expertise	-5.3	-6.9	-5.3	-0.3	—	-17.8
<b>TOTAL</b>	<b>-22.4</b>	<b>-20.1</b>	<b>-13.7</b>	<b>-8.1</b>	<b>-5.0</b>	<b>-69.3</b>

Note: The necessary sums will be drawn from the Green Fund.

(1) This measure is administered by the Ministère de la Sécurité publique.

(2) This measure is administered by the Ministère de la Santé et des Services sociaux.

(3) This measure is administered by the Ministère de l'Environnement et de la Lutte contre les changements climatiques.

## 1.4.1 Adaptation, health of communities and cooperation

### Adapting municipalities and living environments

The government is acting to help municipalities and living environments adapt to climate change. To that end, \$21.1 million will be invested as follows:

- \$2.2 million over three years for carrying out more projects for reducing the risks associated with extreme climate events faced by municipalities, such as shoreline erosion and flooding;
- \$10.0 million over three years to, among other things, extend the project to reduce heat islands on the island of Montréal, update the mapping of Québec's heat islands and continue supporting initiatives to equip local stakeholders to carry out greening projects in living environments;
- \$2.4 million over three years to, in particular, continue implementing the automated telephone alert system for extreme heat waves and flooding, and assess health sector vulnerabilities to climate change impacts;
- \$6.5 million over two years to increase the availability of quality year-round data in real time on the watercourse runoff plan, and produce more accurate and a greater quantity of hydrological forecasts, particularly during spring floods.

### Enhancing Québec's Action-Climate program

Québec's Action-Climate program provides financial assistance for establishing strategic partnerships for fighting climate change. For example, this measure has funded projects to promote alternative forms of transportation and electric vehicles, projects to foster student awareness and mobilization with respect to climate change and energy-efficient retrofits.

The government is allocating a \$10.3-million enhancement to the program to support more calls for projects.

## ❑ **Developing knowledge to reinforce climate change adaptation**

To better document climate events, develop cutting-edge expertise and support the implementation of adaptation measures, the government is investing \$20.1 million, broken down as follows:

- \$1.5 million over five years to help create a research chair in permafrost at Université Laval, which will ensure the long-term development of expertise and continued implementation of adaptation solutions;
- \$1.5 million over five years to support the development of the regional climate model, consistent with the change in global models internationally, which will make it possible to obtain more accurate simulations of climate extremes in Québec;
- \$5.0 million over five years to support research projects dealing with air quality in relation to climate change and health;
- \$12.1 million over four years to support the International Climate Cooperation Program, which allows Québec businesses, non-profit organizations and research institutes to carry out projects internationally that are aimed at GHG emissions reduction and climate change adaptation in vulnerable French-speaking countries.

### **1.4.2 Climate expertise**

To increase climate expertise, \$17.8 million will be invested over four years to:

- develop knowledge to support decisions related to climate and energy, labour and economic impacts;
- strengthen the capacity for analyzing and processing information related to the carbon market to allow for adding eventual partners;
- improve modelling tools and develop new ones.

## 1.5 Other climate change measures

To allow for the recovery of organic matter, reduce halocarbons and promote silviculture, the government is earmarking \$105.3 million, broken down as follows:

- \$80.0 million for the forest sector, particularly to promote tree planting;
- \$1.1 million for buildings in northern regions;
- \$24.2 million for measures to recover organic matter and reduce halocarbons.

TABLE E.8

### Financial impact of the other climate change measures (millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
<b>Forest work</b>						
– Investments in silviculture <sup>(1)</sup>	-4.7	-11.4	-13.9	-22.5	-22.5	-75.0
– Development of a tool adapted to the reality of Québec's forest sector – BioGES <sup>(2)</sup>	-1.0	-1.0	-3.0	—	—	-5.0
<b>Subtotal</b>	<b>-5.7</b>	<b>-12.4</b>	<b>-16.9</b>	<b>-22.5</b>	<b>-22.5</b>	<b>-80.0</b>
Buildings in northern regions <sup>(3)</sup>	—	-1.1	—	—	—	-1.1
<b>Recovery of organic matter and halocarbon reduction</b>						
– Household and community composting assistance <sup>(4)</sup>	-2.0	-2.0	-1.0	—	—	-5.0
– Responsible recovery of old refrigerators and freezers, and regulations <sup>(4)</sup>	-0.9	-0.3	—	—	—	-1.2
– Support for bioenergy demonstration projects <sup>(5)</sup>	-6.0	-8.0	-4.0	—	—	-18.0
<b>Subtotal</b>	<b>-8.9</b>	<b>-10.3</b>	<b>-5.0</b>	<b>—</b>	<b>—</b>	<b>-24.2</b>
<b>TOTAL</b>	<b>-14.6</b>	<b>-23.8</b>	<b>-21.9</b>	<b>-22.5</b>	<b>-22.5</b>	<b>-105.3</b>

Note: The necessary sums will be drawn from the Green Funds.

(1) This measure is administered by the Ministère des Forêts, de la Faune et des Parcs.

(2) This measure is administered by the Ministère des Forêts, de la Faune et des Parcs in collaboration with the Ministère de l'Environnement et de la Lutte contre les changements climatiques.

(3) This measure is administered by Transition énergétique Québec.

(4) This measure is administered by the Ministère de l'Environnement et de la Lutte contre les changements climatiques.

(5) This measure is administered by the Ministère de l'Énergie et des Ressources naturelles.

### 1.5.1 Forest work

The government is announcing \$80 million in funding over the next five years for the forest sector to combat climate change.

For additional silviculture work, the sum of \$75 million over five years will be drawn from the Green Fund, in addition to the \$1 189 million already provided for in the government's financial framework. The silviculture work will increase the productivity of Québec's forests and thereby help reduce GHG in the long term through carbon sequestration.

Also, to optimize the Québec forest sector's contribution to the fight against climate change, funding of \$5 million over three years will be drawn from the Green Fund to develop knowledge and a tool to maximize the sector's GHG reduction potential.

The tool will be developed by FPInnovations and Québec universities. The Ministère des Forêts, de la Faune et des Parcs and the Ministère de l'Environnement et de la Lutte contre les changements climatiques will collaborate on the project.

### 1.5.2 Buildings in northern regions

The government is studying the energy performance of housing units in Nunavik exposed to harsh climatic conditions. The study will make it possible to establish measures to reduce fossil energy use in Nunavik's building stock and to propose and support actions that will improve the energy efficiency of buildings in northern regions.

The government is announcing that \$1.1 million will be injected to that end in the 2020-2021 fiscal year.

### 1.5.3 Recovery of organic matter and halocarbon reduction

#### **Enhancement and continuation of the household and community composting assistance program**

The household and community composting assistance program will be enhanced to encourage municipalities and communities to compost, which will help reduce GHG emissions caused by landfill and transportation of organic matter.

— The government is announcing that \$5 million will be invested in this program over three years.

#### ***Regulation respecting halocarbons* and responsible recovery of old refrigerators and freezers**

The 2013-2020 Climate Change Action Plan will be enhanced to allow the Ministère de l'Environnement et de la Lutte contre les changements climatiques to pursue its work related to halocarbon emissions reduction and the recovery program for household refrigerators and freezers.

— The government is announcing that \$1.2 million will be invested in these measures over two years.

#### **Support for bioenergy demonstration projects**

The 2013-2020 Climate Change Action Plan will be enhanced to support the development of new bioenergy technologies and find new outlets for using biomass coming from the industrial, agricultural and urban sectors.

— The government is announcing that \$18 million will be invested in this program over three years.



## 2. ENVIRONMENTAL PROTECTION

Québec benefits from a rich biodiversity and prized natural resources that, through their development, generate substantial economic and social benefits.

To allow future generations to benefit from this wealth, it is the government's responsibility to ensure it is protected and developed in a sustainable manner that respects the environment.

Budget 2019-2020 provides \$125.7 million in additional support for environmental protection.

TABLE E.9

### Financial impact of the environmental protection measures (millions of dollars)

	2018- 2019 <sup>(1)</sup>	2019- 2020-	2020- 2021-	2021- 2022-	2022- 2023-	2023- 2024-	Total
Encouraging environmental and social best practices in mining exploration	—	-0.1	-0.3	-0.4	-0.5	-0.6	-1.9
Inventorying abandoned or ownerless hydrocarbon wells in Québec <sup>(2),(3)</sup>	—	-2.0	-2.5	—	—	—	-4.5
Protecting woodland caribou populations and their habitats <sup>(3),(4)</sup>	—	-8.0	-19.0	-19.0	-15.5	—	-61.5
Maintaining Québec's forest fire response capacity <sup>(4)</sup>	-42.0	—	—	—	—	—	-42.0
Keeping public dams in good working order <sup>(2),(3),(5)</sup>	—	-1.2	-1.2	-1.2	-1.2	-1.2	-6.0
Supporting repair of the Coopérative de Consommation de l'île d'Anticosti fuel facilities <sup>(2),(3)</sup>	—	-1.1	—	—	—	—	-1.1
Supporting international cooperation for sustainable development and fighting climate change	-8.7	—	—	—	—	—	-8.7
<b>TOTAL</b>	<b>-50.7</b>	<b>-12.4</b>	<b>-23.0</b>	<b>-20.6</b>	<b>-17.2</b>	<b>-1.8</b>	<b>-125.7</b>

(1) The amounts for 2018-2019 will be drawn from budgetary resources made available during the fiscal year.

(2) Additional appropriations will be allocated to the Ministère de l'Énergie et des Ressources naturelles.

(3) The amounts for 2019-2020 will be drawn from the Contingency Fund.

(4) Additional appropriations will be allocated to the Ministère des Forêts, de la Faune et des Parcs.

(5) Investments of \$23 million will be provided in the 2019-2029 Québec Infrastructure Plan.

## **2.1 Encouraging environmental and social best practices in mining exploration**

Mining exploration leads to the discovery and, under certain conditions, development of mineral deposits. The adoption of practices that comply with the highest sustainable development standards will serve to boost this industry.

To that end, Budget 2019-2020 provides that the costs associated with obtaining and maintaining sustainable development certification will be deductible as an allowance under the mining tax regime in order to:

- encourage the application of the best environmental, social and economic practices in the mining exploration industry;
- improve the social acceptability of exploration projects and facilitate their access to funding.

Implementation of this measure represents financial assistance of nearly \$2 million over the next five years.

## **2.2 Inventorying abandoned or ownerless hydrocarbon wells in Québec**

To ensure the safety of people and property and protect the environment, and pursuant to the *Petroleum Resources Act*, the government is announcing an investment of \$4.5 million to inventory abandoned or ownerless hydrocarbon wells in Québec.

The inventory will make it possible to determine the exact location of wells, validate their status and carry out work on problematic wells.

## **2.3 Protecting woodland caribou populations and their habitats**

The government is making great efforts to protect woodland caribou populations and their habitats.

To step up its protection measures, the government plans to implement a management strategy for woodland caribou populations and their habitats.

To implement the strategy, Budget 2019-2020 is providing an additional \$61.5 million in funding over four years to:

- carry out forest management work to protect woodland caribou habitat;
- continue the caribou monitoring and management program;
- support companies that could be impacted by measures in the government's future strategy.

With these funds, Québec will be positioned to fulfil its responsibility to protect woodland caribou habitat.

The details of the strategy will be announced at a later date by the Minister of Forests, Wildlife and Parks.

## **2.4 Maintaining Québec's forest fire response capacity**

Depending on prevailing weather conditions, forest fires can have a major impact.

The Société de protection des forêts contre le feu (SOPFEU) is known for its efficiency and speed in responding to forest fires, mainly as a result of the water bombers at its disposal. Nonetheless, some components of the water bombers need to be upgraded to maintain their response capacity.

To maintain effective protection of forest land, communities and strategic infrastructure, an amount of \$42 million will be made available to modernize the water-bomber fleet at SOPFEU's disposal.

## **2.5 Keeping public dams in good working order**

The government must ensure that public dams are operational and sustainable in order to guarantee the safety of nearby infrastructure. Among other things, this requires that inspection and remedial work be carried out.

To that end, Budget 2019-2020 is allocating \$29 million for maintenance and any remedial measures needed to keep dams under the government's responsibility in good working order.

## **2.6 Supporting repair of the Coopérative de Consommation de l'île d'Anticosti fuel facilities**

The Coopérative de Consommation de l'île d'Anticosti is a social economy enterprise that includes the majority of Port-Menier residents and Île d'Anticosti businesses. The Coopérative's fuel facilities require major repair and maintenance work in the short term.

The government is providing \$1.1 million to support 70% of the work needed to restore the Coopérative's fuel facilities.

## **2.7 Supporting international cooperation for sustainable development and fighting climate change**

The impacts of sustainable development and the fight against climate change are not limited by national borders. The government wishes to deepen its contribution to international cooperation in these areas.

The government is therefore providing \$8.7 million primarily to diversify the export markets of Québec businesses, contribute to efforts for international solidarity and cooperation, and consolidate Québec's role in climate diplomacy.

### 3. IMPROVEMENT OF RESIDUAL MATERIALS MANAGEMENT

Québec produces approximately 13 million tonnes of residual materials annually. There is enormous potential for using those materials in manufacturing and energy production, among other applications. Nonetheless, Québec still faces significant challenges, particularly in the area of recycling materials such as plastic and glass.

The government will therefore allocate \$100 million over five years to implement measures not only to deal with these particular issues, but also to generate economic spinoffs for Québec.

This investment will make it possible to fund initiatives that will be included in the next action plan under the Québec Residual Materials Management Policy, and that will be announced during 2019.

TABLE E.10

#### Financial impact of the measures to improve residual materials management (millions de dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
<b>Supporting the reduction and responsible management of residual materials</b>						
– Modernizing recycling centres	-2.0	-6.0	-5.0	-5.0	-2.0	-20.0
– Ensuring the development of technological innovations and the creation of outlets	—	-6.0	-6.0	-4.0	-4.0	-20.0
– Making plastic producers accountable	-0.1	-2.1	-2.0	-2.0	-0.8	-7.0
– Encouraging environmentally friendly behaviour	—	-2.5	-2.5	-1.5	-1.0	-7.5
– Reducing the use of single-use products	—	-1.5	-1.5	-1.5	-1.0	-5.5
<b>Subtotal</b>	<b>-2.1</b>	<b>-18.1</b>	<b>-17.0</b>	<b>-14.0</b>	<b>-8.8</b>	<b>-60.0</b>
<b>Transformational action, including implementation of new recovery systems</b>	-1.9	-5.7	-4.5	-3.7	-4.2	-20.0
<b>Assisting remote communities</b>	-2.2	-6.3	-4.0	-4.5	-3.0	-20.0
<b>TOTAL</b>	<b>-6.2</b>	<b>-30.1</b>	<b>-25.5</b>	<b>-22.2</b>	<b>-16.0</b>	<b>-100.0</b>

Note: Additional appropriations totalling \$100 million for the period from 2019-2020 to 2023-2024 will be granted to the Ministère de l'Environnement et de la Lutte contre les changements climatiques. The amounts for 2019-2020 will be drawn from the Contingency Fund.

### 3.1 Supporting the reduction and responsible management of residual materials

Budget 2019-2020 is providing \$60 million over five years to optimize residual materials management by reducing plastic and glass pollution in particular.

#### Modernizing recycling centres

Recycling centres are facing major challenges. Modernizing these centres will improve Québec's recycling performance and stimulate a circular economy in local markets by optimizing the quality of recyclables such as plastic and glass. To that end, Budget 2019-2020 is providing \$20 million over five years to improve the performance of recycling centres.

Circular economy
<p>The circular economy is defined as a “production, exchange and consumption system that optimizes the use of resources at all stages of the life cycle of a good or service, in a circular logic, while reducing the environmental footprint and contributing to the well-being of individuals and communities.”</p> <ul style="list-style-type: none"><li>– Short and local loops are preferable. They create wealth by adding value to Québec's post-consumer materials and spurring local economies and jobs. Economic growth is therefore driven by the development of local, innovative and more resource-efficient businesses.</li></ul>

Source: RECYC-QUÉBEC.

#### Ensuring the development of technological innovations and the creation of outlets

Funding of technological innovations is intended to improve the collection, sorting, transporting and conditioning processes, making it possible to improve the quality of materials and create outlets for their resale. To that end, Budget 2019-2020 is providing \$20 million in assistance over four years.

#### Making plastic producers accountable

Plastic producers must be encouraged to market better products by considering environmental impacts at the design stage (eco-design) and giving their products longer life cycles. Budget 2019-2020 is providing \$7 million over five years to improve plastic use in Québec.

#### Encouraging environmentally friendly behaviour

To encourage people to reduce their plastic consumption and to improve its recovery, access to drinking water and recovery infrastructure in public spaces will be made easier, thereby reducing the use of water bottles and the accumulation of litter in the environment.

— Budget 2019-2020 is therefore providing \$7.5 million over four years to encourage best practices for plastic use and disposal.

## ❑ Reducing the use of single-use products

Budget 2019-2020 is providing \$5.5 million in assistance over four years to encourage merchants and the public and parapublic sectors to cut back on single-use products.

### 3.2 Transformational action, including implementation of new recovery systems

A structured recovery and recycling system still does not exist for many products marketed in Québec, such as household appliances, propane tanks, agricultural plastics and certain building materials. However, disposal of these products constitutes an environmental risk, a waste of resources and a source of pollution and GHG emissions.

Budget 2019-2020 is providing \$20 million in assistance over five years that will make it possible, in particular, to broaden the application of extended producer responsibility and encourage ecocentres to offer more recovery options.

<b>Extended producer responsibility</b>
<p>Extended producer responsibility is directly linked to the circular economy as it helps reduce resource waste and diverts large amounts of materials from disposal sites.</p> <ul style="list-style-type: none"> <li>– Businesses must implement, for some of their products, a recovery and reuse program in compliance with prescribed requirements. This could entail free drop-off points for products at the end of their useful life so that they can be recycled.</li> </ul>

Source: RECYC-QUÉBEC.

### 3.3 Assisting remote communities

Remote communities, such as on Îles-de-la-Madeleine, in Nunavik and on Île d'Anticosti, are in unique situations, such as being an island or in the north, which substantially increase residual material management costs. Budget 2019-2020 is therefore providing \$20 million in assistance over five years to help resolve the main difficulties these communities face in terms of residual materials treatment and disposal in their territory.



# FINANCIAL IMPACT OF MEASURES

TABLE E.11

## Financial impact of the measures to act for the environment (millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
<b>FIGHT AGAINST CLIMATE CHANGE</b>						
<b>Encouraging sustainable transportation</b>						
Extension of the Drive Green program	-156.3	-277.5	—	—	—	-433.8
Promotion of alternative forms of transportation						
– Active transportation in urban areas	-10.0	-6.0	—	—	—	-16.0
– Support for the development of new mobility services	-5.0	-5.0	—	—	—	-10.0
Fostering of transportation electrification						
– Vehicle charging infrastructure pilot project	-0.5	-0.5	—	—	—	-1.0
– Driving school electrification pilot project	-2.0	-2.5	—	—	—	-4.5
<b>Supporting businesses in their energy transition process</b>						
Technoclimat	-22.0	-8.0	—	—	—	-30.0
ÉcoPerformance	-17.7	-10.0	—	—	—	-27.7
Biomasse forestière résiduelle	-15.0	-15.0	—	—	—	-30.0
Support for large industrial businesses						
– Introduction of a component for larger projects under the Technoclimat program	-15.0	-15.0	—	—	—	-30.0
– Introduction of a component for large industrial projects under the ÉcoPerformance program	-30.0	-33.8	-20.0	-8.0	-8.0	-99.8
– Implementation of new support measures for large industrial businesses	-65.0	-20.0	-35.0	-35.0	-35.0	-190.0
Support for industry-university research in biofuels and bioproducts	-0.8	-0.8	-0.8	—	—	-2.4

TABLE E.11

**Financial impact of the measures to act for the environment (cont.)**  
(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
<b>Adapting to climate change impacts</b>						
Adapting municipalities and living environments						
– Support for municipalities in implementing disaster prevention initiatives	-1.0	-0.5	-0.7	—	—	-2.2
– Continuation of greening to reduce the health impact of urban heat islands	-5.0	-3.0	-2.0	—	—	-10.0
– Interventions and studies to reduce the health impact of climate change	-1.6	-0.7	-0.1	—	—	-2.4
– Strengthening of the ability to assess the vulnerability of drinking water sources to climate change and to predict flooding	-2.5	-4.0	—	—	—	-6.5
Enhancing Québec's Action-Climate program	-2.5	—	-0.3	-4.1	-3.4	-10.3
Developing knowledge to reinforce climate change adaptation						
– Permafrost research	-0.3	-0.3	-0.3	-0.3	-0.3	-1.5
– Climate simulation – Centre pour l'étude et la simulation du climat à l'échelle régionale	-0.3	-0.3	-0.3	-0.3	-0.3	-1.5
– Air quality, climate change and health	-1.0	-1.0	-1.0	-1.0	-1.0	-5.0
– International Climate Cooperation Program	-2.9	-3.4	-3.7	-2.1	—	-12.1
Climate expertise	-5.3	-6.9	-5.3	-0.3	—	-17.8
<b>Other climate change measures</b>						
Forest work						
– Investments in silviculture	-4.7	-11.4	-13.9	-22.5	-22.5	-75.0
– Development of a tool adapted to the reality of Québec's forest sector – BioGES	-1.0	-1.0	-3.0	—	—	-5.0
Buildings in northern regions	—	-1.1	—	—	—	-1.1
Recovery of organic matter and halocarbon reduction						
– Household and community composting assistance	-2.0	-2.0	-1.0	—	—	-5.0
– Responsible recovery of old refrigerators and freezers, and regulations	-0.9	-0.3	—	—	—	-1.2
– Support for bioenergy demonstration projects	-6.0	-8.0	-4.0	—	—	-18.0
<b>SUBTOTAL</b>	<b>-376.3</b>	<b>-438.0</b>	<b>-91.4</b>	<b>-73.6</b>	<b>-70.5</b>	<b>-1 049.8</b>

TABLE E.11

**Financial impact of the measures to act for the environment (cont.)**  
(millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
<b>ENVIRONMENTAL PROTECTION</b>							
Encouraging environmental and social best practices in mining exploration	—	-0.1	-0.3	-0.4	-0.5	-0.6	-1.9
Inventorizing abandoned or ownerless hydrocarbon wells in Québec	—	-2.0	-2.5	—	—	—	-4.5
Protecting woodland caribou populations and their habitats	—	-8.0	-19.0	-19.0	-15.5	—	-61.5
Maintaining Québec's forest fire response capacity	-42.0	—	—	—	—	—	-42.0
Keeping public dams in good working order	—	-1.2	-1.2	-1.2	-1.2	-1.2	-6.0
Supporting repair of the Coopérative de Consommation de l'île d'Anticosti fuel facilities	—	-1.1	—	—	—	—	-1.1
Supporting international cooperation for sustainable development and fighting climate change	-8.7	—	—	—	—	—	-8.7
<b>SUBTOTAL</b>	<b>-50.7</b>	<b>-12.4</b>	<b>-23.0</b>	<b>-20.6</b>	<b>-17.2</b>	<b>-1.8</b>	<b>-125.7</b>

TABLE E. 11

**Financial impact of the measures to act for the environment (cont.)**  
(millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
<b>IMPROVEMENT OF RESIDUAL MATERIALS MANAGEMENT</b>							
<b>Supporting the reduction and responsible management of residual materials</b>							
Modernizing recycling centres	—	-2.0	-6.0	-5.0	-5.0	-2.0	-20.0
Ensuring the development of technological innovations and the creation of outlets	—	—	-6.0	-6.0	-4.0	-4.0	-20.0
Making plastic producers accountable	—	-0.1	-2.1	-2.0	-2.0	-0.8	-7.0
Encouraging environmentally friendly behaviour	—	—	-2.5	-2.5	-1.5	-1.0	-7.5
Reducing the use of single-use products	—	—	-1.5	-1.5	-1.5	-1.0	-5.5
<b>Transformational action, including implementation of new recovery systems</b>	—	-1.9	-5.7	-4.5	-3.7	-4.2	-20.0
<b>Assisting remote communities</b>	—	-2.2	-6.3	-4.0	-4.5	-3.0	-20.0
<b>SUBTOTAL</b>	<b>—</b>	<b>-6.2</b>	<b>-30.1</b>	<b>-25.5</b>	<b>-22.2</b>	<b>-16.0</b>	<b>-100.0</b>
<b>TOTAL</b>	<b>-50.7</b>	<b>-394.9</b>	<b>-491.1</b>	<b>-137.5</b>	<b>-113.0</b>	<b>-88.3</b>	<b>-1 275.5</b>

## **APPENDIX: QUÉBEC'S GREENHOUSE GAS EMISSIONS CAP-AND-TRADE SYSTEM**

The greenhouse gas (GHG) emissions cap-and-trade system is a carbon pricing system. It has two main features: a cap on GHG emissions and the option to trade emission allowances on a market.

### **❑ Capping emissions: the best way to reduce GHG emissions**

Under a GHG emissions cap-and-trade system, the government sets a cap on total emissions for economic sectors covered by the system.

- Businesses covered by the system must hold an emission allowance for each tonne of emissions released into the atmosphere.
- Consequently, GHG pollution may not exceed the emission cap set by the government.
- The annual emission caps decrease over time, according to the emission reduction targets set, which results in reductions over the established period and contributes to reaching targets.

### **❑ The price on pollution and the option to trade emission allowances on a market**

The system includes the option of trading emission allowances on a market to allow businesses to maintain a sufficient level of emission allowances.

- Emitters can receive emission allowances for free, buy them from the government when they are auctioned, or acquire them from other businesses through the secondary market.

The cap-and-trade system functions like a market, with a supply and demand for pollution rights (emission allowances).

- The government issues emission allowances, each of which gives a business the right to emit one tonne of GHGs in a given year. This emission allowance supply reflects the annual emission cap.
- The demand reflects households' and businesses' GHG emissions reduction efforts and costs as well as their preferences.

As with any market, the price is determined by the interaction of supply and demand.

## ❑ A system based on household' and business choices

With the GHG emissions cap-and-trade system, households, businesses and public institutions have the choice to:

- reduce their pollution and avoid the costs associated with paying for their pollution;
- not reduce their pollution and pay the associated costs as a result.

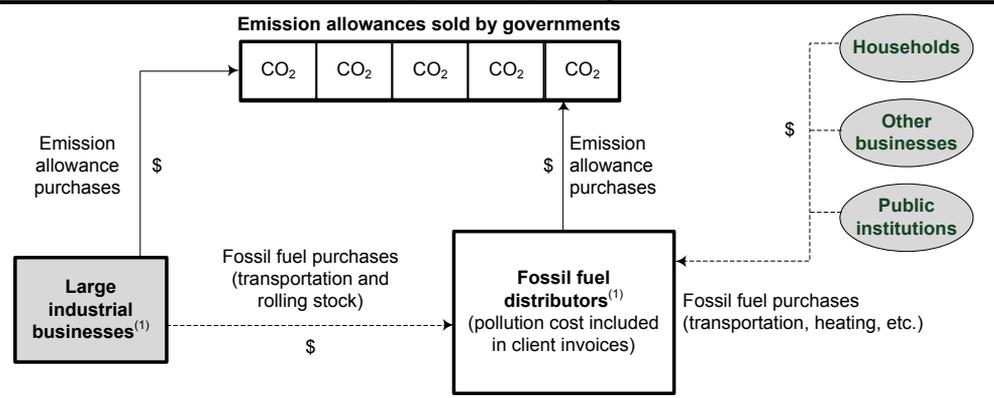
In practice, large industrial businesses purchase pollution rights or obtain them directly to cover the GHG emissions generated by their production processes. If they succeed in reducing their GHG emissions, businesses can profit from the market by selling their excess rights.

However, households, other businesses and public institutions do not purchase GHG emission allowances directly. Instead, they pay for them indirectly through the price of the fossil fuels they consume. The same mechanism applies for emissions related to the transportation activities of large industrial businesses.

- Fossil fuel distributors are required to purchase emission allowances on the market to cover the pollution that will be produced from the use of the fossil fuels sold.
- For example, with the rise in the price of heating oil, a household could choose to replace its oil home heating system with an electric system, thereby eliminating the related GHG emissions and pollution costs.

### ILLUSTRATION E.2

#### Illustration of Québec's carbon-pollution pricing mechanism



Note: Grey areas represent the main potential sources of GHG emissions reduction.

(1) In 2017, 129 businesses were directly subject to Québec's GHG emissions cap-and-trade system.

Source: Ministère des Finances du Québec.

## ❑ **Businesses subject to the cap-and-trade system**

Québec's GHG emissions cap-and-trade system covers two main business groups:

- large industrial businesses;
- fossil fuel distributors.

### ■ **Large industrial businesses**

Since 2013, the GHG emissions cap-and-trade system has directly targeted large industrial businesses, that is, businesses with operations that emit over 25 000 tonnes of CO<sub>2</sub> equivalent annually.

Since 2019, industrial establishments not subject to the system and that report annual GHG emissions of 10 000 tonnes or more of CO<sub>2</sub> equivalent can voluntarily agree to be covered by the system.

Large industrial businesses can choose between two options:

- reduce their GHG emissions by, for example, improving their manufacturing processes or reducing their fossil fuel consumption;
  - In the latter case, not only are GHG emissions reduced, but the investments made improve the competitiveness of the business and enable it to better position itself in a competitive environment of increasing carbon pricing.
  - Businesses that reduce their emissions can also sell their excess allowances to other businesses, enabling them to ensure a return on their emission-reduction investments, or to make other investments.
- not reduce their emissions and purchase the allowances required to ensure they are compliant.

## ■ Fossil fuel distributors

Fossil fuel distributors have been covered by the GHG emissions cap-and-trade system since 2015.

They are responsible for the GHG emissions generated by the products they sell and must obtain a sufficient number of allowances to cover those emissions. They can pass all or part of the emission allowance costs on to consumers and businesses by adjusting the sale price of their products—gasoline, diesel, natural gas, etc.

Consumers of those products are therefore indirectly faced with a choice similar to that of the large industrial businesses:

- reduce their GHG emissions by, for example, opting for public transit or a more fuel-efficient vehicle, and avoid the carbon cost passed on to consumers by fossil fuel distributors;
- pay for the cost of their pollution.

### **CO<sub>2</sub>: the reference for measuring GHG emissions pollution**

There are several types of GHGs, for example carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O). Each gas has a different atmospheric lifetime and heat-trapping potential.

To obtain a common unit of GHG emissions, emissions associated with GHGs other than CO<sub>2</sub> are converted into “CO<sub>2</sub> equivalent,” referring to the concentration of CO<sub>2</sub> that would produce the same level of global warming.

To ensure, in particular, international consistency in these estimates, the Intergovernmental Panel on Climate Change (IPCC) estimates, based on the best scientific information available, the “global warming potential” for each GHG.

- For example, the global warming potential of methane currently used in Québec's inventory is 25 times higher than that of CO<sub>2</sub>.

Due to, among other things, the prevalence of CO<sub>2</sub> among the GHGs, we talk about “carbon” pollution, “carbon” pricing, etc.

## □ How the system works

### ■ Sectors covered

Québec's GHG emissions cap-and-trade system covers the industrial sector, almost all of the transportation sector,<sup>7</sup> the residential, commercial and institutional sectors as well as the electricity-production sector. These sectors accounted for 82% of Québec's emissions in 2016.

Sectors not covered essentially produce emissions from non-energy sources associated with soil fertilization and animal droppings in the agricultural sector, and those associated with the landfill and processing of residual material in the waste sector.

### ■ Definition of emission cap

The Québec government has set by decree caps on the annual emission allowances to be issued each year through 2030. Each year, the cap is gradually decreased to reflect the targets for 2020 and 2030.

### ■ Compliance period

A compliance period corresponds to the period at the end of which businesses covered by the GHG emissions cap-and-trade system must return one emission allowance to the government for each tonne of GHG emitted into the atmosphere during that period. Currently, the compliance period is three years.

These emissions must be declared under the *Regulation respecting mandatory reporting of certain emissions of contaminants into the atmosphere* and be verified by an independent third party.

Should these allowances not be returned to the government for each tonne of GHG emitted, the business will be subject to a minimum penalty of three emission allowances for each allowance missing.

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<sup>7</sup> The system does not cover emissions from air and marine transportation.

## ■ Free allowances

As Québec's large industrial businesses are particularly exposed to international competition, the GHG emissions cap-and-trade system provides a mechanism to mitigate the effects of carbon pricing.

- Large industrial businesses are allocated a portion of their emission allowances free of charge, to avoid a situation where carbon costs might lead businesses to relocate their activities to other areas where environmental practices are less constraining. Such a situation could result in an increase in GHGs on a global scale.
- The level of free allowances for large industrial businesses stood at 18.8 million tonnes of CO<sub>2</sub> equivalent in 2017.

However, the free emission allowances per unit produced will decrease through 2023. The decrease will be progressive, to avoid having a major negative impact on the competitiveness of businesses from Québec's industrial sector.

The rules governing free emission allowances for 2024-2030 are currently being developed by the Québec government.

# Section F

## SUPPORTING COMMUNITIES

<b>Summary .....</b>	<b>F.3</b>
<b>1. Assistance for housing and home renovation .....</b>	<b>F.5</b>
1.1 Assistance for social housing .....	F.6
1.2 Home adaptation and renovation.....	F.9
1.3 Reducing wait times for the Régie du logement .....	F.10
<b>2. Support for modernization of transportation services .....</b>	<b>F.11</b>
<b>3. Additional support for municipalities .....</b>	<b>F.15</b>
<b>4. Support for vulnerable persons .....</b>	<b>F.19</b>
<b>5. Support for Aboriginal communities .....</b>	<b>F.21</b>
<b>6. Additional assistance for parents .....</b>	<b>F.25</b>



## SUMMARY

The Québec government wishes to provide more support to communities and offer assistance adapted to the realities of the population and of communities.

— For this purpose, Budget 2019-2020 provides for measures totalling more than \$1.7 billion aimed at bolstering support for communities.

These measures are designed to adequately meet the population's various needs and are aimed particularly at:

- helping citizens find suitable housing, particularly by making a substantial reinvestment in the AccèsLogis Québec program;
- supporting the modernization of transportation services;
- supporting municipalities in their responsibilities;
- supporting vulnerable persons;
- supporting Aboriginal communities;
- providing additional assistance to parents.

TABLE F.1

### Financial impact of measures to support communities (millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Assistance for housing and home renovation	-72.8	-52.9	-97.0	-109.1	-77.0	-48.7	-457.5
Support for modernization of transportation services	-406.0	—	—	—	—	—	-406.0
Additional support for municipalities	—	-24.3	-34.3	-50.3	-64.3	-69.3	-242.5
Support for vulnerable persons	—	-15.4	-18.1	-18.1	-18.1	-18.1	-87.8
Support for Aboriginal communities	-51.6	-9.7	-9.8	-10.9	-24.0	-25.7	-131.7
Additional assistance for parents	—	-3.0	-3.0	-3.0	-3.0	-2.2	-14.2
March 2019 transportation initiatives and other measures	-399.4	—	—	—	—	—	-399.4
<b>TOTAL</b>	<b>-929.8</b>	<b>-105.3</b>	<b>-162.2</b>	<b>-191.4</b>	<b>-186.4</b>	<b>-164.0</b>	<b>-1 739.1</b>



# 1. ASSISTANCE FOR HOUSING AND HOME RENOVATION

The Québec government recognizes the importance for Québec households to live in affordable, suitable housing that meets their needs.

For this purpose, Budget 2019-2020 provides for an investment of \$457.5 million over six years.

TABLE F.2

## Financial impact of assistance measures for housing and home renovation<sup>(1)</sup>

(millions of dollars)

	2018- 2019 <sup>(2)</sup>	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
<b>Assistance for social housing</b>							
– Support in building AccèsLogis Québec housing units not completed <sup>(3)</sup>	-72.8	-13.5	-36.7	-46.4	-46.4	-33.9	-249.7
– Enhancing the Support Program for Community Organizations	—	-6.0	-6.0	-6.0	-6.0	-6.0	-30.0
– Adding privately owned housing units for homeless persons under the Rent Supplement Program <sup>(4)</sup>	—	-0.1	-0.5	-0.7	-0.8	-0.8	-2.9
<b>Subtotal</b>	<b>-72.8</b>	<b>-19.6</b>	<b>-43.2</b>	<b>-53.1</b>	<b>-53.2</b>	<b>-40.7</b>	<b>-282.6</b>
<b>Home adaptation and renovation</b>							
– Home adaptation	—	-14.0	-20.0	-20.0	-6.0	—	-60.0
– Rénovation Québec	—	-5.0	-13.0	-18.0	-11.0	-3.0	-50.0
– RénoRégion	—	-9.3	-13.0	-13.0	-1.8	—	-37.1
– Improving shelters	—	-0.2	-1.8	—	—	—	-2.0
– Homes damaged by pyrrhotite	—	-1.0	-1.0	—	—	—	-2.0
<b>Subtotal</b>	<b>—</b>	<b>-29.5</b>	<b>-48.8</b>	<b>-51.0</b>	<b>-18.8</b>	<b>-3.0</b>	<b>-151.1</b>
<b>Reducing wait times for the Régie du logement</b>							
	<b>—</b>	<b>-3.8</b>	<b>-5.0</b>	<b>-5.0</b>	<b>-5.0</b>	<b>-5.0</b>	<b>-23.8</b>
<b>TOTAL</b>	<b>-72.8</b>	<b>-52.9</b>	<b>-97.0</b>	<b>-109.1</b>	<b>-77.0</b>	<b>-48.7</b>	<b>-457.5</b>

(1) Additional appropriations totalling \$457.5 million for the period 2018-2019 to 2023-2024 will be granted to the Ministère des Affaires municipales et de l'Habitation (MAMH). For 2019-2020, the funds will be drawn from the Contingency Fund.

(2) For 2018-2019, the funds will be drawn from budgetary resources made available during the fiscal year.

(3) Additional appropriations of \$10.4 million for 2024-2025 will be granted to the MAMH.

(4) Additional appropriations of \$0.7 million for 2024-2025 and \$0.3 million for 2025-2026 will be granted to the MAMH.

## 1.1 Assistance for social housing

So that more Québec households can live in affordable housing, Budget 2019-2020 provides investments of \$282.6 million through 2023-2024, including:

- \$249.7 million to support the building of housing units under the AccèsLogis Québec program that were previously announced but are not yet completed;
- \$30 million that will be used to enhance the Support Program for Community Organizations;
- \$2.9 million to provide new, privately owned housing units for homeless persons under the Rent Supplement Program.

### Support in building AccèsLogis Québec housing units not completed

In recent years, the Québec government has announced investments for building social, community and affordable housing under the AccèsLogis Québec program.

However, building announcements have proceeded at a faster pace than construction. Thus, a number of the units announced have not yet been delivered. To support the building of more than 10 000 units not completed, the government is providing an additional investment of \$260.1 million, including \$249.7 million for the period 2018-2019 to 2023-2024 and \$10.4 million for 2024-2025.

- Of this investment, \$72.8 million will be reserved for the Ville de Montréal in 2018-2019.

#### **AccèsLogis Québec**

The AccèsLogis Québec program enables housing offices, housing cooperatives and non-profit organizations to build social, community and affordable housing for low or moderate-income households or for clientele that have special needs.

One of the housing complexes targeted by this program is the Cité Les Trois R in Saint-Jérôme, which is made up of 65 affordable housing units for families, seniors experiencing a mild loss of autonomy, and persons living with an intellectual disability.

The program provides for sharing the costs of projects among the government, the project promoter and the community (generally the municipality).

The level of financial assistance granted by the Québec government is based on the maximum eligible costs for a project and varies depending on the territory, the type of clientele targeted and the number of rooms in the housing unit.

This investment will, starting in 2019-2020, enable an average increase of 25.0% in the maximum eligible costs for construction of these housing units.

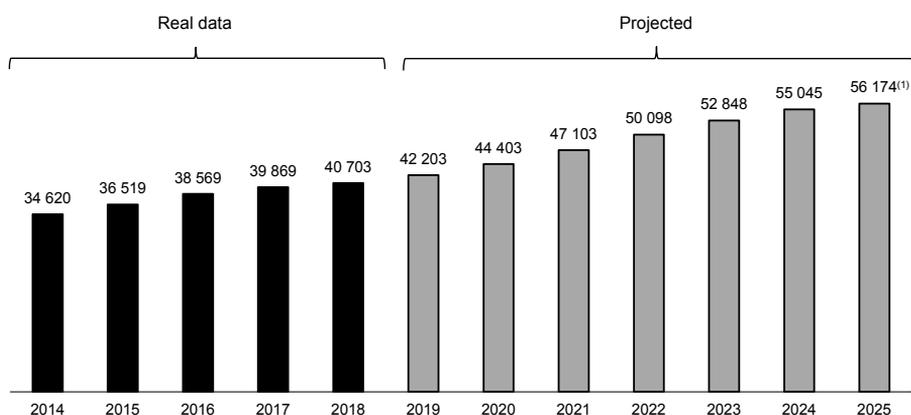
- This measure, combined with the recent investments announced as part of the Government Action Plan to Foster Economic Inclusion and Social Participation 2017-2023, as well as the investments granted to the Ville de Montréal in Budget 2018-2019, represents an average increase of 36.5% in the maximum government financial assistance granted for the construction of a housing unit.

At December 31, 2018, the number of social, community and affordable housing units built under the construction programs of the Société d'habitation du Québec totalled 40 703.

- The yearly growth in the number of social housing units built was 2.1% in 2018.
- For 2019, the projected growth rate is 3.7%.
- When all the units announced have been delivered, the total number of social housing units will be 56 174.

CHART F.1

### Social, community and affordable housing units built (number)



Note: Situation presented at December 31 of each year.

(1) The target of 56 174 units in 2025 includes 10 085 units receiving additional funding as part of Budget 2019-2020, as well as 5 386 not covered by this funding and under construction or reserved for the Ville de Montréal under its program.

Source: Société d'habitation du Québec.

## ❑ **Enhancing the Support Program for Community Organizations**

The Support Program for Community Organizations offers financial assistance to community organizations that provide services, activities or projects to promote improved housing conditions. The initiatives piloted by these organizations may be aimed particularly at developing new housing models.

One of the organizations that can benefit from this program is the Association des groupes de ressources techniques du Québec. This community organization represents a network of 25 social economy enterprises and oversees the development of community housing throughout Québec to meet the current needs of low or moderate income households.

In order for these community organizations to be better supported, Budget 2019-2020 provides an enhancement of \$30 million over five years for the program's global mission support component.

## ❑ **Adding privately owned housing units for homeless persons under the Rent Supplement Program**

Homelessness poses immense challenges. Across Québec, stakeholders in various sectors are working together to fight this phenomenon and thus enable homeless persons to improve their quality of life.

In order to continue implementing the 2015-2020 interdepartmental action plan on homelessness, the government is providing an investment totalling \$3.9 million, including \$2.9 million for the period 2019-2020 to 2023-2024, so that 150 new, privately owned housing units can be provided for homeless persons under the Rent Supplement Program.

— This program enables households to occupy a dwelling while paying rent equal to 25.0% of their income.

## 1.2 Home adaptation and renovation

To provide improved housing conditions for low-income households or households with special housing needs, Budget 2019-2020 provides an additional \$151.1 million over five years to continue the home adaptation and renovation programs of the Société d'habitation du Québec.

### Home adaptation

The Residential Adaptation Assistance Program is aimed at helping homeowners cover the cost of adaptations needed to make their dwelling barrier-free for persons with a disability to enable them to stay in their home longer. Investments of \$60 million will be granted to this program.

- The investments granted to this program will make it possible to annually adapt the homes of approximately 1 000 persons with a disability and repair more than 4 300 pieces of specialized equipment.

### Rénovation Québec

The Rénovation Québec Program financially supports municipalities that want to develop housing renovation programs in rundown residential areas. This program will be enhanced by \$50 million.

- The sums invested will make it possible to renovate approximately 1 200 housing units each year.

### RénoRégion

The RénoRégion Program provides financial assistance to low or modest-income owner-occupants in rural areas for work to correct major defects in their home. Investments of \$37.1 million will be made for this program.

- These investments will make it possible to support some 1 000 owner-occupants in their renovations each year.

### Improving shelters

The Shelter Enhancement Program provides assistance to non-profit organizations that administer shelters for women and young people aged 28 and under who are victims of family violence. Budget 2019-2020 provides an investment of \$2 million over two years for the program.

- The investment will make it possible to renovate approximately 140 housing units.

### Homes damaged by pyrrhotite

The Program for Residences Damaged by Pyrrhotite is aimed at financially assisting owners of residential buildings who have to carry out renovations to shore up building foundations impacted by the presence of this mineral. Budget 2019-2020 provides an investment of \$2 million over two years for the program.

### 1.3 Reducing wait times for the Régie du logement

The Québec government is keen to encourage good relations between owners of housing units and their tenants.

Thus, the government is announcing an increase in the budgetary allocations for the Régie du logement representing \$23.8 million over five years. Also, additional personnel will be provided to the Régie du logement to enable it to reduce wait times for processing applications filed with it.

- Currently, the average wait time for processing a first hearing before the Régie du logement is nearly five months.
- With the added resources, the average processing wait time will be reduced to a little more than two months by 2021-2022.

## 2. SUPPORT FOR MODERNIZATION OF TRANSPORTATION SERVICES

The Sustainable Mobility Policy 2030 makes the user the focus of transportation services modernization. Accordingly, the government wishes to set up high-performance, safe and sustainable transportation systems that satisfy the everyday needs of citizens.

— In this context, Budget 2019-2020 provides \$406 million to support initiatives aimed at modernizing passenger transit.

TABLE F.3

### Financial impact of measures to support modernization of transportation services (millions of dollars)

	2018-2019 <sup>(1)</sup>	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	Total
Implementation of mitigation measures during construction of the Réseau express métropolitain	-156.0	—	—	—	—	—	-156.0
Additional support for modernization of the taxi industry	-250.0	—	—	—	—	—	-250.0
<b>TOTAL</b>	<b>-406.0</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>-406.0</b>

(1) The funds will be drawn from the Land Transportation Network Fund.

#### ❑ Implementation of mitigation measures during construction of the Réseau express métropolitain

The work to construct the Réseau express métropolitain (REM) will require substantial alterations in the public transit services currently available in the Montréal area, particularly in commuter train services. The government is therefore planning mitigation measures to maintain the mobility of persons affected by these service disruptions.

— The mitigation measures implemented to date and planned for the future will limit the negative effects on user mobility and will enable regular passenger to continue using public transit.

For this purpose, \$156 million in assistance will be provided to the Autorité régionale de transport métropolitain for implementation of a transitional mitigation network during the construction work required for the REM.

### **A firm commitment for the realization of the structuring public transit network**

The Québec government is confirming its commitment to supporting, to the extent of \$1.8 billion, the realization of the Ville de Québec's project for a structuring public transit network (SPTN). A \$1.2-billion contribution from the federal government is expected shortly to complete the funding for the project.

The business plan, under preparation by the Ville de Québec, should be submitted to the government for approval in spring 2019.

#### **SPTN – Expected contribution from partners** (billions of dollars)

	<b>Investments</b>
Québec government	1.8
Federal government	1.2
Ville de Québec	0.3
<b>TOTAL</b>	<b>3.3</b>

The government intends to table the necessary bill for realizing the project in 2019. As for any other project of this scope, the government will support the realization of the SPTN in accordance with established environmental standards. Also, the government will ensure that the project provides an interconnection with the south shore of Québec that meets the needs of both of the regions concerned.

### **□ Additional support for modernization of the taxi industry**

The taxi industry is traversing a period of major changes, owing in particular to new technologies and changing passenger habits.

In this context, a bill concerning remunerated passenger transportation by automobile will be tabled in 2019 and will be aimed, among other things, at promoting a diversified supply of services that will guarantee user safety as well as consumer protection and satisfaction.

Given the potential impact of these changes, the government is setting aside \$250 million to support the industry in its transition. This sum will boost to more than \$500 million the assistance granted by the government to the taxi industry to support it in its modernization.

## Improving the mobility of citizens

Several major projects are essential to improving mobility and quality of life for citizens.

### **Establishing a new highway link between Québec and Lévis**

This new highway link between Québec and Lévis is aimed at increasing sustained mobility for the decades to come. It will reduce road congestion, encourage the use of public transit and optimize freight transport.

- For these reasons, this new link is a priority for the greater Capitale-Nationale region.

The government has pledged to install this new highway link between Québec and Lévis within a corridor lying in the eastern part of the territory and to begin work by October 2022.

### **Metropolitan network of dedicated lanes**

There are more than 9 million commutes each day in the Montréal area and nearly half of them involve the north and south shores. Given this context, it seems necessary to develop a network of dedicated lanes for buses, carpooling and self-driving public transit vehicles. Such a structuring network will be particularly useful in facilitating access to heavier modes of transit, such the metro and the Réseau express métropolitain.

- In the first stage, the proposed network of dedicated lanes will be installed on the major autoroutes skirting the island of Montréal, such as the A-13, A-15, A-20, A-25, A-30, A-440 and A-640.

### **Extension of the Montréal metro blue line**

The extension of the Montréal metro blue line involves adding five stations over 5.8 kilometres between the existing Saint-Michel station and Anjou. The project will include bus terminals, an incentive parking lot and a pedestrian link to facilitate transfers for commuters using the future Pie-IX bus rapid transit system.



### 3. ADDITIONAL SUPPORT FOR MUNICIPALITIES

As the level of government closest to citizens, municipalities have an important role to play in maintaining quality services offered to citizens in all regions of Québec. The government therefore considers it important to assist municipalities so that they can properly discharge their responsibilities.

— For this purpose, Budget 2019-2020 provides investments of nearly \$243 million over five years to support municipalities in their responsibilities.

TABLE F.4

#### Financial impact of measures to provide additional support to municipalities (millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Adding better quality community, cultural and recreational infrastructures <sup>(1)</sup>	—	-5.0	-19.0	-31.0	-33.0	-88.0
Additional assistance for services provided by the Sûreté du Québec <sup>(2),(3)</sup>	-10.0	-13.0	-15.0	-17.0	-20.0	-75.0
Support for municipal governance <sup>(3),(4)</sup>	-6.0	-8.0	-8.0	-8.0	-8.0	-38.0
Enhancement of the Fonds de développement économique de la région de la Capitale-Nationale <sup>(2),(3),(5)</sup>	-4.3	-4.3	-4.3	-4.3	-4.3	-21.5
Support for training volunteer or part-time firefighters <sup>(2),(3)</sup>	-4.0	-4.0	-4.0	-4.0	-4.0	-20.0
<b>TOTAL</b>	<b>-24.3</b>	<b>-34.3</b>	<b>-50.3</b>	<b>-64.3</b>	<b>-69.3</b>	<b>-242.5</b>

(1) Additional appropriations totalling \$88.0 million for the period 2020-2021 to 2023-2024 will be granted to the Ministère de l'Éducation et de l'Enseignement supérieur.

(2) Additional appropriations totalling \$116.5 million for the period 2019-2020 to 2023-2024 will be granted to the Ministère de la Sécurité publique.

(3) For 2019-2020, the funds will be drawn from the Contingency Fund.

(4) Additional appropriations totalling \$38.0 million for the period 2019-2020 to 2023-2024 will be granted to the Ministère des Affaires municipales et de l'Habitation.

(5) This does not include the \$10.0 million investments provided for in the 2019-2029 Québec Infrastructure Plan for developing the Sainte-Anne-de-Beaupré dock.

## ❑ **Adding better quality community, cultural and recreational infrastructures**

The integrated bilateral agreement (IBA), signed by the Canadian and Québec governments, proposes to offer assistance to Québec for infrastructures in four key areas, including the area of community, cultural and recreational infrastructures.

— The share of assistance from the federal government and partners, added to the share provided by the Québec government totalling \$257 million, will enable investments in infrastructures of up to \$640 million.

Budget 2019-2020 provides additional appropriations of \$88 million through 2023-2024. These sums will enable municipalities particularly to develop better community, cultural and recreational infrastructures.

## ❑ **Additional assistance for services provided by the Sûreté du Québec**

Small and medium-sized municipalities in Québec assume a share of the cost of the services provided by the Sûreté du Québec on their territory. These services are essential for preventing crime and maintaining safe living environments throughout Québec.

— The government intends to enhance its assistance by \$75 million over five years in order to reduce the financial burden on municipalities related to Sûreté du Québec services.

## ❑ **Support for municipal governance**

The Commission municipale du Québec is mandated to foster sound practices in matters of governance, professional conduct, ethics and efficient management of municipal finances. Thus, it acts particularly as an administrative tribunal and advisor to the government.

— Budget 2019-2020 provides an additional \$38 million over five years to enable the Commission municipale du Québec to discharge its responsibilities with a view to ongoing improvement of the services offered to citizens.

## ❑ **Enhancement of the Fonds de développement économique de la région de la Capitale-Nationale**

The Fonds de développement économique de la région de la Capitale-Nationale is an important tool for the economic, tourism, cultural and social development of the Capitale-Nationale region. In addition to having a significant leverage effect, the fund supports projects that contribute to the region's dynamism, vitality, economic growth and prestige.

- For this purpose, Budget 2019-2020 provides an additional sum of \$21.5 million over five years to enhance funding for projects to stimulate the economy of the Capitale-Nationale region.

## ❑ **Support for training volunteer or part-time firefighters**

To afford each municipality access to a sufficient number of qualified firefighters in order to respond effectively in emergency situations, the government is granting financial assistance for the training of volunteer or part-time firefighters. Over the past five years, Québec municipalities have benefited from this assistance to train more than 13 000 firefighters.

- The government is confirming its support for municipalities and regional county municipalities for training volunteer or part-time firefighters and is announcing additional sums of \$20 million over five years.



## 4. SUPPORT FOR VULNERABLE PERSONS

The Québec government intends to strengthen its commitment to the protection of vulnerable persons. By its efforts, the government aims to equip itself with the means to support victims of sexual violence, prevent crime and radicalization, and reform the protection of vulnerable persons.

For this purpose, Budget 2019-2020 provides investments of \$87.8 million over five years.

TABLE F.5

### Financial impact of measures to support vulnerable persons (millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Supporting victims of sexual violence <sup>(1),(2)</sup>	-10.0	-10.0	-10.0	-10.0	-10.0	-50.0
Preventing crime and radicalization <sup>(2),(3)</sup>	-4.6	-4.6	-4.6	-4.6	-4.6	-23.0
Reforming the protection of vulnerable persons <sup>(4)</sup>	-0.8	-3.5	-3.5	-3.5	-3.5	-14.8
<b>TOTAL</b>	<b>-15.4</b>	<b>-18.1</b>	<b>-18.1</b>	<b>-18.1</b>	<b>-18.1</b>	<b>-87.8</b>

(1) Additional appropriations totalling \$50.0 million for the period 2019-2020 to 2023-2024 will be granted to the Ministère de la Justice.

(2) For 2019-2020, the funds will be drawn from the Contingency Fund.

(3) Additional appropriations totalling \$23.0 million for the period 2019-2020 to 2023-2024 will be granted to the Ministère de la Sécurité publique.

(4) Additional appropriations totalling \$14.8 million for the period 2019-2020 to 2023-2024 will be granted to the Ministère de la Famille.

### □ Supporting victims of sexual violence

In recent years, issues have been raised in regard to both the justice system and the support services available for victims of sexual violence. For this purpose, the government will establish a committee of female MNAs to determine and recommend means to provide better support for victims of sexual violence.

To support this initiative, an amount of \$50 million over five years is granted to the Ministère de la Justice.

## **❑ Preventing crime and radicalization**

In Québec, greater attention should be focused on prevention to ensure the security of the population.

The government wishes to introduce measures aimed at preventing crime and radicalization. These measures will enable municipalities to implement local security plans for crime prevention, support local communities and prevent radicalization leading to violence.

A sum of \$23 million over five years is allocated to the Ministère de la Sécurité publique for this purpose.

## **❑ Reforming the protection of vulnerable persons**

Over the past several years, service providers working with vulnerable persons and their families have called for measures that will ensure vulnerable persons enjoy certain fundamental rights, particularly the right to equality, self-determination, integrity and security.

To meet these needs, the government wishes to reform the legislative provisions relating to the protection of vulnerable persons. This reform will be better suited to the reality of families now and in the future, the aging of the population and the principles of good governance. Also, the role to be played by the Curateur public du Québec in regard to information, support, monitoring and investigation so as to prevent abuse of disabled persons will be spelled out.

For this purpose, Budget 2019-2020 provides \$14.8 million over five years that will be allocated to the Ministère de la Famille.

## 5. SUPPORT FOR ABORIGINAL COMMUNITIES

Aboriginal communities are confronted by special economic and social challenges and face a demographic reality that augments the needs for services. The government is continuing its efforts to support the economic and social development of Aboriginal communities and improve the quality of life of their citizens.

— Thus, Budget 2019-2020 provides investments of \$131.7 million to support initiatives aimed at improving the well-being of Aboriginal communities.

TABLE F.6

### Financial impact of measures to support Aboriginal communities (millions of dollars)

	2018- 2019 <sup>(1)</sup>	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Enhancing the Aboriginal Initiatives Fund <sup>(2),(3),(4)</sup>	—	-4.5	-6.0	-7.0	—	—	-17.5
Adding personnel in Aboriginal police forces <sup>(4),(5)</sup>	—	-1.8	-2.8	-2.9	-2.9	-3.0	-13.4
Workforce training in northern communities <sup>(6)</sup>	—	-1.0	-1.0	-1.0	-1.0	-1.0	-5.0
Covering the operating deficit for 144 social housing units in Nunavik <sup>(4),(7)</sup>	—	-2.4	—	—	—	—	-2.4
Reducing the cost of living in Nunavik <sup>(2),(8)</sup>	-51.6	—	—	—	-20.1	-21.7	-93.4
<b>TOTAL</b>	<b>-51.6</b>	<b>-9.7</b>	<b>-9.8</b>	<b>-10.9</b>	<b>-24.0</b>	<b>-25.7</b>	<b>-131.7</b>

(1) For 2018-2019, the funds will be drawn from budgetary resources made available during the fiscal year.

(2) Additional appropriations totalling \$110.9 million for the period 2018-2019 to 2023-2024 will be granted to the Ministère du Conseil exécutif.

(3) Investments of \$2.5 million will be provided in the 2019-2029 Québec Infrastructure Plan.

(4) For 2019-2020, the funds will be drawn from the Contingency Fund.

(5) Additional appropriations totalling \$13.4 million for the period 2019-2020 to 2023-2024 will be granted to the Ministère de la Sécurité publique.

(6) The necessary funds will be made available to the Société du Plan Nord through the Fonds du Plan Nord.

(7) Additional appropriations totalling \$2.4 million for 2019-2020 will be granted to the Ministère des Affaires municipales et de l'Habitation.

(8) Additional appropriations totalling \$22.4 million for 2024-2025 will be granted to the Ministère du Conseil exécutif.

### □ Enhancing the Aboriginal Initiatives Fund

The Aboriginal Initiatives Fund supports projects that contribute to improving the socioeconomic situation of Aboriginal communities. Since 2006, this fund has made it possible to generate investments of nearly \$830 million and has contributed to more than 1 130 projects fostering economic, social and community development in Aboriginal communities.

In view of the high degree of popularity of the Aboriginal Initiatives Fund, the government intends to enhance it by \$20 million.

## ❑ **Adding personnel in Aboriginal police forces**

The Québec government encourages the delivery of police services adapted to the special and evolving needs of populations. Agreements are signed with Aboriginal communities in order to offer police services that are culturally adapted and whose governance is the responsibility of the band councils. For this purpose, Budget 2019-2020 provides \$13.4 million over five years to increase the number of personnel in Aboriginal police forces.

## ❑ **Workforce training in northern communities**

Budget 2019-2020 provides an envelope of \$5 million over five years to support training of the local and Aboriginal workforce in northern communities. This envelope will make it possible, for example, to develop training in response to certain special needs in the territory or to hire liaison officers for optimizing the integration of Aboriginal workers into the labour market.

The sums will be made available to the Société du Plan Nord, which will work in concert particularly with the Ministère du Travail, de l'Emploi et de la Solidarité sociale to ensure that its actions correlate well with the current supply of training.

## ❑ **Covering the operating deficit for 144 social housing units in Nunavik**

Further to recent federal investments, a number of social housing units have been built in the territory of Nunavik. Because they constitute social housing, these units generate operating deficits, that is, operating costs that exceed the rental income they generate.

The Québec government will provide financial support to the communities of Nunavik through the Société d'habitation du Québec by assuming the operating deficit for 144 social housing units for 2019-2020. For this purpose, an amount of \$2.4 million is provided.

By taking this step, the Québec government is ensuring that the supply of social housing in Nunavik is maintained.

## ❑ Reducing the cost of living in Nunavik

The Agreement on the Financing of Measures to Reduce the Cost of Living in Nunavik with the Kativik Regional Government and the Makivik Corporation makes it possible to implement cost-of-living reduction measures aimed particularly at:

- promoting healthy lifestyles, taking into consideration Inuit culture and traditions;
- improving the socioeconomic conditions for the most disadvantaged;
- narrowing the price gap between Nunavik and southern Québec for the average annual cost of gasoline and a basket of groceries.

For this purpose, the government is announcing additional sums of \$115.8 millions over six years to enhance its support in the context of the renewal of the agreement for the period 2019-2020 to 2024-2025.



## 6. ADDITIONAL ASSISTANCE FOR PARENTS

The government has as its goals to provide all children in Québec with the chance to realize their full potential and give parents the tools that will enable them to be the principal agents of their children's development.

Thus, Budget 2019-2020 provides \$14.2 million over five years.

TABLE F.7

### Financial impact of measures to provide additional assistance to parents (millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Protecting our children from exploitation on the Internet <sup>(1),(2)</sup>	-2.2	-2.2	-2.2	-2.2	-2.2	-11.0
Fostering early learning in reading, writing and mathematics <sup>(2),(3)</sup>	-0.5	-0.5	-0.5	-0.5	—	-2.0
Encouraging parents to participate in their children's development <sup>(2),(3)</sup>	-0.3	-0.3	-0.3	-0.3	—	-1.2
Extending the Concerted Action Plan to Prevent and Counter Bullying <sup>(4)</sup>	—	—	—	—	—	—
<b>TOTAL</b>	<b>-3.0</b>	<b>-3.0</b>	<b>-3.0</b>	<b>-3.0</b>	<b>-2.2</b>	<b>-14.2</b>

(1) Additional appropriations totalling \$11.0 million for the period 2019-2020 to 2023-2024 will be granted to the Ministère de la Sécurité publique.

(2) For 2019-2020, the funds will be drawn from the Contingency Fund.

(3) Additional appropriations totalling \$3.2 million for the period 2019-2020 to 2022-2023 will be granted to the Ministère de la Famille.

(4) A sum of \$3.0 million for extending the plan will be drawn from the budgetary appropriations of the Ministère de la Famille.

## **☐ Protecting our children from exploitation on the Internet**

Despite the proactive efforts of the Sûreté du Québec and the day-to-day work of protecting children from sexual exploitation, juvenile pornography and child luring are still widespread phenomena.

In order to act more rapidly when a potential situation of child exploitation arises, identify more sexual predators on the Internet and save children at risk of becoming victims of sexual abuse, the Québec government will establish the coordination team to combat sexual exploitation of children on the Internet.

An amount of \$11 million over five years is allocated to the Ministère de la Sécurité publique for it to create this team.

## **☐ Fostering early learning in reading, writing and mathematics**

The financial support program for initiatives fostering early learning in reading, writing and mathematics offers assistance for eligible projects encouraging the acquisition of these skills for children aged 5 and under. Budget 2019-2020 provides an enhancement of the program of \$2 million over four years.

— This enhancement is aimed at providing better support for initiatives enabling children to acquire the skills necessary for their student success and have access to the best tools.

## **☐ Encouraging parents to participate in their children's development**

The financial support program to foster participation by parents provides financial assistance to community projects aimed at reaching out to parents and providing them with the means to actively participate in the development of their young children. The government is enhancing this program with \$1.2 million over four years.

## **☐ Extending the Concerted Action Plan to Prevent and Counter Bullying**

To step up its efforts to counter bullying and raise public awareness, the government introduced the 2015-2018 Concerted Action Plan to Prevent and Counter Bullying. It will be extended for 2019-2020.

# FINANCIAL IMPACT OF MEASURES

TABLE F.8

## Financial impact of measures to support communities (millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
<b>ASSISTANCE FOR HOUSING AND HOME RENOVATION</b>							
<b>Assistance for social housing</b>							
Support in building AccèsLogis Québec housing units not completed <sup>(1),(2)</sup>	-72.8	-13.5	-36.7	-46.4	-46.4	-33.9	-249.7
Enhancing the Support Program for Community Organizations	—	-6.0	-6.0	-6.0	-6.0	-6.0	-30.0
Adding privately owned housing units for homeless persons under the Rent Supplement Program <sup>(3)</sup>	—	-0.1	-0.5	-0.7	-0.8	-0.8	-2.9
<b>Home adaptation and renovation</b>							
Home adaptation	—	-14.0	-20.0	-20.0	-6.0	—	-60.0
Rénovation Québec	—	-5.0	-13.0	-18.0	-11.0	-3.0	-50.0
RénoRégion	—	-9.3	-13.0	-13.0	-1.8	—	-37.1
Improving shelters	—	-0.2	-1.8	—	—	—	-2.0
Homes damaged by pyrrhotite	—	-1.0	-1.0	—	—	—	-2.0
<b>Reducing wait times for the Régie du logement</b>	<b>—</b>	<b>-3.8</b>	<b>-5.0</b>	<b>-5.0</b>	<b>-5.0</b>	<b>-5.0</b>	<b>-23.8</b>
<b>Subtotal – Assistance for housing and home renovation</b>	<b>-72.8</b>	<b>-52.9</b>	<b>-97.0</b>	<b>-109.1</b>	<b>-77.0</b>	<b>-48.7</b>	<b>-457.5</b>

TABLE F.8

**Financial impact of measures to support communities (cont.)**  
(millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
<b>SUPPORT FOR MODERNIZATION OF TRANSPORTATION SERVICES</b>							
Implementation of mitigation measures during construction of the Réseau express métropolitain	-156.0	—	—	—	—	—	-156.0
Additional support for modernization of the taxi industry	-250.0	—	—	—	—	—	-250.0
<b>Subtotal – Support for modernization of transportation services</b>	<b>-406.0</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>-406.0</b>
<b>ADDITIONAL SUPPORT FOR MUNICIPALITIES</b>							
Adding better quality community, cultural and recreational infrastructures	—	—	-5.0	-19.0	-31.0	-33.0	-88.0
Additional assistance for services provided by the Sûreté du Québec	—	-10.0	-13.0	-15.0	-17.0	-20.0	-75.0
Support for municipal governance	—	-6.0	-8.0	-8.0	-8.0	-8.0	-38.0
Enhancement of the Fonds de développement économique de la région de la Capitale-Nationale	—	-4.3	-4.3	-4.3	-4.3	-4.3	-21.5
Support for training volunteer or part-time firefighters	—	-4.0	-4.0	-4.0	-4.0	-4.0	-20.0
<b>Subtotal – Additional support for municipalities</b>	<b>—</b>	<b>-24.3</b>	<b>-34.3</b>	<b>-50.3</b>	<b>-64.3</b>	<b>-69.3</b>	<b>-242.5</b>
<b>SUPPORT FOR VULNERABLE PERSONS</b>							
Supporting victims of sexual violence	—	-10.0	-10.0	-10.0	-10.0	-10.0	-50.0
Preventing crime and radicalization	—	-4.6	-4.6	-4.6	-4.6	-4.6	-23.0
Reforming the protection of vulnerable persons	—	-0.8	-3.5	-3.5	-3.5	-3.5	-14.8
<b>Subtotal – Support for vulnerable persons</b>	<b>—</b>	<b>-15.4</b>	<b>-18.1</b>	<b>-18.1</b>	<b>-18.1</b>	<b>-18.1</b>	<b>-87.8</b>

TABLE F.8

**Financial impact of measures to support communities (cont.)**  
 (millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
<b>SUPPORT FOR ABORIGINAL COMMUNITIES</b>							
Enhancing the Aboriginal Initiatives Fund <sup>(4)</sup>	—	-4.5	-6.0	-7.0	—	—	-17.5
Adding personnel in Aboriginal police forces	—	-1.8	-2.8	-2.9	-2.9	-3.0	-13.4
Workforce training in northern communities	—	-1.0	-1.0	-1.0	-1.0	-1.0	-5.0
Covering the operating deficit for 144 social housing units in Nunavik	—	-2.4	—	—	—	—	-2.4
Reducing the cost of living in Nunavik <sup>(1),(5)</sup>	-51.6	—	—	—	-20.1	-21.7	-93.4
<b>Subtotal – Support for aboriginal communities</b>	<b>-51.6</b>	<b>-9.7</b>	<b>-9.8</b>	<b>-10.9</b>	<b>-24.0</b>	<b>-25.7</b>	<b>-131.7</b>
<b>ADDITIONAL ASSISTANCE FOR PARENTS</b>							
Protecting our children from exploitation on the Internet	—	-2.2	-2.2	-2.2	-2.2	-2.2	-11.0
Fostering early learning in reading, writing and mathematics	—	-0.5	-0.5	-0.5	-0.5	—	-2.0
Encouraging parents to participate in their children's development	—	-0.3	-0.3	-0.3	-0.3	—	-1.2
Extending the Concerted Action Plan to Prevent and Counter Bullying	—	—	—	—	—	—	—
<b>Subtotal – Additional assistance for parents</b>	<b>—</b>	<b>-3.0</b>	<b>-3.0</b>	<b>-3.0</b>	<b>-3.0</b>	<b>-2.2</b>	<b>-14.2</b>

TABLE F.8

**Financial impact of measures to support communities (cont.)**  
(millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
<b>MARCH 2019 TRANSPORTATION INITIATIVES AND OTHER MEASURES</b>							
<b>March 2019 transportation initiatives</b>							
Subsidy for the Autorité régionale de transport métropolitain <sup>(6)</sup>	-99.0	—	—	—	—	—	-99.0
Assistance for maintaining local road networks <sup>(6)</sup>	-78.7	—	—	—	—	—	-78.7
Assistance program for public transit development <sup>(6)</sup>	-65.2	—	—	—	—	—	-65.2
Support for paratransit <sup>(1),(7)</sup>	-52.0	—	—	—	—	—	-52.0
Government assistance program for public passenger transit <sup>(6)</sup>	-11.7	—	—	—	—	—	-11.7
Subsidy for the Québec airport <sup>(1),(7)</sup>	-2.8	—	—	—	—	—	-2.8
<b>Other measures</b>							
Support for municipalities for the regulation of cannabis <sup>(1),(8)</sup>	-20.0	—	—	—	—	—	-20.0
Support for the Réflexe Montreal framework agreement <sup>(1),(9)</sup>	-70.0	—	—	—	—	—	-70.0
<b>Subtotal – March 2019 transportation initiatives and other measures</b>	<b>-399.4</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>-399.4</b>
<b>TOTAL – SUPPORT FOR COMMUNITIES</b>	<b>-929.8</b>	<b>-105.3</b>	<b>-162.2</b>	<b>-191.4</b>	<b>-186.4</b>	<b>-164.0</b>	<b>-1 739.1</b>

(1) For 2018-2019, the funds will be drawn from budgetary resources made available during the fiscal year.

(2) Additional appropriations totalling \$10.4 million for 2024-2025 will be granted to the Ministère des Affaires municipales et de l'Habitation (MAMH).

(3) Additional appropriations totalling \$0.7 million for 2024-2025 and \$0.3 million for 2025-2026 will be granted to the MAMH.

(4) Investments of \$2.5 million will be provided in the 2019-2029 Québec Infrastructure Plan.

(5) Additional appropriations totalling \$22.4 million for 2024-2025 will be granted to the Ministère du Conseil exécutif.

(6) The funds will be drawn from the Land Transportation Network Fund.

(7) Additional appropriations totalling \$54.8 million for 2018-2019 will be granted to the Ministère des Transports.

(8) Additional appropriations totalling \$20.0 million for 2018-2019 will be granted to the MAMH.

(9) Additional appropriations totalling \$70.0 million for 2018-2019 will be granted to the Ministère de l'Économie et de l'Innovation.

# Section G

## THE QUÉBEC ECONOMY: RECENT DEVELOPMENTS AND OUTLOOK FOR 2019 AND 2020

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## SUMMARY

The economic situation in Québec is part of a more difficult international context marked by increased trade tensions.<sup>1</sup> Indeed, the world economy continues to grow, but at a more moderate pace.

Thus, after two years of particularly dynamic economic growth in Québec, in Canada and in the world, real gross domestic product (GDP) growth should moderate in the coming years.

— In Québec, real GDP growth is expected to stand at 1.8% in 2019 and 1.5% in 2020, after reaching 2.8% in 2017 and 2.3% in 2018.

— After an increase of 1.8% in 2018, real GDP growth in Canada is expected to decrease to 1.7% in 2019 and 2020.

In addition, Québec is confronted with an aging population. This demographic change will continue to put pressure on the labour market.

Moreover, the employment rate in Québec, which is at an all-time high, shows a reduction in the size of the labour pool, which limits job gains.

In this context, economic growth and the improvement of Quebecers' standard of living require the full use of the labour pool as well as productivity gains.<sup>2</sup>

— In order to maximize the participation of the entire population in the labour market, the government intends to continue its efforts to favour career extension and facilitate the integration of immigrants.

— In addition, the government is expected to focus more of its efforts on improving productivity. That is why measures supporting business investment have already been introduced.

TABLE G.1

### Economic growth

(real GDP, percentage change)

	2017	2018	2019	2020
Québec	2.8	2.3	1.8	1.5
Canada	3.0	1.8	1.7	1.7
United States	2.2	2.9	2.4	1.8
World	3.8	3.6	3.5	3.4

Sources: Institut de la statistique du Québec, Statistics Canada, IHS Markit, International Monetary Fund, Datastream, Bloomberg, Eurostat and Ministère des Finances du Québec.

<sup>1</sup> Unless otherwise indicated, this section is based on data available as at March 4, 2019.

<sup>2</sup> Measures to support labour market participation and productivity are presented in Section D of this Budget Plan.



# 1. THE ECONOMIC SITUATION IN QUÉBEC

## 1.1 Economic growth continues

Economic activity has been particularly dynamic in Québec in recent years. Although the context remains favourable, economic growth is expected to continue at a slower pace.

— Indeed, real GDP growth is expected to stand at 1.8% in 2019 and 1.5% in 2020, after reaching 2.8% in 2017 and 2.3% in 2018.

Economic growth will be supported in particular by measures put in place in the Fall 2018 *Update on Québec's Economic and Financial Situation* and those of the *Québec Budget Plan – March 2019*.

These measures reflect the government's desire to improve the potential of Québec's economy.

Despite the favourable economic context, some elements will contribute to the moderation of the growth.

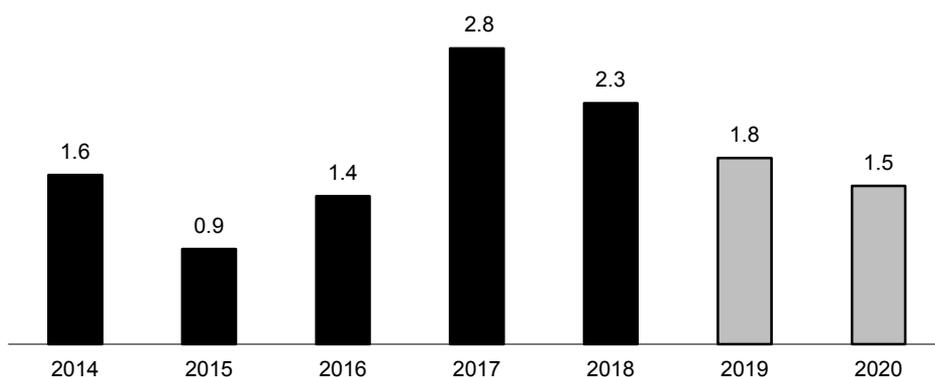
— The shrinking size of the potential labour pool and the already very low unemployment rate will limit real GDP growth.

— Businesses may be cautious given global trade tensions.

— The past increase in interest rates will dampen household expenditure growth.

CHART G.1

**Economic growth in Québec**  
(real GDP, percentage change)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

## □ Households and businesses will support economic growth in the coming years

Households have been the main driver of economic growth in recent years. Their contribution to economic activity will continue in 2019 and 2020, but at a more moderate pace.

- Households will benefit from a favourable context thanks to the initiatives implemented by the Québec government, the increase in wages and salaries and the decline in gas prices.
- However, growth in consumer spending and residential investment will be limited by past increases in interest rates, which are putting additional financial pressure on households. Thus, despite the favourable context, Québec households will continue to exercise caution.

On the business side, non-residential investment growth is expected to continue and will be supported by initiatives announced by the governments of Québec and Canada.

- In addition, the pressures of the aging population on the labour market and the high rate of production capacity utilization encourage businesses to invest in order to improve their productivity. As a result, business investment growth is expected to reach 5.0% in 2019. This would be the strongest growth since 2012.
- However, businesses may be cautious due to global trade tensions and tightening financial conditions.

TABLE G.2

### Real GDP and its major components in Québec (percentage change and contribution in percentage points)

	2018	2019	2020
<b>Contribution of domestic demand</b>	<b>2.9</b>	<b>2.0</b>	<b>1.5</b>
– Household consumption	2.6	2.0	1.5
– Residential investment	3.8	-0.8	0.1
– Non-residential business investment	4.3	5.0	3.8
– Government spending and investment	2.6	1.7	1.0
<b>Contribution of the external sector</b>	<b>-0.4</b>	<b>0.1</b>	<b>0.1</b>
– Exports	2.9	2.6	2.2
– Imports	3.3	2.1	1.8
<b>Contribution of inventories</b>	<b>-0.3</b>	<b>-0.4</b>	<b>-0.2</b>
<b>REAL GDP</b>	<b>2.3</b>	<b>1.8</b>	<b>1.5</b>

Note: Totals may not add due to rounding.

Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

## Productivity gains and wage growth

In general, wage growth follows productivity growth over a long period of time. Thus, from 1981 to 2018, wages and productivity per worker increased at the same rate, by 0.7% per year, in real terms.

Over the past five years, average wage growth per worker has been slightly higher than productivity growth.

Several factors may explain this divergence, including the scarcity of labour, which increases the bargaining power of workers, and the small increase in consumer prices, particularly gas prices, which contributes to the increase in workers' purchasing power.

Government initiatives to stimulate business investment will help increase productivity. This expected improvement in productivity should benefit Québec workers through wage growth, which will contribute to an increase in living standards.

### Productivity and wages per worker in Québec

(percentage change, in real terms)

	2014	2015	2016	2017	2018	Average 2014-2018
Productivity <sup>(1)</sup>	1.6	0.0	0.5	0.6	1.3	0.8
Wages <sup>(2)</sup>	1.3	0.0	0.3	1.3	2.8	1.1

(1) Real GDP per job.

(2) Wages and salaries per worker minus the increase in the cost of living measured by the household consumption expenditure deflator.

Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

## ❑ The labour market will remain tight in the coming years

Job creation slowed down in 2018 due to the shrinking size of the available labour pool, which was caused in particular by the aging population.

- After a strong increase of 90 200 jobs in 2017, an annual average of 38 900 jobs was created in 2018.
  - The comparison between December 2017 and December 2018 shows a smaller increase, with a gain of 8 900 jobs.

In addition, the unemployment rate fell from 6.1% in 2017 to 5.5% in 2018, an all-time annual low. For the same year, the employment rate for the population aged 15 and over stood at 61.0%, a record level.

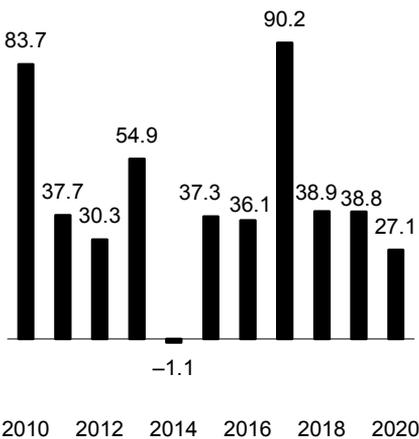
The shrinking size of the potential labour pool, the already very low unemployment rate and the high employment rate will continue to limit job gains in the coming years.

- In 2019, employment gains will reach 38 800, an increase of 0.9%. In 2020, 27 100 jobs should be created, an increase of 0.6%.
- As for the unemployment rate, it will continue to decline. It is expected to fall to 5.4% in 2019 and 5.3% in 2020.

The low unemployment rate allows people looking for a job to take advantage of labour market opportunities. In addition, in the coming years, full use of the available labour force will be required to support economic growth.

CHART G.2

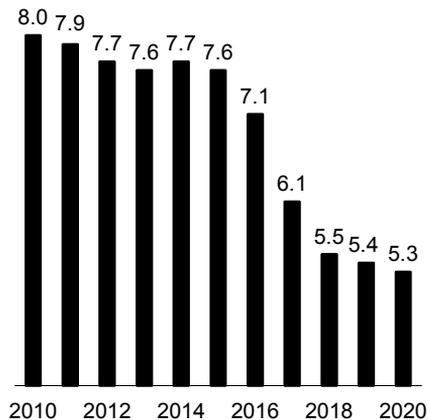
### Job creation in Québec (thousands)



Sources: Statistics Canada and Ministère des Finances du Québec.

CHART G.3

### Unemployment rate in Québec (per cent)



Sources: Statistics Canada and Ministère des Finances du Québec.

## Recent trends in the number of job vacancies in Québec

### A situation comparable to those of Canada and Ontario

Between the third quarter of 2017 and the third quarter of 2018, the number of job vacancies rose by 35.5% in Québec. This increase is higher than those of Canada (17.8%) and Ontario (12.2%). Over the last four quarters, there was an average of 105 000 job vacancies in Québec.

Despite this increase, the job vacancy rate (the number of job vacancies expressed as a percentage of all occupied and vacant jobs) stood at 3.2% in Québec in the third quarter of 2018. This level is comparable to those of Canada (3.3%) and Ontario (3.2%).

### Job vacancies and job vacancy rate

(per cent)

	Québec	Canada	Ontario
Annual change in job vacancies <sup>(1)</sup>	35.5	17.8	12.2
Job vacancy rate <sup>(2)</sup>	3.2	3.3	3.2

Note: Not seasonally adjusted data.

(1) Percentage change between the third quarter of 2017 and the third quarter of 2018.

(2) Number of job vacancies expressed as a percentage of all occupied or vacant jobs, in the third quarter of 2018.

Source: Statistics Canada.

### Smaller pool of available workers in Québec

The more pronounced increase in the number of job vacancies in Québec is partly attributable to the smaller pool of available workers.

- Indeed, the pool of potential workers, which is composed of the population aged 15 to 64, has declined in recent years due to the aging population.
- This phenomenon has not occurred in Canada and Ontario, where the population aged 15 to 64 has continued to grow.

### Trends in the population aged 15 to 64

(percentage change)

	Québec	Canada	Ontario
2016	-0.1	0.5	0.7
2017	-0.1	0.4	0.9
2018	0.1	0.7	1.4

Source: Statistics Canada's Labour Force Survey.

The increase in the number of job vacancies is the result of demographic changes combined to a significant decrease in the unemployment rate.

In this context, the government continues its efforts to help businesses that are looking for workers and to support people who want to enter or remain in the labour market.

- To this end, the government has put in place measures to favour workers' career extension.

## 1.2 Consumers will remain cautious

Household consumption expenditure will remain an economic growth engine in the coming years. They are expected to increase by 2.0% in 2019 and 1.5% in 2020.

Households will continue to benefit from a favourable context, thanks to, in particular:

- the initiatives put in place by the Québec government to further support families, including the introduction of the family allowance and the reduction of school taxes;
- increases in wages and salaries, supported by continued job creation and low unemployment rates;
- low gas prices.

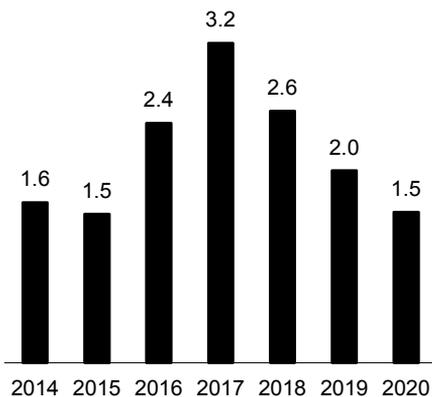
However, consumption growth will be limited by past interest rate increases, which drive up the cost of borrowing and put additional financial pressure on households.

- Moreover, the debt ratio of Quebecers (157.3% in 2017), that is, the value of household liabilities as a proportion of disposable income, is significantly lower than that of Canada (178.5%) and Ontario (185.0%). Thus, the effects of the rise in interest rates on Quebecers' pocketbooks are less significant than in the rest of Canada.

Consequently, despite the favourable context, Québec households will continue to exercise caution by limiting the growth of their expenditures.

CHART G.4

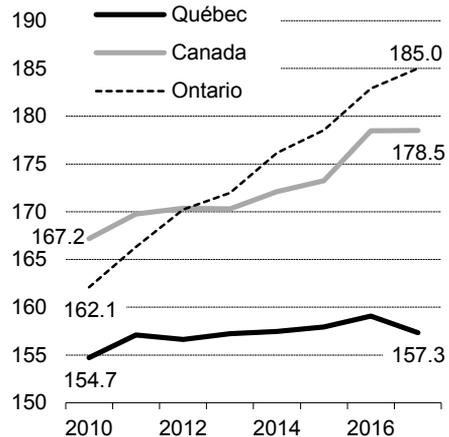
### Household consumption expenditure in Québec (percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART G.5

### Household debt ratio (per cent)



Note: Total value of household liabilities divided by household disposable income. The year 2017 is the last year for which data are available.

Sources: Statistics Canada and Ministère des Finances du Québec.

### 1.3 Anticipated slowdown in the residential sector

Over the past year, the Québec real estate market has stood out from the rest of Canada. Québec was less affected by the introduction of stricter mortgage rules that came into effect on January 1, 2018, due in part to lower housing prices. Thus, residential investment grew by 3.8% in 2018 in Québec, while a 2.3% decline was observed in Canada.

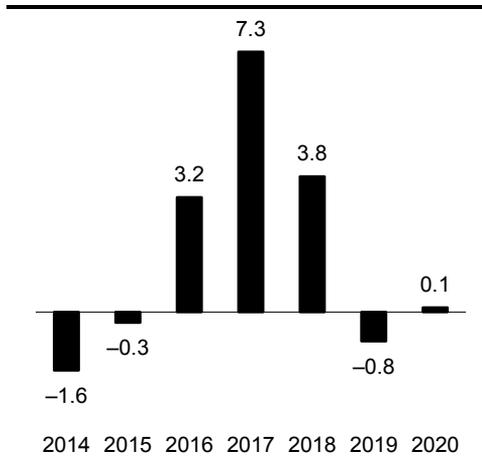
However, a slowdown in this sector is expected in Québec in 2019.

- New buyers will be affected by the effects of past interest rate increases and stricter mortgage rules.
- In addition, Quebecers who held a fixed-rate mortgage will see their borrowing rate increase when they renew at the end of their term. Those with variable-rate mortgages are already feeling the effects of those previous increases.
- Moreover, the slowdown in population growth will limit the demand for housing.

After reaching 46 900 units in 2018, housing starts are expected to decline by 8.8% to reach 42 800 units in 2019. In 2020, it is expected to decline again by 4.7% to reach 40 700 units. Despite these declines, the number of housing starts in 2020 will remain above 40 000 for a fourth consecutive year.

CHART G.6

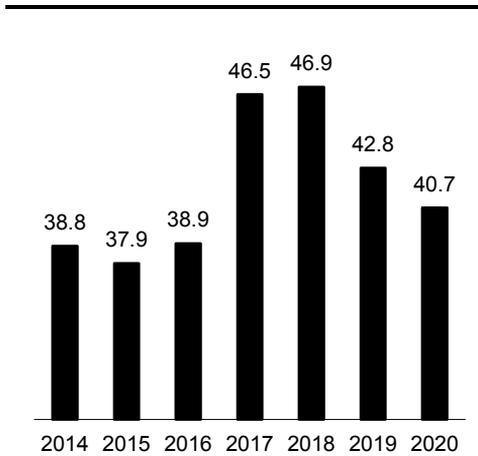
#### Residential investment in Québec (percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART G.7

#### Housing starts in Québec (thousands of units)



Sources: Canada Mortgage and Housing Corporation and Ministère des Finances du Québec.

## Real estate transactions by foreign buyers

### Transactions by foreign buyers

According to Québec land register data, the number of real estate transactions carried out by foreign buyers<sup>1</sup> increased by 8.5% in Québec in 2018 (23.9% in 2017) and by 21.5% on the island of Montréal<sup>2</sup> (28.0% in 2017).

Despite the increases in recent years, the share of real estate transactions carried out by foreign buyers increased only slightly.

- In Québec, it rose from 0.8% of all residential real estate transactions in 2006 to 1.1% in 2018.
- On the island of Montréal, it rose from 1.7% in 2006 to 3.4% in 2018.

### Transactions by buyers from the rest of Canada and Québec

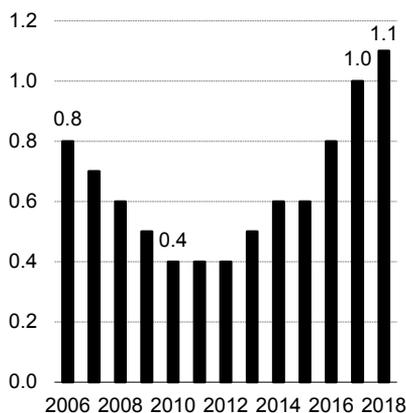
In 2018, buyers from the rest of Canada accounted for 2.3% of transactions in Québec and 3.1% on the island of Montréal.

Thus, for both Québec as a whole and the island of Montréal, the majority of transactions were made by Quebecers in 2018 (96.6% for Québec as a whole and 93.5% for the island of Montréal).

Despite the strong growth in the number of transactions carried out by foreign buyers, the latter still have a limited presence in Québec, and they are concentrated mainly on the island of Montréal. The government will nevertheless continue to monitor the evolution of the real estate market in Québec.

#### Québec real estate transactions by foreign buyers

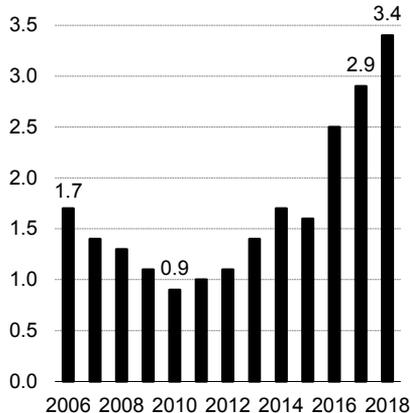
(percentage of total transactions in Québec)



Sources: JLR Solutions Foncières and Ministère des Finances du Québec.

#### Real estate transactions by foreign buyers on the island of Montréal

(percentage of all transactions on the island of Montréal)



Sources: JLR Solutions Foncières and Ministère des Finances du Québec.

1 "Foreign buyers" means buyers who, at the time of the real estate transaction, declared an address of residence outside Canada. This information, which appears in the notarial act, does not indicate the status of the buyer in relation to the *Immigration and Refugee Protection Act*.

2 Montréal administrative region.

## 1.4 A favourable environment for non-residential business investment

After standing at 4.3% in 2018, non-residential business investment growth in real terms is forecast to continue. It should reach 5.0% in 2019 and 3.8% in 2020. All components of investment, particularly machinery and equipment, are expected to increase in the coming years.

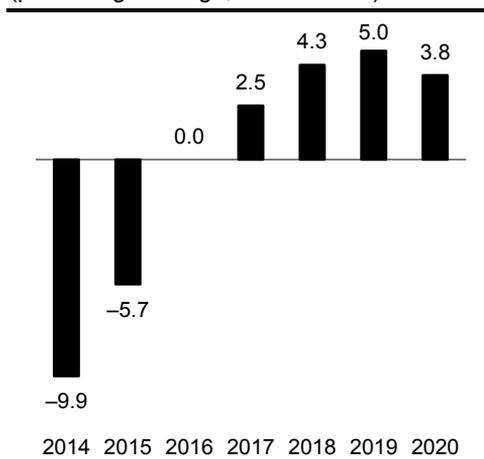
Several elements will support the growth in investments.

- Initiatives announced in 2018 by the governments of Québec and Canada to further encourage investment, including an enhancement of capital cost allowance.
- The high level of production capacity utilization rate encourages businesses to increase their investment expenditure to meet demand.
- The shrinking size of the available labour pool encourages businesses to invest more in machinery and equipment in order to increase their productivity.
- In addition, the reduction of uncertainties following the agreement in principle on the Canada–United States–Mexico Agreement will facilitate investment decisions.

However, businesses may be cautious in the face of global trade tensions and tightening financial conditions.

CHART G.8

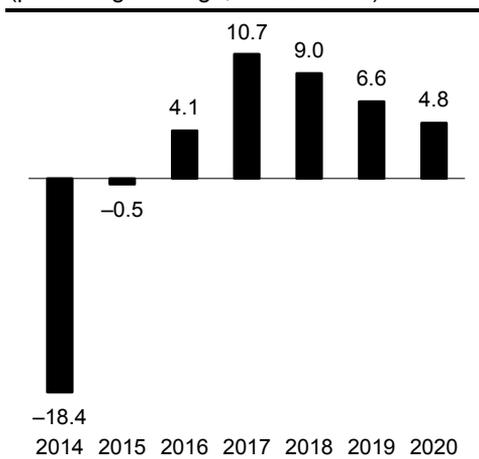
### Total non-residential business investment in Québec (percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART G.9

### Business investment in machinery and equipment in Québec (percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

## 1.5 Export growth continues

Québec's export growth should reach 2.6% in 2019 and 2.2% in 2020, after reaching 2.9% in 2018.

Exports will be supported by:

- continued economic growth in the United States and Canada, Québec's main trading partners;
- the favourable exchange rate of the Canadian dollar;
- new trade agreements, including the Canada–United States–Mexico Agreement (CUSMA), the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which will reduce barriers to Québec exports to several countries.

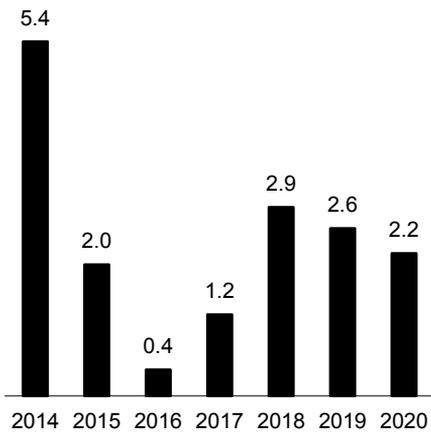
In addition, after decreasing in the fall of 2018, metal prices have generally risen since the beginning of the year. This favourable context will support exports.

However, the rise in global protectionism and the adoption of some restrictive trade policies could contribute to slowing export growth.

Import growth, on the other hand, is expected to decelerate due to a more moderate domestic demand. It will decrease from 3.3% in 2018 to 2.1% in 2019 and 1.8% in 2020.

CHART G.10

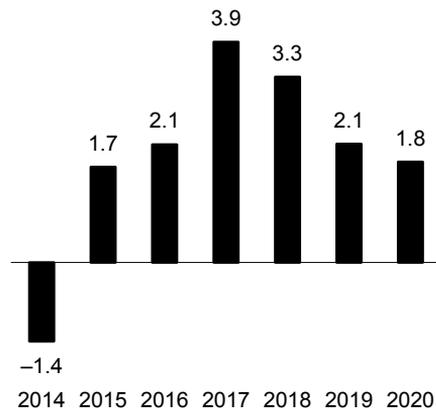
### Québec's total exports (percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART G.11

### Québec's total imports (percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

## 1.6 Slower growth of nominal GDP

Nominal GDP, which measures the value of output by taking into account the price effect, will increase by 3.5% in 2019 and 3.2% in 2020, after an increase of 4.3% in 2018. This slowdown will result from:

- the moderation of economic activity in real terms;
- the slowdown in GDP price growth, which will increase by 1.7% in 2019 and 2020 following a 2.0% increase in 2018.

### □ Moderate inflation for the coming years

Inflation, as measured by consumer price increases, will remain moderate in the coming years. After reaching 1.7% in 2018, consumer price index (CPI) growth will stand at 1.4% in 2019 and 2.0% in 2020.

- In 2019, the decline in crude oil prices, which is reflected in gas prices paid at the pump, will result in lower CPI growth.
- In 2020, the rise in crude oil prices will lead to an acceleration of the CPI.

TABLE G.3

### Nominal GDP growth in Québec (percentage change)

	2014	2015	2016	2017	2018	2019	2020
Real GDP	1.6	0.9	1.4	2.8	2.3	1.8	1.5
Prices – GDP deflator	1.4	2.0	1.4	2.1	2.0	1.7	1.7
<b>NOMINAL GDP</b>	<b>3.0</b>	<b>2.9</b>	<b>2.8</b>	<b>5.0</b>	<b>4.3</b>	<b>3.5</b>	<b>3.2</b>

Note: Totals may not add due to rounding.

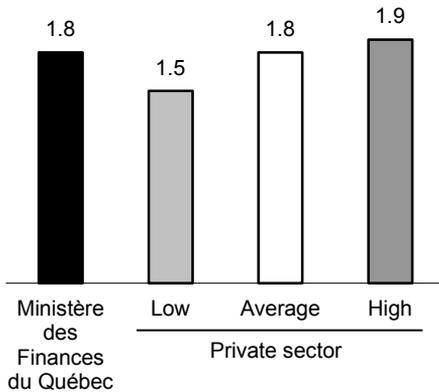
Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

## 1.7 Comparison with private sector forecasts

The Ministère des Finances du Québec's economic growth forecast for the coming years is comparable to the average forecasts of the private sector.

CHART G.12

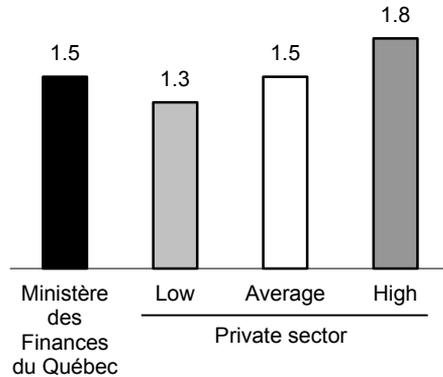
### Economic growth in Québec, 2019 (real GDP, percentage change)



Source: Ministère des Finances du Québec summary as at March 4, 2019, which includes the forecasts of 11 private sector institutions.

CHART G.13

### Economic growth in Québec, 2020 (real GDP, percentage change)



Source: Ministère des Finances du Québec summary as at March 4, 2019, which includes the forecasts of 11 private sector institutions.

TABLE G.4

### Québec economic outlook – Comparison with the private sector (percentage change)

	2018	2019	2020	2021	2022	2023	Average 2019-2023
<b>Real GDP</b>							
Ministère des Finances du Québec	2.3	1.8	1.5	1.3	1.3	1.3	1.5
Private sector average	2.2	1.8	1.5	1.3	1.4	1.4	1.5
<b>Nominal GDP</b>							
Ministère des Finances du Québec	4.3	3.5	3.2	3.0	3.0	3.1	3.2
Private sector average	4.2	3.6	3.4	3.1	3.2	3.3	3.3

Note: Averages may not add due to rounding.

Source: Ministère des Finances du Québec summary as at March 4, 2019, which includes the forecasts of 11 private sector institutions.

TABLE G.5

**Economic outlook for Québec**  
 (percentage change, unless otherwise indicated)

	2018	2019	2020	2021	2022	2023
<b>Output</b>						
Real gross domestic product	2.3	1.8	1.5	1.3	1.3	1.3
Nominal gross domestic product	4.3	3.5	3.2	3.0	3.0	3.1
Nominal gross domestic product (\$billion)	435.3	450.6	464.9	479.0	493.6	508.9
<b>Components of GDP (in real terms)</b>						
Final domestic demand	2.8	2.0	1.5	1.2	1.2	1.3
– Household consumption	2.6	2.0	1.5	1.4	1.4	1.4
– Government spending and investment	2.6	1.7	1.0	0.6	0.8	1.0
– Residential investment	3.8	-0.8	0.1	0.2	0.2	0.3
– Non-residential business investment	4.3	5.0	3.8	2.3	2.2	2.2
Exports	2.9	2.6	2.2	2.1	2.0	1.9
Imports	3.3	2.1	1.8	1.8	1.6	1.7
<b>Labour market</b>						
Population (thousands)	8 390	8 452	8 514	8 575	8 634	8 693
Population aged 15 and over (thousands)	6 986	7 039	7 081	7 126	7 173	7 223
Jobs (thousands)	4 262	4 301	4 328	4 351	4 371	4 386
Job creation (thousands)	38.9	38.8	27.1	23.0	20.0	15.0
Unemployment rate (%)	5.5	5.4	5.3	5.2	5.1	5.0
<b>Other economic indicators (in nominal terms)</b>						
Household consumption	4.0	3.2	3.3	3.0	3.0	3.0
– Excluding food expenditures and shelter	4.2	2.8	3.0	2.7	2.8	2.8
Housing starts (thousands of units)	46.9	42.8	40.7	39.4	38.0	36.6
Residential investment	8.5	1.9	2.2	2.3	2.2	2.3
Non-residential business investment	5.3	6.2	4.5	3.4	3.8	3.8
Wages and salaries	5.2	3.2	3.1	3.0	3.0	2.9
Household incomes	4.4	3.4	3.4	3.2	3.1	3.1
Net operating surplus of corporations	3.2	4.7	4.3	3.5	3.5	3.5
Consumer price index	1.7	1.4	2.0	2.0	2.0	2.0
– Excluding food and energy	1.3	1.7	1.8	1.8	1.8	1.8

Sources: Institut de la statistique du Québec, Statistics Canada, Canada Mortgage and Housing Corporation and Ministère des Finances du Québec.



## 2. THE SITUATION OF QUÉBEC'S MAIN ECONOMIC PARTNERS

### ❑ Québec's economic activity is influenced by the situation of its main trading partners

In 2017, more than 45% of Québec's nominal GDP was based on exports of goods and services around the world.

Canada is the recipient of nearly 30% of Québec's total merchandise exports, while the rest of the world accounts for 70%. The United States receives nearly 50% of Québec's merchandise exports.

Consequently, the evolution of exports and economic activity in Québec is largely influenced by the situation of its main trading partners, namely Canada and the United States.

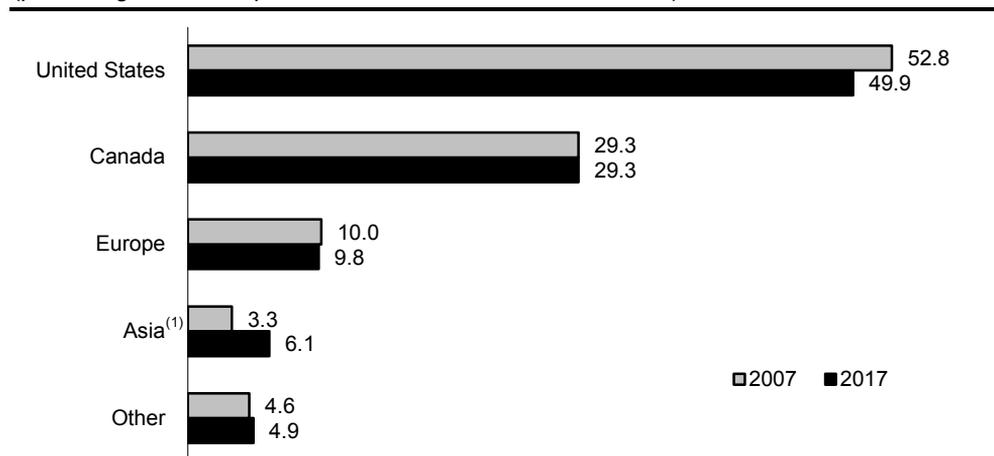
— In **Canada**, after an increase of 1.8% in 2018, real GDP growth is expected to reach 1.7% in 2019 and 2020.

— In the **United States**, after reaching 2.9% in 2018, real GDP growth is expected to reach 2.4% in 2019 and 1.8% in 2020.

Economic activity will also be supported by the coming into force of new trade agreements, which will give Québec exporters access to new business opportunities.

CHART G.14

### Share of Québec merchandise exports by destination (percentage of total exports of merchandise, in nominal terms)



(1) Asia excluding the Middle East.

Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

## 2.1 The economic situation in Canada

### ☐ Moderate real GDP growth

Like Québec, economic growth is slowing down in Canada. From 1.8% in 2018, it will decrease to 1.7% in 2019 and 2020.

Over the next few years, the evolution of global oil prices and some transportation-related difficulties will slow the growth of economic activity in oil-extracting provinces.

— The Alberta government's reduction in oil production to address record inventory levels will affect Canadian growth. In the short term, this decrease in production will limit investment and exports in the energy sector.

Moderate growth in economic activity is also expected in non-oil-extracting provinces.

— Low unemployment rates and rising wages should continue to support consumption. However, household demand will be slowed by higher interest rates.

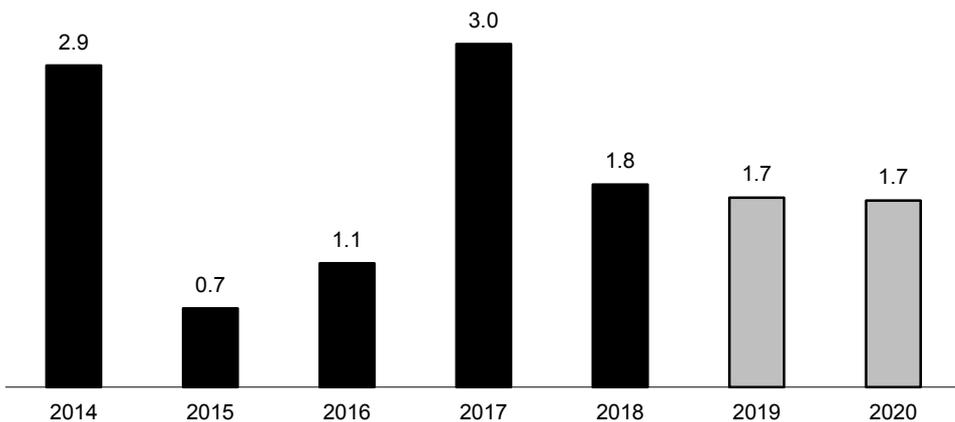
— Non-residential business investment and exports in the non-energy sector are expected to increase. In particular, they will benefit from tax measures encouraging investment and new trade agreements.

In addition, the rise in mortgage rates and the tightening of mortgage eligibility rules will continue to slow the Canadian housing market, particularly in Toronto and Vancouver.

CHART G.15

### Economic growth in Canada

(real GDP, percentage change)



Sources: Statistics Canada and Ministère des Finances du Québec.

## ❑ Growth is limited by the energy sector and rising interest rates

Households will support economic activity in 2019 and 2020, but their contribution will be limited by past interest rate increases.

- Households will benefit from higher wages and salaries and lower gas prices to increase their consumption levels. However, Canadian households will be more sensitive to interest rate increases than Québec households because of the higher debt levels of the former.
- The decline in residential investment that began in 2018 is expected to continue in 2019 and 2020. In particular, activity is expected to continue to slow in the Vancouver and Toronto markets, where housing prices are high.

Non-residential business investment is expected to remain moderate in 2019 before picking up in 2020.

- Investment growth in the energy sector is expected to slow down in 2019 in response to low world oil prices and the reduction in oil production imposed by the Alberta government.
- Business investment in the non-energy sector is expected to remain strong in 2019 and 2020, supported in particular by favourable tax measures and a high capacity utilization rate.

TABLE G.6

### Real GDP and its major components in Canada (percentage change and contribution in percentage points)

	2018	2019	2020
<b>Contribution of domestic demand</b>	<b>1.9</b>	<b>1.4</b>	<b>1.7</b>
– Household consumption	2.1	2.0	1.9
– Residential investment	-2.3	-1.1	-0.6
– Non-residential business investment	2.0	1.9	3.8
– Government spending and investment	2.7	0.8	0.8
<b>Contribution of the external sector</b>	<b>0.1</b>	<b>0.2</b>	<b>0.0</b>
– Exports	3.3	2.6	2.3
– Imports	2.9	1.9	2.3
<b>Contribution of inventories</b>	<b>-0.2</b>	<b>0.1</b>	<b>0.0</b>
<b>REAL GDP</b>	<b>1.8</b>	<b>1.7</b>	<b>1.7</b>

Note: Totals may not add due to rounding.

Sources: Statistics Canada and Ministère des Finances du Québec.

## ❑ Deteriorating affordability that slows down housing demand

The residential sectors in Québec and Canada followed different paths in 2018. While the real estate market in Québec continued to grow, the housing sector in Canada slowed down, particularly in Ontario and British Columbia.

— In Canada, housing starts (–3.1%) and resale market transactions (–10.9%) decreased in 2018. Declines were significant in Ontario (–0.5% for housing starts and –13.4% for transactions) and British Columbia (–6.4% and –24.5% respectively).

Deteriorating affordability, due in part to stricter mortgage rules, more restrictive credit conditions and high house prices, has reduced households' financial ability to acquire a house in Canada.

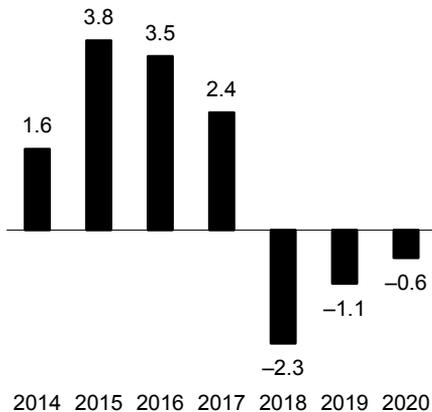
— In addition, measures targeting foreign buyers have been put in place by some provincial and local governments to curb the real estate markets in Vancouver and Toronto. These measures have limited transactions by foreign buyers.

In 2019 and 2020, these factors will continue to affect housing demand.

— In particular, residential investment is expected to decline by 1.1% in 2019 and 0.6% in 2020. The number of housing starts is expected to decrease by 4.8% in 2019 and 4.6% in 2020.

CHART G.16

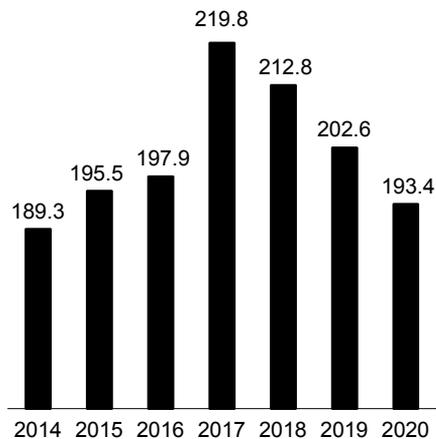
### Residential investment in Canada (percentage change, in real terms)



Sources: Statistics Canada and Ministère des Finances du Québec.

CHART G.17

### Housing starts in Canada (thousands of units)



Sources: Canada Mortgage and Housing Corporation and Ministère des Finances du Québec.

## ❑ Non-residential investment continues to grow despite a downturn in the energy sector

Non-residential business investment is expected to grow by 1.9% in 2019 and 3.8% in 2020. This increase is attributable to higher investment in the non-energy sector.

— Investments in the non-energy sector will be stimulated in particular by the tax measures announced last fall. Businesses will seize this opportunity to increase their investments, since the level of production capacity utilization rate is high.

In the energy sector, investments are expected to contract temporarily in 2019 partly because of lower oil prices.

— The price of WCS oil fell sharply in fall 2018. This decline was the result of an oversupply of oil in a market where transport capacity was limited. Given this situation, the Alberta government has announced mandatory measures to temporarily reduce oil production as at January 1, 2019.

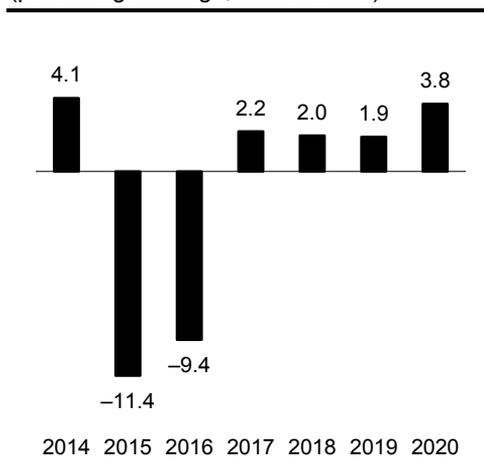
— In addition, global oil prices declined at the end of 2018, casting a shadow over the prospects for Canadian oil producers.

In 2020, the expected increase in global oil prices should stimulate these investments.

CHART G.18

### Non-residential business investment in Canada

(percentage change, in real terms)

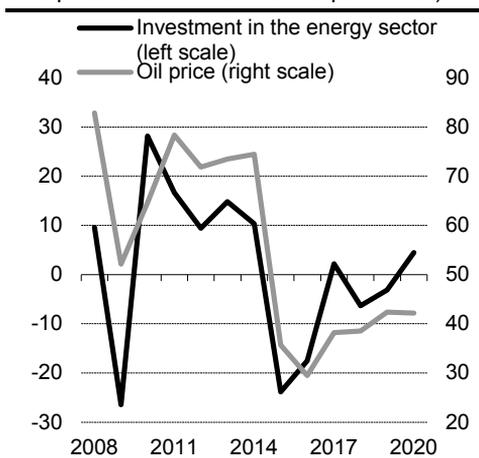


Sources: Statistics Canada and Ministère des Finances du Québec.

CHART G.19

### Non-residential business investment in the energy sector in Canada and oil price

(percentage change, in real terms, and price of oil in U.S. dollars per barrel)



Note: WCS oil price.

Sources: Statistics Canada, Bloomberg and Ministère des Finances du Québec.

## 2.2 The economic situation in the United States

### ❑ An expected slowdown of the U.S. economy

Although a slowdown is expected starting in 2019, the U.S. economy is moving close to full employment. Indeed, growth will remain above its long-term trend and will be supported mainly by the strength of the labour market, which should stimulate household consumption expenditure.

Real GDP is expected to increase by 2.4% in 2019 and by 1.8% in 2020, following robust growth of 2.9% in 2018.

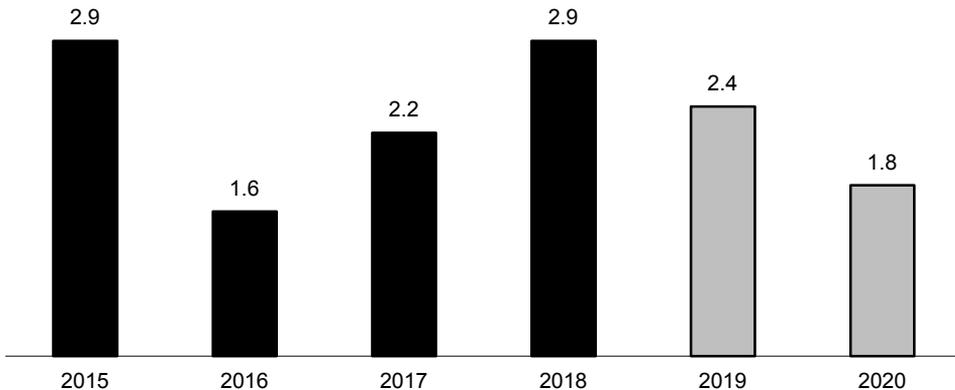
However, a number of factors will affect the economic outlook in the coming years, including:

- the withdrawal of the expansionary budget measures adopted by the federal government in early 2018, as well as the fading positive effects of the tax reform;
- the tightening of financial conditions resulting from the key interest rate hikes by the U.S. Federal Reserve in the last quarters;
- the expected slowdown in global economic growth, which is affected particularly by trade tensions and political uncertainty.

CHART G.20

### Economic growth in the United States

(real GDP, percentage change)



Sources: IHS Markit and Ministère des Finances du Québec.

## ❑ Economic growth will be dampened by the withdrawal of expansionary budget measures

In 2018, the U.S. economy benefited from significant budget and tax measures adopted by the federal government. However, the positive effects of these policies are projected to decrease over the next two years.

The withdrawal of these budget measures and the fading positive effects of the tax cuts on business investment and consumption will lead to moderate growth in 2019 and 2020.

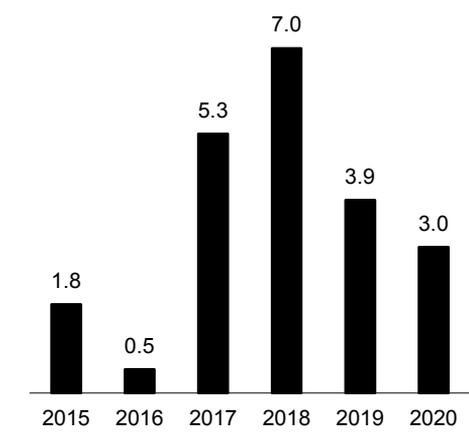
- In particular, non-residential business investment should grow by 3.9% in 2019 and 3.0% in 2020, after growing by 7.0% in 2018.
- The end of the federal government's expansionary budget measures will result in a slowdown in spending by all governments, which is expected to grow by only 0.6% in 2020, after increases of 1.5% in 2018 and 2.4% in 2019.

Other factors will contribute to the moderation of the economic activity in the United States, mainly:

- the four key rate hikes by the U.S. Federal Reserve in 2018, which are increasingly affecting interest-sensitive sectors, particularly the residential sector;
- the expected slowdown in global economic growth, which will limit U.S. investment and export prospects.

CHART G.21

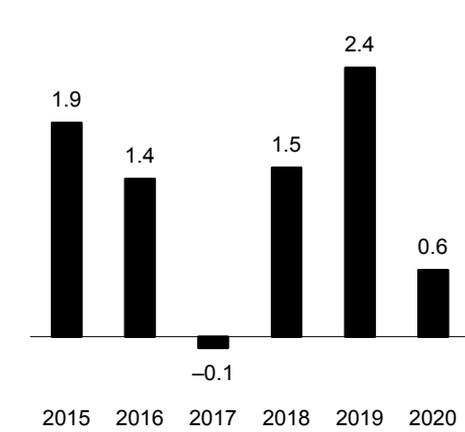
### Non-residential business investment in the United States (percentage change, in real terms)



Sources: IHS Markit and Ministère des Finances du Québec.

CHART G.22

### Expenditure by all governments in the United States (percentage change, in real terms)



Sources: IHS Markit and Ministère des Finances du Québec.

## ❑ Household expenditure will be supported by a strong labour market

After growing by 2.6% in 2018, household consumption expenditure is expected to increase by 2.7% in 2019 and 2.1% in 2020.

The U.S. labour market is expected to remain strong, which should support the growth of household consumption expenditure.

- Strong job creation in 2018, which had reached a peak not seen since 2015, is expected to continue in 2019.
  - Job creation is expected to rise by 1.5% in 2019 and 1.0% in 2020, after increasing by 1.7% in 2018.
- In addition, the expected decline in the unemployment rate should further support wage growth.

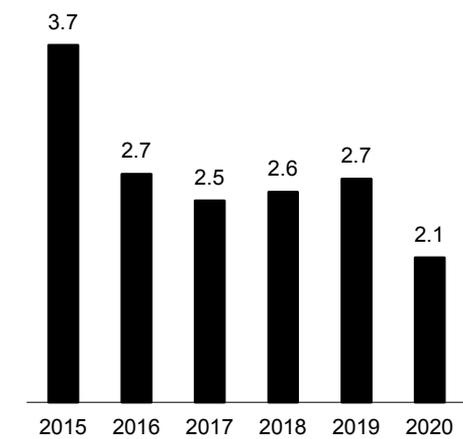
Moreover, U.S. households will benefit from lower gas prices resulting from lower oil prices.

Finally, consumer confidence remains at historically high levels, which should also support consumer spending.

However, higher interest rates will dampen the growth of household consumption expenditure.

CHART G.23

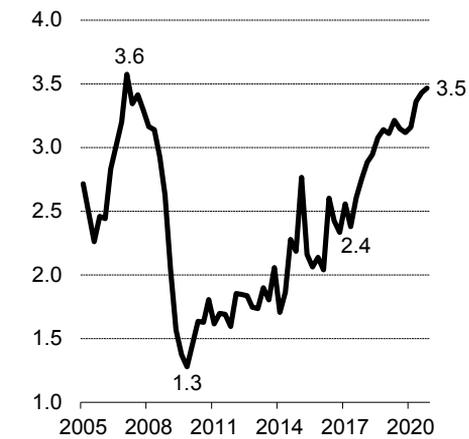
### Household consumption expenditure in the United States (percentage change, in real terms)



Sources: IHS Markit and Ministère des Finances du Québec.

CHART G.24

### Wage growth in the private sector in the United States (quarterly data, annual percentage change)



Sources: IHS Markit and Ministère des Finances du Québec.

### 3. DEVELOPMENTS IN FINANCIAL MARKETS

#### ❑ In recent months, financial market developments have been affected by global uncertainty

Signs of a slowdown in the global economy and increasing trade uncertainties led to increased financial market volatility in late 2018. North American stock market indices and bond yields fell sharply at the end of the year.

However, investors' confidence has improved since the beginning of 2019 in response to a more accommodating tone from some major central banks.

— Indeed, the U.S. Federal Reserve and the Bank of Canada have indicated that they will be cautious before raising their key rates again.

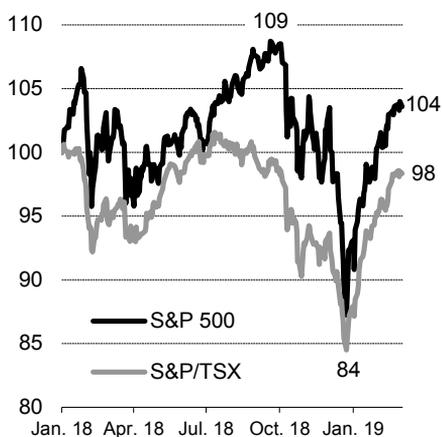
In addition, the Canadian dollar has strengthened against the U.S. dollar since the beginning of the year, and reached 75 U.S. cents at the beginning of March.

The Canadian dollar has been supported by the recent increase in global oil prices, among other things.

CHART G.25

#### Stock markets in the United States and Canada

(index, January 2, 2018 = 100)

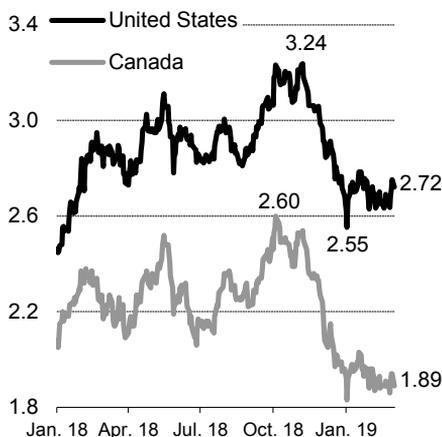


Note: The data are up to date as of March 4, 2019.  
Source: Bloomberg.

CHART G.26

#### Yield on 10-year maturity federal bonds

(per cent)



Note: The data are up to date as of March 4, 2019.  
Sources: Statistics Canada and Bloomberg.

## ❑ The U.S. Federal Reserve is expected to raise its key interest rate once a year in 2019 and 2020

After raising its key rate four times in 2018, the U.S. Federal Reserve indicated in January 2019 that it would be patient before making further adjustments to its target rate.

— According to the Federal Reserve, monetary policy will depend on developments in economic data, particularly inflation, which is close to the 2% target.

In this context, the Federal Reserve is expected to raise its key rate by 25 basis points once a year in 2019 and in 2020. The target rate for federal funds will then be in the range of 2.75%-3.00%.

## ❑ The Bank of Canada will remain cautious

In 2018, the Bank of Canada raised its target for the overnight rate three times. It has been at 1.75% since October 2018.

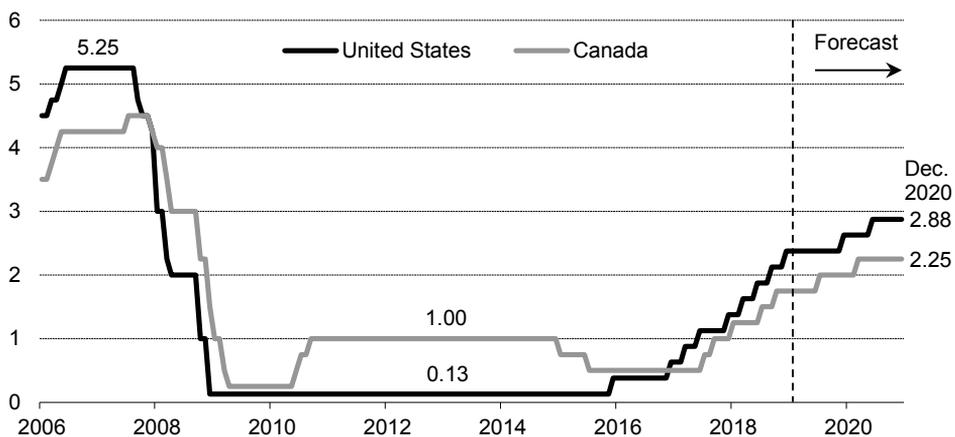
— The Bank of Canada has indicated in recent months that the pace of its rate hikes will depend, among other things, on changes in global oil prices, the Canadian housing market and global trade policies.

As a result, the Bank is expected to raise its policy interest rate once in 2019 and again in 2020, so that the rate reaches 2.25%.

However, there is considerable uncertainty concerning the pace of monetary tightening in both Canada and the United States. The materialization of certain risks could lead to a postponement of interest rate increases.

CHART G.27

### Key interest rates in the United States<sup>(1)</sup> and Canada (federal funds target rate and target for the overnight rate, per cent)



(1) Mid-point of the target range.

Sources: Statistics Canada, Bloomberg and Ministère des Finances du Québec.

## ❑ Bond yields are expected to rise gradually

Bond yields have declined in North America in recent months, mainly as a result of a reassessment of financial market expectations about future monetary policy developments.

— In addition, concerns about the global economy have supported demand for assets considered safer, such as U.S. and Canadian government bonds.

Despite the presence of risks that could delay the raising of key interest rates in Canada and the United States, North American bond yields should continue to rise at a moderate pace in the coming quarters.

## ❑ The Canadian dollar will remain close to current values

After depreciating significantly to 73.3 U.S. cents at the end of 2018, the Canadian dollar has increased against the U.S. dollar since the beginning of 2019, mainly due to a rise in global oil prices.

Over the next few quarters, the Canadian dollar is expected to increase slightly while remaining close to current levels.

— Indeed, the U.S. Federal Reserve and the Bank of Canada are expected to raise their key rates at roughly the same pace, while oil prices will rise slightly.

Thus, after averaging 76.9 U.S. cents in 2018, the Canadian dollar is expected to average 76.7 U.S. cents in 2019 and 78.6 U.S. cents in 2020.

TABLE G.7

### Canadian financial markets

(average annual percentage rate, unless otherwise indicated, end-of-the-year data in brackets)

	2018	2019	2020
Target for the overnight rate	1.4 (1.8)	1.9 (2.0)	2.2 (2.3)
3-month Treasury bills	1.4 (1.7)	1.9 (2.2)	2.2 (2.3)
10-year bonds	2.3 (2.0)	2.3 (2.6)	2.8 (3.0)
Canadian dollar (in U.S. cents)	76.9 (73.3)	76.7 (77.5)	78.6 (79.6)
U.S. dollar (in Canadian dollar)	1.30 (1.36)	1.30 (1.29)	1.27 (1.26)

Sources: Statistics Canada, Bloomberg and Ministère des Finances du Québec.

## ❑ Oil prices are expected to increase at a moderate pace

Oil prices fell sharply at the end of 2018, due to fears associated with an oversupply and a slowdown in global demand.

Since the beginning of the year, oil prices have increased somewhat. The price of Brent crude oil has risen by 12% since December 2018, averaging US\$64 a barrel in February.

— This increase was fuelled mainly by the reduction in production targets for member countries of the Organization of the Petroleum Exporting Countries (OPEC) and their partners, which are in effect since January 2019, as well as by the easing of global trade tensions.

In the coming quarters, oil prices are projected to rise at a moderate pace, while oil market is expected to move close to balance.

— Indeed, the rise in prices should be limited by the slowdown in global demand as well as by the continued strong growth in U.S. oil production.

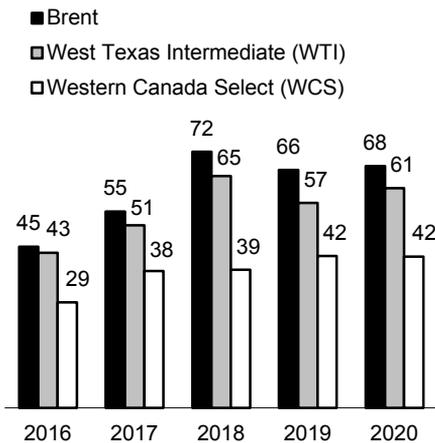
Thus, the price of Brent crude oil is expected to average US\$66 a barrel in 2019 and US\$68 in 2020. The WTI price is expected to average US\$57 a barrel in 2019 and US\$61 in 2020. For its part, the price of WCS will continue to be under pressure in the short term due to limited transportation capacity. It is expected to remain relatively stable at US\$42 a barrel in 2019 and 2020.

In addition, Québec mainly imports light oil from the rest of Canada and the United States.

CHART G.28

### Brent, WTI and WCS oil prices

(in U.S. dollars per barrel)

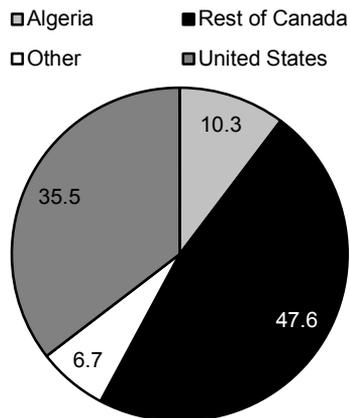


Sources: Bloomberg and Ministère des Finances du Québec.

CHART G.29

### Sources of Québec's crude oil supplies – 2017

(per cent)



Source: Statistics Canada.

## 4. THE GLOBAL ECONOMIC SITUATION

In 2018, the global economy continued to grow. However, economic conditions were more difficult. Global economy was marked by the pessimism of economic agents and the slowdown in world trade, fuelled by trade tensions and political uncertainty.

Thus, global economic growth has slowed, reflecting developments in several major economies, in particular China.

— In addition, the euro area and the United Kingdom have not been spared given the difficulties of the Italian economy, the slowdown of the German economy and the difficult negotiations in the United Kingdom surrounding the Brexit.

After increasing by 3.6% in 2018, global economic activity is expected to grow by 3.5% in 2019 and by 3.4% in 2020. As a result, global economy will grow for the tenth consecutive year since the financial crisis of 2008-2009.

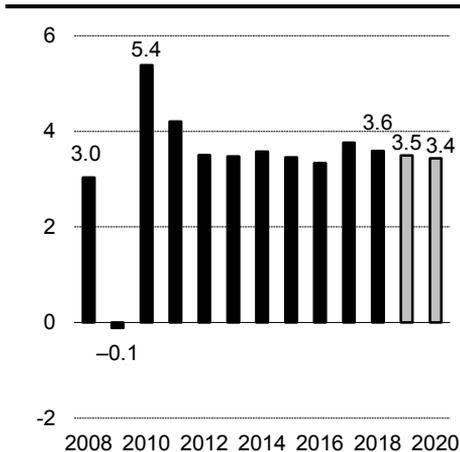
— It should benefit from government measures adopted by some countries, as well as from a strong labour market and moderate inflationary pressures.

— However, favourable support from the United States is expected to decline. In addition, the expected slowdown in China and the euro area could dampen the expansion of world trade.

Moreover, the Purchasing Managers' Index confirms that global economic activity should continue to increase in the coming months.

CHART G.30

**Global economic growth**  
(real GDP in purchasing power parity, percentage change)

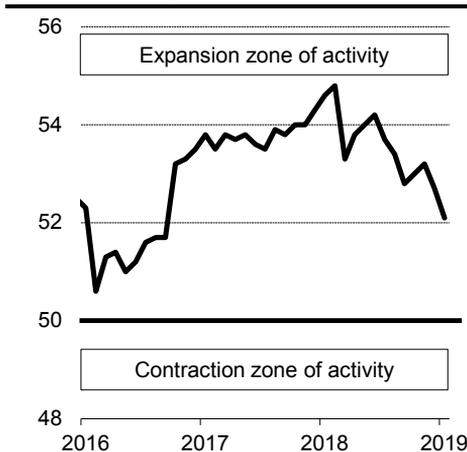


Sources: International Monetary Fund, IHS Markit, Datastream, Bloomberg, Eurostat and Ministère des Finances du Québec.

CHART G.31

**Purchasing Managers' Index**

(diffusion index)



Note: Global composite index.  
Source: Bloomberg.

The following table shows the detailed global economic outlook by region and country.

TABLE G.8

**Global economic outlook**  
(real GDP, percentage change)

	Weight <sup>(1)</sup>	2018	2019	2020
<b>World<sup>(2)</sup></b>	<b>100.0</b>	<b>3.6</b>	<b>3.5</b>	<b>3.4</b>
<b>Advanced economies<sup>(2)</sup></b>	<b>41.8</b>	<b>2.2</b>	<b>1.9</b>	<b>1.6</b>
Québec	0.3	2.3	1.8	1.5
Canada	1.4	1.8	1.7	1.7
United States	15.5	2.9	2.4	1.8
Euro area	11.7	1.8	1.4	1.4
– Germany	3.3	1.4	1.2	1.5
– France	2.3	1.5	1.4	1.5
– Italy	1.9	0.8	0.5	0.7
United Kingdom	2.3	1.4	1.2	1.6
Japan	4.3	0.7	0.8	0.6
<b>Emerging and developing economies<sup>(2)</sup></b>	<b>58.2</b>	<b>4.6</b>	<b>4.6</b>	<b>4.6</b>
China	17.6	6.6	6.2	5.9
India <sup>(3)</sup>	7.3	7.1	7.3	7.3

(1) Weight in global GDP in 2016.

(2) Data based on purchasing power parity.

(3) GDP calculated for the fiscal year (April 1 to March 31).

Sources: Institut de la statistique du Québec, International Monetary Fund, IHS Markit, Datastream, Eurostat, Statistics Canada and Ministère des Finances du Québec.

## □ China's growth continues at a moderate pace

China is a major economy. It represents about 18% of global GDP. As such, its evolution influences growth in several economies.

— Among other things, China's demand for commodities affects the prospects of several commodity-producing economies.

In 2018, China's growth moderated to 6.6% after an increase of 6.8% in 2017. This slowdown can be explained in particular by government policies aimed at controlling the size of heavy industries, corporate debt and the activity of the shadow banking system.

— In addition, trade tensions with the United States and the increase in U.S. tariffs in the second half of 2018 dampened growth, particularly due to lower confidence and slowing business profit growth.

The deceleration of the Chinese economy is expected to continue. Real GDP is forecast to grow by 6.2% in 2019 and 5.9% in 2020.

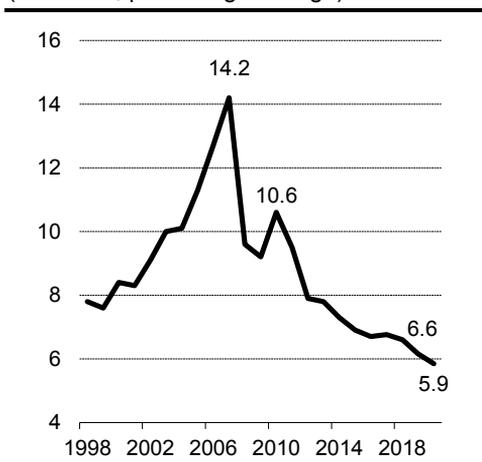
— Slowdown in China's domestic demand could limit global economic growth.

However, the Chinese economy should benefit from monetary and fiscal easing measures. These measures are expected to support economic growth, as China continues its transition to a more consumer and service oriented economy.

CHART G.32

### Economic growth in China

(real GDP, percentage change)

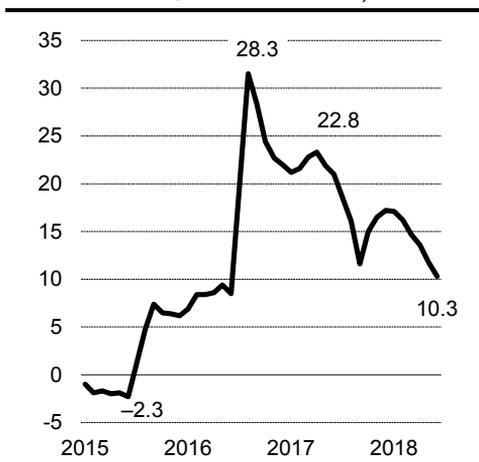


Sources: International Monetary Fund, Bloomberg and Ministère des Finances du Québec.

CHART G.33

### Corporate profits in China

(annual percentage change, cumulative data, in nominal terms)



Source: Bloomberg.

## □ A slowdown in world trade

World trade expansion slowed to 3.3% in 2018, compared to 4.7% in 2017. This slowdown is mainly attributable to:

- a moderation in export growth resulting in particular from a slowdown in exports from the euro area, Japan and the emerging economies of Asia, Eastern Europe and Latin America;
- weak expansion of global imports, reflecting weak demand mainly in the euro area, but also in the emerging economies of Asia, Eastern Europe and Latin America.

Rising protectionism has contributed to increased uncertainty, particularly in China, and to a slowdown in global trade.

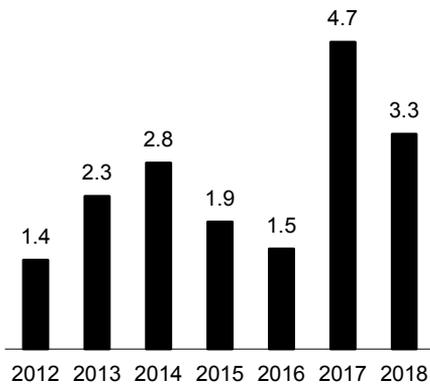
- According to the World Bank, the tariffs introduced in 2018 related to goods affected about 12% of U.S. imports, 6.5% of Chinese imports and 2.5% of global trade in goods.

A trade agreement between China and the United States, the two drivers of the global economy, would reduce uncertainty and support the expansion of world trade.

CHART G.34

### World trade in goods

(annual percentage change, in real terms)

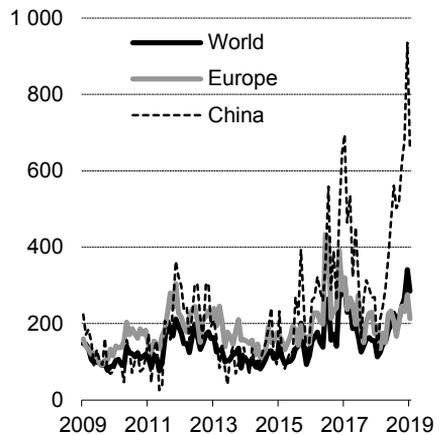


Sources: CPB Netherlands Bureau for Economic Policy Analysis and Ministère des Finances du Québec.

CHART G.35

### Index of economic policy uncertainty

(index, long-term average = 100)



Note: Data are available until January 2019. This indicator was developed by researchers Scott Baker, Nicholas Bloom and Steven Davis of Stanford and Chicago Universities to assess uncertainty regarding economic policy in several countries.

Source: Measuring Economic Policy Uncertainty, [www.policyuncertainty.com](http://www.policyuncertainty.com).

## 5. MAIN RISKS THAT MAY INFLUENCE THE FORECAST SCENARIO

Economic and financial forecasts are based on several assumptions. Some of them are associated with risks that could affect the global economic and financial scenario and the anticipated developments in the Québec economy.

These risks include a broad-based slowdown of the global economy, which faces increased uncertainty that could lead to a greater than expected slowdown in growth.

The main risks include, in particular:

- restrictive trade policies that could hinder the expansion of trade, investment and economic activity in the economies concerned. Such slowdowns would affect the rest of the global economy. On the other hand, a reduction in trade restrictions would be beneficial to economic growth;
- tensions in Europe, which are fuelled in particular by the difficult negotiations surrounding the United Kingdom's exit from the European Union;
- the reduction or increase of geopolitical tensions;
- changes in oil prices and other commodities;
- the less-rapid-than-expected pace of monetary tightening in the United States and Canada;
- the sharper-than-expected decline in the Canadian residential sector, due in part to household debt, which could lead to a decrease in Québec's real GDP of about 0.1%;
- the signing of the Canada–United States–Mexico Agreement and the elimination of U.S. tariffs on steel and aluminum, which would have a positive impact on the Canadian and U.S. economies.

## □ Sensitivity analysis to economic variables

Economic forecasts incorporate certain components of uncertainty that do not depend on the government directly, but which may cause actual results to differ from the forecasts.

### ■ Sensitivity of Québec's GDP to external variables

Given that the Québec economy is characterized by considerable openness to trade, Québec's economic variables are influenced by several external factors.

— The most important of these factors are related to the economic activity of Québec's main trading partners, namely the United States and the Canadian provinces.

### ■ Impact of external variables on the Québec economy

The results of an analysis conducted with a structural vector autoregression model<sup>3</sup> on the basis of historical data show that a change of 1% in U.S. real GDP entails on average a change of 0.45% in Québec's real GDP.

— The maximum effect is felt two quarters later.

Moreover, the same model makes it possible to conclude that a change of 1% in Ontario's real GDP results in an average change of 0.42% in Québec's real GDP.

— The maximum effect is captured one quarter later.

Ontario is the Canadian province with which Québec has the most commercial ties, in addition to having a similar economic structure. In 2015, exports to Ontario accounted for more than 58% of Québec's interprovincial exports. The estimated effects for Ontario and the United States are not cumulative.

TABLE G.9

### **Impact of external shocks on Québec's real GDP growth rate**

<b>External shocks of 1%</b>	<b>Maturity<sup>(1)</sup> (quarters)</b>	<b>Impact on Québec's real GDP (percentage points)</b>
U.S. real GDP	2	0.45
Ontario real GDP	1	0.42

(1) Maturity corresponds to the number of quarters needed for the greatest impact on Québec's real GDP, presented in the right-hand column, to be recorded.

Sources: Institut de la statistique du Québec, Ontario Ministry of Finance, IHS Markit, Statistics Canada, Bloomberg and Ministère des Finances du Québec.

<sup>3</sup> This econometric technique is used to estimate, on the basis of numerous observations, the extent to which fluctuations in one economic variable affect another economic variable.

## **APPENDIX:     ADDITIONAL TABLES**

The following tables present the expected evolution of various economic variables for Québec, Canada, the United States, Canadian financial markets and the world:

- Economic outlook for Québec;
- Economic outlook for Canada;
- Economic outlook for the United States;
- Canadian financial markets;
- Global economic outlook.

These economic forecasts are made prior to the process of establishing the financial framework. Having a comprehensive economic vision allows the government to, among other things, put in place appropriate economic guidelines and policies and to optimize its debt management strategy.

Additional tables are available on the Ministère des Finances' website. To consult them, visit the Budget 2019-2020 documents' page at:

[www.budget.finances.gouv.qc.ca/budget/2019-2020/en/index.asp](http://www.budget.finances.gouv.qc.ca/budget/2019-2020/en/index.asp)



# Section H

## QUÉBEC'S FINANCIAL SITUATION

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## SUMMARY

Budget 2019-2020 enables the government to specify its fiscal policy directions and announce new initiatives that will benefit all Quebecers.

Québec's economic and fiscal policy directions include:

- measures to put money back in the pockets of Quebecers;
- actions to improve the quality of education and health services;
- initiatives to increase the potential of the economy;
- ongoing fiscal balance and continued reduction of the debt;
- additional public infrastructure investments, in particular for the education, health and transportation sectors;
- greater transparency in the management of public finances.

Budget 2019-2020 includes:

- positive adjustments in the financial framework since March 2018;
- additional investments of \$1.4 billion in 2018-2019, \$2.3 billion in 2019-2020 and \$2.9 billion in 2020-2021 to implement new initiatives;
- a budgetary surplus of \$2.5 billion for 2018-2019 and a balanced budget in 2019-2020;
- for 2019-2020, growth of 5.1% in the expenditures of the Éducation et Enseignement supérieur portfolio and 5.4% in those of the Santé et Services sociaux portfolio.

In addition, the Québec government is:

- taking steps to ensure more efficient and more transparent management of public finances, in particular through optimization measures and initiatives to improve performance in the delivery of public services;
- reiterating its requests concerning federal transfers, in particular with respect to the federal contribution for health care and social programs.



# 1. QUÉBEC'S FISCAL POLICY DIRECTIONS

## □ Québec's budget for 2019-2020

In 2019-2020, the Québec government's revenue will stand at \$115.6 billion, making it possible to fund:

- portfolio expenditures, that is, spending for the government's various functions, totalling \$104.0 billion;
- debt service, totalling \$9.0 billion;
- deposits of dedicated revenues in the Generations Fund, totalling \$2.5 billion.

A balanced budget is forecast for 2019-2020.

TABLE H.1

### Québec's budget for 2019-2020 (millions of dollars)

	2019-2020
<b>Consolidated revenue</b>	
Own-source revenue	90 714
% change	0.6 <sup>(1)</sup>
Federal transfers	24 924
% change	6.5
<b>Total consolidated revenue</b>	<b>115 638</b>
% change	<b>1.8</b>
<b>Consolidated expenditure</b>	
Portfolio expenditures	-104 038
% change	5.0
Debt service	-8 996
% change	1.1
<b>Total consolidated expenditure</b>	<b>-113 034</b>
% change	<b>4.7</b>
Contingency reserve	-100
<b>SURPLUS<sup>(2)</sup></b>	<b>2 504</b>
<b>BALANCED BUDGET ACT</b>	
Deposits of dedicated revenues in the Generations Fund	-2 504
<b>BUDGETARY BALANCE<sup>(3)</sup></b>	<b>—</b>

(1) The change amounts to 1.0% in own-source revenue excluding revenue from government enterprises and -5.8% for revenue from government enterprises. The slight variation of 0.6% in own-source revenue is due mainly to the measures implemented in recent years with respect to revenue.

(2) Balance within the meaning of the Public Accounts.

(3) Balance within the meaning of the *Balanced Budget Act*.

## 1.1 Recent developments in the budgetary situation

Positive adjustments have been recorded in the financial framework since March 2018.

A budgetary surplus of \$2.5 billion is forecast for 2018-2019.

A balanced budget is forecast for the two subsequent years.

### □ Improvement of the budgetary situation since March 2018

The strong economic performance has fostered a more-substantial-than-anticipated increase in tax revenues, generating leeway in the financial framework.

In particular, the *Update on Québec's Economic and Financial Situation*, published in December 2018, reported improvements of \$3.5 billion in 2018-2019, \$1.7 billion in 2019-2020 and \$1.4 billion in 2020-2021.

Including the improvements since December 2018, the changes in Québec's economic and budgetary situation generate in the financial framework, after elimination of the use of the stabilization reserve, improvements of \$4.2 billion in 2018-2019, \$3.1 billion in 2019-2020 and \$3.7 billion 2020-2021.

TABLE H.2

### Adjustments to the financial framework since March 2018

(millions of dollars)

	2018-2019	2019-2020	2020-2021
<b>BUDGETARY BALANCE<sup>(1)</sup> – MARCH 2018</b>	—	—	—
Improvements presented in the December 2018 update	3 466	1 742	1 358
Improvements since the publication of the December 2018 update	2 282	2 322	2 787
Elimination of the use of the stabilization reserve	-1 587	-936	-479
<b>Total improvements</b>	<b>4 161</b>	<b>3 128</b>	<b>3 667</b>
December 2018 initiatives	-229	-806	-729
March 2019 initiatives	-1 432	-2 322	-2 937
<b>Total initiatives</b>	<b>-1 661</b>	<b>-3 128</b>	<b>-3 667</b>
<b>BUDGETARY BALANCE<sup>(1)</sup> – MARCH 2019</b>	<b>2 500</b>	—	—

Note: Totals may not add due to rounding.

(1) Budgetary balance within the meaning of the *Balanced Budget Act*, after use of the stabilization reserve, where applicable.

### 1.1.1 Change in the budgetary balance in 2018-2019

In 2018-2019, the budgetary surplus stands at \$2.5 billion.

The *Monthly Report on Financial Transactions at December 31, 2018* shows a budgetary surplus of \$5.6 billion for the first nine months of 2018-2019.

The decrease in the budgetary balance over the last three months of the fiscal year is due to:

- an anticipated slowdown in the growth of own-source revenue which, coupled with an anticipated acceleration in the growth of portfolio expenditures, will contribute to reducing the surplus by \$1.4 billion from January to March 2019;
- the initiatives announced in the December 2018 *Update on Québec's Economic and Financial Situation*, for which a balance of \$204 million is still to be recorded;
- the targeted, non-recurring initiatives totalling \$1.4 billion in order to improve public services and increase the potential of the economy, announced in Budget 2019-2020.

TABLE H.3

#### Change in the budgetary balance, 2018-2019

(millions of dollars)

	2018-2019
<b>MONTHLY REPORT ON FINANCIAL TRANSACTIONS AT DECEMBER 31, 2018<sup>(1)</sup></b>	<b>5 571</b>
<b>UPCOMING RESULTS FOR JANUARY TO MARCH 2019</b>	
<b>Results related to the economic and budgetary situation</b>	
– Own-source revenue excluding revenue from government enterprises	–362
– Results of bodies and funds	–418
– Expenditure and other revenue <sup>(2)</sup>	–656
<b>Subtotal</b>	<b>–1 435</b>
<b>Balance of the initiatives of the December 2018 update still to be implemented</b>	<b>–204</b>
<b>Targeted initiatives for improving public services and increasing the potential of the economy – March 2019</b>	
– Improving the quality of education and health services	–90
– Increasing the potential of the economy	–357
– Acting for the environment	–51
– Supporting communities and other initiatives	–935
<b>Subtotal</b>	<b>–1 432</b>
<b>TOTAL</b>	<b>–3 071</b>
<b>BUDGETARY BALANCE<sup>(1)</sup> – MARCH 2019</b>	<b>2 500</b>

Note: Totals may not add due to rounding.

(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

(2) In particular, program spending and revenue from government enterprises.

## ❑ Targeted initiatives in 2018-2019

As of 2018-2019, the government is investing additional sums mainly by implementing targeted, non-recurring measures.

### ■ Improving the quality of education and health services

The government is in favour of peoples' lifelong autonomy. Therefore, as of 2018-2019, it is investing \$80.0 million to offer more hours of home care and support services and develop social geriatrics, which will help to fight the social isolation of seniors, as well as \$9.5 million to fund research on Alzheimer's disease.

### ■ Increasing the potential of the economy

To increase the potential of the economy as of 2018-2019, the government is:

- allocating \$220.0 million to develop strategic sites for innovative businesses;
- allocating \$7.5 million to support the activities of Génome Québec, which target the development and excellence of genomics research;
- investing \$2.1 million in marine biotechnologies, through support for the Quebec consortium for industrial bioprocess research and innovation;
- supporting four major initiatives in artificial intelligence by granting:
  - \$35.0 million to IVADO LABS for the implementation of projects in Québec using artificial intelligence applications in all industrial sectors,
  - \$15.0 million to SCALE.AI for the implementation of industrial projects in Québec that optimize supply chains through artificial intelligence,
  - \$32.5 million to MILA to support its operations and the development of the artificial intelligence cluster in Québec,
  - \$17.5 million to PROMPT-QUÉBEC to support businesses in collaborative projects in the field of artificial intelligence;
- investing \$10.0 million to enhance the Sainte-Anne-de-Beaupré wharf, which will revitalize the municipality's commercial core;
- allocating \$7.5 million for the QcRail project to study the feasibility of extending the railway network between Dolbeau-Mistassini and Baie-Comeau, particularly for exporting businesses;
- providing \$4.0 million in assistance to agencies that support funding for entrepreneurship;
- enhancing by \$1.0 million the local projects funding program to rapidly finance a large number of projects in all regions of Québec;
- awarding \$3.0 million to help print media companies cover their selective collection costs;

TABLE H.4

**Targeted initiatives in 2018-2019**

(millions of dollars)

	<b>2018-2019</b>
<b>Improving the quality of education and health services</b>	<b>-89.5</b>
– Strengthening home care and support services	-80.0
– Funding research on Alzheimer's disease	-9.5
<b>Increasing the potential of the economy</b>	<b>-356.6</b>
– Developing strategic sites for innovative businesses	-220.0
– Increasing genomics research	-7.5
– Providing support for the Quebec consortium for industrial bioprocess research and innovation	-2.1
– IVADO LABS	-35.0
– SCALE.AI	-15.0
– MILA	-32.5
– PROMPT-QUÉBEC	-17.5
– Enhancing the Sainte-Anne-de-Beaupré wharf	-10.0
– Supporting the QcRail project	-7.5
– Providing assistance to entrepreneurship support agencies	-4.0
– Enhancing the local projects funding program	-1.0
– Supporting the print media sector	-3.0
– Providing funding for the Centre for Productivity and Prosperity of HEC Montréal	-1.5
<b>Acting for the environment</b>	<b>-50.7</b>
– Maintaining Québec's capacity to fight forest fires	-42.0
– Supporting international cooperation for ensuring sustainable development and combating climate change	-8.7
<b>Supporting communities and other initiatives</b>	<b>-935.2</b>
– Support in building AccèsLogis Québec housing units not completed	-72.8
– Support for the Montréal Reflex framework agreement	-70.0
– Support for municipalities for the regulation of cannabis	-20.0
– Reduction of the cost of living in Nunavik	-51.6
– Subsidy for the Québec airport	-2.8
– Support for paratransit	-52.0
– Government assistance program for public passenger transit	-11.7
– Assistance program for public transit development	-65.2
– Assistance for maintaining local road networks	-78.7
– Subsidy for the Autorité régionale de transport métropolitain (ARTM)	-99.0
– REM – Transitional mitigation network	-156.0
– Support for modernization of the taxi industry	-250.0
– Gradual elimination of the additional contribution for childcare	-5.4
<b>TOTAL</b>	<b>-1 432.0</b>

— allocating \$1.5 million to fund the research activities of the Centre for Productivity and Prosperity of HEC Montréal.

### ■ **Acting for the environment**

To act for the environment, the government will, as of 2018-2019:

- invest \$42.0 million to upgrade its water-bomber fleet;
- enhance by \$8.7 million its contribution to international cooperation for, in particular, ensuring sustainable development and combating climate change.

### ■ **Supporting communities and other initiatives**

To support communities, the government is:

- allocating \$72.8 million for the construction of previously announced housing units under the AccèsLogis Québec program for the Ville de Montréal;
- transferring \$70.0 million to the Ville de Montréal to support its economic development under the Montréal Reflex agreement;
- transferring \$20.0 million in support to municipalities for the regulation of cannabis;
- providing \$51.6 million for the renewal of the Agreement on the Financing of Measures to Reduce the Cost of Living in Nunavik.

Québec also has substantial transportation needs. Therefore, the government is acting quickly to:

- provide transit bodies and municipalities with \$309.4 million in support through, in particular, assistance programs for paratransit, public transit and maintenance of local road networks, as well as a subsidy to the Autorité régionale de transport métropolitain (ARTM);
- ensure funding for temporary services during construction work on the Réseau express métropolitain (REM) thanks to a sum of \$156.0 million;
- support modernization of the taxi industry thanks to a sum of \$250 million.

The additional contribution for childcare will start to be gradually eliminated in 2019, with a reduction of \$0.70 per day in the contribution. This initiative will enable the government to put \$5.4 million back in the pockets of Quebecers in 2018-2019.

## Budgetary surpluses tied to strong revenue performance in the last two years

In the last four years, surpluses amounting to roughly \$2.4 billion have been recorded. That represents just over 2% of the government's annual budget.

- Whereas the surpluses in 2015-2016 and 2016-2017 were mainly attributable to lower-than-expected spending, the surpluses in the last two years stem primarily from the strong performance of government revenue.

In 2015-2016 and 2016-2017, the differences in expenditure were \$2.1 billion and \$1.6 billion, respectively. The differences in revenue for the same two years were -\$37 million and \$318 million, respectively.

The budgetary surpluses in 2017-2018 and 2018-2019 stem primarily from an average adjustment of about \$3.0 billion resulting from increases in the tax revenues for the government's main sources of own-source revenue, associated with the steady economic growth.

- The minor differences in expenditure in the last two years are largely due to the implementation of targeted initiatives aimed at improving public services and supporting the economy.
- Improvements in 2018-2019 have also made it possible to avoid using \$1.6 billion from the stabilization reserve as projected in the March 2018 budget.

This budget is reinvesting the recurring share of improvements in revenue, amounting to roughly \$2.5 billion, starting in 2019-2020.

### Differences in the budgetary balance, 2015-2016 to 2018-2019 (millions of dollars)

	2015- 2016	2016- 2017	2017- 2018	2018- 2019
Revenue	-37	318	2 096	3 960
Portfolio expenditures <sup>(1)</sup> and debt service	2 095	1 616	231	742
Other adjustments affecting the budgetary balance	133	427	295	-615
Elimination of the stabilization reserve	—	—	—	-1 587
<b>Budgetary balance<sup>(2)</sup></b>	<b>2 191</b>	<b>2 361</b>	<b>2 622</b>	<b>2 500</b>

Note: The differences in the budgetary balance correspond to differences between the initial budget forecasts and the results in the Public Accounts. For 2018-2019, the Budget 2018-2019 forecasts are compared with those of Budget 2019-2020.

(1) The differences in expenditure take into account the implementation of targeted initiatives amounting to \$2 199 million in 2017-2018 and \$1 617 million in 2018-2019 (initiatives totaling \$1 661 million minus \$44 million in revenue).

(2) Budgetary balance within the meaning of the *Balanced Budget Act*.

## 1.1.2 Main adjustments to the financial framework

### □ Adjustments related to the economic and budgetary situation

The adjustments attributable to the economic and budgetary situation are explained by, in particular:

- an increase of \$3.5 billion in own-source revenue excluding revenue from government enterprises in 2018-2019, \$2.6 billion in 2019-2020 and \$2.7 billion in 2020-2021:
  - tax revenue, which includes, among other things, personal income tax and corporate taxes, is adjusted upward by over \$2 billion a year owing to the recurrence of the more-favourable-than-anticipated results for 2017-2018,
  - other revenue is adjusted upward by \$1.1 billion in 2018-2019, \$120 million in 2019-2020 and \$10 million in 2020-2021. These adjustments are explained in part by the higher-than-anticipated results for carbon market auctions and an upward adjustment of \$586 million in the investment income of the Generations Fund in 2018-2019;
- an increase of \$741 million in revenue from government enterprises in 2018-2019, \$208 million in 2019-2020 and \$131 million in 2020-2021, because of, in particular, an increase in the results of Hydro-Québec in 2018-2019 related to the cold weather in recent months and an extraordinary gain tied to the partial disposal of the TM4 subsidiary;
- a decline of \$263 million in revenue from federal transfers in 2018-2019 and an increase of \$160 million in 2019-2020 and \$304 million in 2020-2021, attributable in part to the signing of the Integrated Bilateral Agreement (IBA) on the federal infrastructure plan, Investing in Canada;
- a reduction of \$1.9 billion in portfolio expenditures in 2018-2019, which is explained essentially by the more-gradual-than-expected implementation of certain infrastructure projects, in particular by the Land Transportation Network Fund and the Société de financement des infrastructures locales du Québec. The increase of \$232 million in 2020-2021 results primarily from the signing with the federal government of the agreement on the infrastructure plan, Investing in Canada, in particular for public transit projects;
- a decline of \$441 million in debt service in 2018-2019, \$83 million in 2019-2020 and \$127 million in 2020-2021 owing, in particular, to the lower-than-forecast interest rates.

TABLE H.5

### Adjustments to the financial framework since March 2018

(millions of dollars)

	2018-2019	2019-2020	2020-2021
<b>BUDGETARY BALANCE<sup>(1)</sup> – MARCH 2018</b>	—	—	—
<b>ECONOMIC AND BUDGETARY SITUATION</b>			
Own-source revenue excluding revenue from government enterprises			
– Tax revenue	2 429	2 454	2 692
– Other revenue	1 097	120	10
Subtotal	3 526	2 574	2 702
Revenue from government enterprises	741	208	131
Federal transfers	–263	160	304
Portfolio expenditures	1 878	3	–232
Debt service	441	83	127
Deposits of dedicated revenues in the Generations Fund	–615	203	307
Elimination of the use of the stabilization reserve	–1 587	–936	–479
<b>Subtotal</b>	<b>4 121</b>	<b>2 295</b>	<b>2 860</b>
<b>OPTIMIZATION MEASURES</b>			
Additional effort from government enterprises	—	100	150
Elimination of the debt service reserve	—	150	150
Savings generated by accelerated debt repayment	40	193	117
Efficient expenditure management	—	390	390
<b>Subtotal</b>	<b>40</b>	<b>833</b>	<b>807</b>
<b>TOTAL IMPROVEMENTS</b>	<b>4 161</b>	<b>3 128</b>	<b>3 667</b>
<b>MARCH 2019 INITIATIVES</b>			
Putting money back in the pockets of Quebecers	–5	–271	–419
Improving the quality of education and health services	–90	–1 031	–1 164
Increasing the potential of the economy	–357	–505	–679
Acting for the environment	–51	–395	–491
Supporting communities	–930	–105	–162
Other	—	–15	–22
<b>Subtotal</b>	<b>–1 432</b>	<b>–2 322</b>	<b>–2 937</b>
<b>DECEMBER 2018 INITIATIVES</b>	<b>–229</b>	<b>–806</b>	<b>–729</b>
<b>TOTAL INITIATIVES</b>	<b>–1 661</b>	<b>–3 128</b>	<b>–3 667</b>
<b>BUDGETARY BALANCE<sup>(1)</sup> – MARCH 2019</b>	<b>2 500</b>	<b>—</b>	<b>—</b>

Note: Totals may not add due to rounding.

(1) Budgetary balance within the meaning of the *Balanced Budget Act*, after use of the stabilization reserve, where applicable.

## ❑ Optimization measures

The government has pledged to manage taxes paid by taxpayers in a disciplined manner, in particular by implementing measures to improve efficiency and productivity in its public service offering. To that end, the financial framework provides for optimization measures of \$833 million in 2019-2020 and \$807 million in 2020-2021.

These optimization measures are as follows:

- the additional effort from government enterprises, reaching \$100 million in 2019-2020 and \$150 million in 2020-2021;
- elimination of the debt service reserve of \$150 million in 2019-2020 and 2020-2021;
- savings of \$193 million in 2019-2020 and \$117 million in 2020-2021 arising from accelerated debt repayment;
- spending management efficiencies leading to savings of \$390 million in 2019-2020 and 2020-2021.

## ❑ Initiatives

The improvements in the financial framework are being reinvested to implement strategic initiatives for improving the quality of life of Quebecers and increase the potential of Québec's economy.

These initiatives provide for additional investments to, in particular:

- put money back in the pockets of families;
- offer quality education and health services;
- increase the potential of the economy;
- act for the environment;
- support communities.

The additional investments announced in Budget 2019-2020 amount to \$1.4 billion in 2018-2019, \$2.3 billion in 2019-2020 and \$2.9 billion in 2020-2021.

These investments are in addition to those announced in the December 2018 *Update on Québec's Economic and Financial Situation*, that is, \$229 million in 2018-2019, \$806 million in 2019-2020 and \$729 million in 2020-2021.

## Adjustments to the financial framework since December 2018

The acceleration in the economy has led to positive adjustments to the financial framework for 2018-2019 and subsequent years relative to the data presented in the December 2018 *Update on Québec's Economic and Financial Situation*.

– Overall, adjustments related to the economic and budgetary situation total \$2.3 billion in 2018-2019, \$1.7 billion in 2019-2020 and \$2.1 billion in 2020-2021.

The improvements in the financial framework are enabling the government to fund initiatives totalling \$1.4 billion in 2018-2019, \$2.3 billion in 2019-2020 and \$2.9 billion in 2020-2021.

### Adjustments to the financial framework since December 2018

(millions of dollars)

	2018-2019	2019-2020	2020-2021
<b>BUDGETARY BALANCE<sup>(1)</sup> – DECEMBER 2018</b>	<b>1 650</b>	<b>—</b>	<b>150</b>
<b>ECONOMIC AND BUDGETARY SITUATION</b>			
Own-source revenue excluding revenue from government enterprises	1 242	1 068	1 224
Revenue from government enterprises	433	113	89
Federal transfers	-588	-291	86
Portfolio expenditures	1 217	722	488
Debt service	233	75	207
Deposits of dedicated revenues in the Generations Fund	-255	-5	3
<b>Subtotal</b>	<b>2 282</b>	<b>1 682</b>	<b>2 097</b>
<b>OPTIMIZATION MEASURES</b>			
Additional effort from government enterprises	—	100	150
Elimination of the debt service reserve	—	150	150
Spending management efficiencies	—	390	390
<b>Subtotal</b>	<b>—</b>	<b>640</b>	<b>690</b>
<b>TOTAL IMPROVEMENTS</b>	<b>2 282</b>	<b>2 322</b>	<b>2 787</b>
<b>MARCH 2019 INITIATIVES</b>			
Putting money back in the pockets of Quebecers	-5	-271	-419
Improving the quality of education and health services	-90	-1 031	-1 164
Increasing the potential of the economy	-357	-505	-679
Acting for the environment	-51	-395	-491
Supporting communities	-930	-105	-162
Other	—	-15	-22
<b>TOTAL INITIATIVES</b>	<b>-1 432</b>	<b>-2 322</b>	<b>-2 937</b>
<b>BUDGETARY BALANCE<sup>(1)</sup> – MARCH 2019</b>	<b>2 500</b>	<b>—</b>	<b>—</b>

Note: Totals may not add due to rounding.

(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

## Recap of the December 2018 initiatives

In the December 2018 *Update on Québec's Economic and Financial Situation*, the government announced additional initiatives totaling \$229 million in 2018-2019, \$806 million in 2019-2020 and \$729 million in 2020-2021.

These initiatives provide for additional investments to:

- further support families through the payment of a more generous family allowance and a freeze on the additional contribution for childcare;
- introduce an assistance amount for low-income seniors aged 70 or over;
- incentivize businesses to invest more thanks to initiatives aimed at accelerating the depreciation of businesses following the initiatives announced by the federal government;
- encourage the acquisition of electric vehicles through additional funding for rebate programs for the purchase of new or used vehicles.

### December 2018 initiatives

(millions of dollars)

	2018-2019	2019-2020	2020-2021
Further support for families	-62	-251	-259
Introduction of the senior assistance amount	-102	-108	-114
Acceleration of business investment	-44	-448	-357
Encouragement of acquisition of electric vehicles	-21	—	—
<b>TOTAL</b>	<b>-229</b>	<b>-806</b>	<b>-729</b>

Note: Totals may not add due to rounding.

## 1.2 Budgetary outlook

This subsection presents Québec's budgetary outlook for the years 2018-2019 to 2023-2024.

— The government forecasts a balanced budget from 2019-2020 to 2021-2022, and small surpluses in 2022-2023 and 2023-2024.

### 1.2.1 Five-year financial framework

Consolidated revenue amounts to \$115.6 billion in 2019-2020, with growth of 1.8%.<sup>1</sup> In 2020-2021, it will grow by 3.2%.

Consolidated expenditure amounts to \$113.0 billion in 2019-2020, with growth of 4.7%. In 2020-2021, it will grow by 3.2%.

The financial framework provides for a contingency reserve of \$100 million per year as of 2019-2020.

Deposits of dedicated revenues in the Generations Fund amount to \$2.5 billion in 2019-2020 and will reach \$2.7 billion in 2020-2021.

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<sup>1</sup> This growth is explained in particular by the impact of the measures announced in previous publications and Budget 2019-2020, which affect mainly corporate taxes, personal income tax and the school property tax.

## Shares of revenue and expenditure in the economy

The shares of government revenue and expenditure in the economy generally follow similar paths.

From 2008-2009 to 2013-2014, the share of expenditure in the economy exceeded that of revenue owing to deficits. The share of expenditure rose steadily until 2013-2014, when it reached 26.1%.

From 2014-2015 to 2018-2019, the share of revenue exceeded that of expenditure because of the budgetary surpluses recorded and efforts to reduce the debt through deposits of dedicated revenues in the Generations Fund.

In 2019-2020, the share of expenditure will rise to 25.1% of GDP. This increase reflects the investments made by the government to implement its priorities.

In subsequent years, the difference between the shares of revenue and expenditure as a percentage of GDP will hold steady within nearly 1 percentage point, mainly as a result of debt reduction efforts.

### Change in the shares of consolidated revenue and expenditure in the economy, 2000-2001 to 2023-2024 (percentage of GDP)

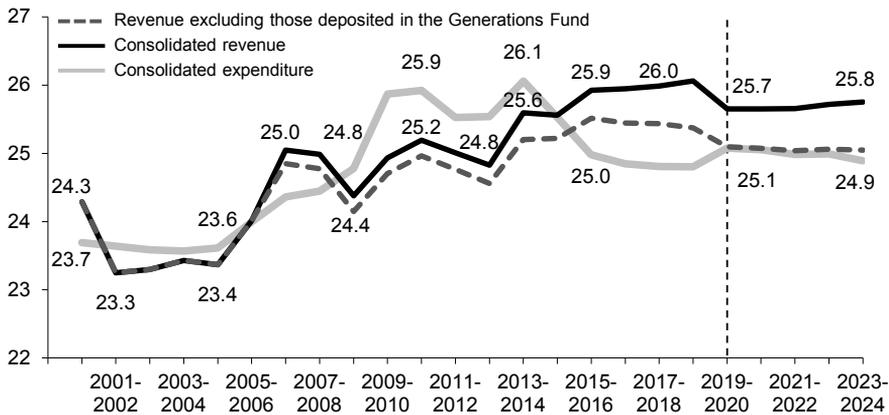


TABLE H.6

**Consolidated financial framework, 2018-2019 to 2023-2024**  
 (millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024
<b>Consolidated revenue</b>						
Personal income tax	31 254	32 498	33 959	35 329	36 679	38 113
Contributions for health services	6 413	6 596	6 768	6 927	7 096	7 273
Corporate taxes	9 036	8 516	8 743	9 111	9 299	9 515
School property tax	1 877	1 553	1 556	1 637	1 723	1 805
Consumption taxes	21 148	21 864	22 339	22 825	23 445	24 089
Duties and permits	4 178	4 229	4 298	4 359	4 442	4 544
Miscellaneous revenue	11 167	10 680	11 059	11 547	11 982	12 365
Government enterprises	5 073	4 778	5 067	5 299	5 777	6 191
<b>Own-source revenue</b>	<b>90 146</b>	<b>90 714</b>	<b>93 789</b>	<b>97 034</b>	<b>100 443</b>	<b>103 895</b>
<b>% change</b>	<b>4.9</b>	<b>0.6</b>	<b>3.4</b>	<b>3.5</b>	<b>3.5</b>	<b>3.4</b>
Federal transfers	23 411	24 924	25 600	25 950	26 589	27 251
<b>% change</b>	<b>4.1</b>	<b>6.5</b>	<b>2.7</b>	<b>1.4</b>	<b>2.5</b>	<b>2.5</b>
<b>Total consolidated revenue</b>	<b>113 557</b>	<b>115 638</b>	<b>119 389</b>	<b>122 984</b>	<b>127 032</b>	<b>131 146</b>
<b>% change</b>	<b>4.8</b>	<b>1.8</b>	<b>3.2</b>	<b>3.0</b>	<b>3.3</b>	<b>3.2</b>
<b>Consolidated expenditure</b>						
Portfolio expenditures	-99 052	-104 038	-107 467	-110 645	-113 911	-117 287
<b>% change</b>	<b>5.1</b>	<b>5.0</b>	<b>3.3</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>
Debt service	-8 899	-8 996	-9 138	-9 292	-9 661	-9 727
<b>% change</b>	<b>-3.7</b>	<b>1.1</b>	<b>1.6</b>	<b>1.7</b>	<b>4.0</b>	<b>0.7</b>
<b>Total consolidated expenditure</b>	<b>-107 951</b>	<b>-113 034</b>	<b>-116 605</b>	<b>-119 937</b>	<b>-123 572</b>	<b>-127 014</b>
<b>% change</b>	<b>4.3</b>	<b>4.7</b>	<b>3.2</b>	<b>2.9</b>	<b>3.0</b>	<b>2.8</b>
Contingency reserve	—	-100	-100	-100	-100	-100
<b>SURPLUS</b>	<b>5 606</b>	<b>2 504</b>	<b>2 684</b>	<b>2 947</b>	<b>3 360</b>	<b>4 032</b>
<b>BALANCED BUDGET ACT</b>						
Deposits of dedicated revenues in the Generations Fund	-3 106	-2 504	-2 684	-2 947	-3 260	-3 582
<b>BUDGETARY BALANCE<sup>(1)</sup></b>	<b>2 500</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>100</b>	<b>450</b>

(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

## ☐ Stabilization reserve

Under the *Balanced Budget Act*, a recorded surplus, that is, a budgetary balance that is greater than zero, must be allocated to the stabilization reserve.

— As at March 31, 2019, the stabilization reserve will amount to \$9.7 billion.

TABLE H.7

### Stabilization reserve (millions of dollars)

Fiscal year	Balance, beginning of year	Allocations	Uses	Balance, end of year
2015-2016	—	2 191	—	2 191
2016-2017	2 191	2 361	—	4 552
2017-2018	4 552	2 622	—	7 174
2018-2019	7 174	2 500	—	9 674

## ☐ Margins of prudence

The stabilization reserve as at March 31, 2019 and all the provisions included in the financial framework will make it possible to cover risks that could influence the financial framework and to thus respond to an unexpected decline in revenue or increase in expenditure of \$11.2 billion.

TABLE H.8

### Margins of prudence (millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Contingency reserve	100	100	100	100	100	500
Contingency Fund reserve	200	200	200	200	200	1 000
<b>Subtotal – Reserves</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>1 500</b>
Stabilization reserve as at March 31, 2019						9 674
<b>TOTAL</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>11 156</b>

### The importance of maintaining a stabilization reserve: illustration of the impact of a recession

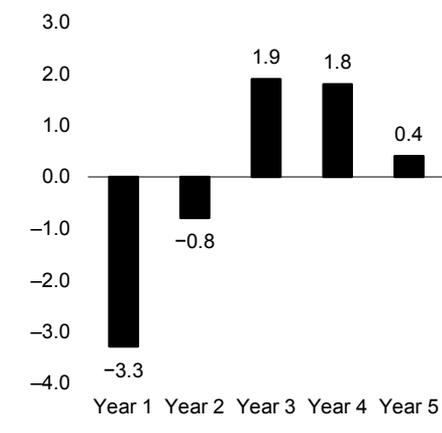
Past experience shows that Québec is not shielded from events that could impact its financial framework, such as an economic downturn.

An analysis of historical data indicates that, in Québec, an average recession could lead to a -3.3-percentage-point adjustment of nominal GDP in the first year the effect is felt and a -0.8-percentage-point adjustment the year after relative to a reference scenario. Given that economic recovery usually follows a slowdown, nominal GDP would be adjusted upward as of the third year.

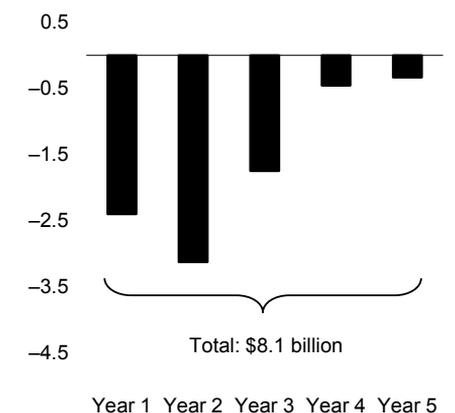
The impact of such a downturn on the government's own-source revenue could lead to a revenue loss of approximately \$8.1 billion over five years, before the return to pre-recession levels.

The stabilization reserve can thus be used as a management tool to offset this loss of revenue.

**Adjustment of nominal GDP**  
(percentage points)



**Adjustment of own-source revenue<sup>(1)</sup>**  
(billions of dollars)



(1) These amounts exclude revenue from government enterprises.

Note: Own-source revenue generally grows at a pace comparable with that of the economy, given the direct link between tax bases and nominal GDP. According to a sensitivity analysis by the Ministère des Finances, a variation of 1 percentage point in nominal GDP has an impact of about \$750 million on own-source revenue. During an economic downturn, the change in own-source revenue is generally more pronounced than the change in nominal GDP.

## Stabilization reserve: a multi-year budget planning tool

Under the *Balanced Budget Act*, a recorded surplus, that is, a budgetary balance that is greater than zero, is automatically allocated to the stabilization reserve.

This reserve facilitates the government's multi-year budget planning, for it can be used in the event of an overrun, that is, a budgetary balance of less than zero. It thus helps to keep the budget balanced.

For example, during an economic slowdown, the reserve can be used by the government to balance the budget, without requiring additional actions such as spending reductions or revenue increases.

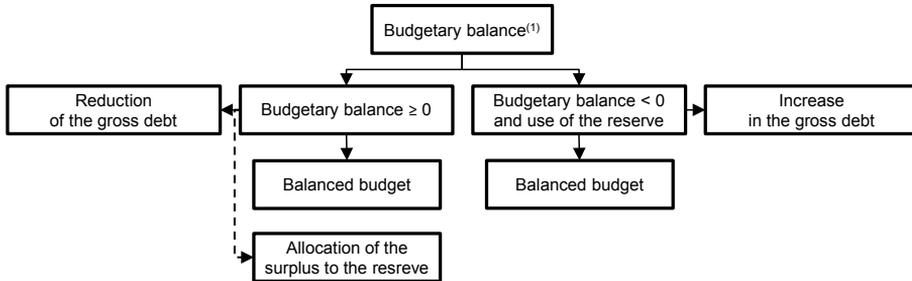
### **The stabilization reserve reduces borrowings, but it is not money in the bank**

The reserve acts like a counter made up of surpluses achieved, but it does not consist of surplus cash. In other words, the stabilization reserve is not money in the bank.

Budgetary surpluses are not kept in a bank account to offset possible deficits. These surpluses are used during the year to reduce the government's debt on financial markets.

For example, the \$2 622-million surplus achieved in 2017-2018, which had been allocated to the stabilization reserve, reduced the gross debt by the same amount.

Should the government use the stabilization reserve to balance the budget, the amount corresponding to the overrun would have to be borrowed, leading to an increase in the gross debt as illustrated in the following chart.



(1) Budgetary balance after deposits of dedicated revenues in the Generations Fund.

## 1.2.2 Expenditures by departmental portfolio

The expenditures of a departmental portfolio include the expenditures of entities under the responsibility of a minister, as well as tax-funded expenditures that correspond to the area covered by the portfolio.

— The portfolios that have the highest level of spending are Éducation et Enseignement supérieur and Santé et Services sociaux.

Portfolio expenditures are expected to grow by 5.1% in 2018-2019, 5.0% in 2019-2020 and 3.3% in 2020-2021. More specifically:

— spending growth in the Éducation et Enseignement supérieur portfolio amounts to 5.0% in 2018-2019 and 5.1% in 2019-2020;

— spending growth in the Santé et Services sociaux portfolio amounts to 4.7% in 2018-2019 and 5.4% in 2019-2020;

— spending growth in the other portfolios stands at 5.7% in 2018-2019 and 4.5% in 2019-2020.

TABLE H.9

### Expenditures by departmental portfolio (millions of dollars)

	2018-2019	2019-2020 <sup>(1)</sup>	2020-2021	2021-2022
Éducation et Enseignement supérieur	23 261	24 436	25 340	26 325
<i>% change</i>	5.0	5.1	3.7	3.9
Santé et Services sociaux	43 101	45 433	47 277	49 194
<i>% change</i>	4.7	5.4	4.1	4.1
Other portfolios <sup>(2)</sup>	32 690	34 169	34 850	35 126
<i>% change</i>	5.7	4.5	2.0	0.8
<b>TOTAL</b>	<b>99 052</b>	<b>104 038</b>	<b>107 467</b>	<b>110 645</b>
<i>% change</i>	<b>5.1</b>	<b>5.0</b>	<b>3.3</b>	<b>3.0</b>

Note: Totals may not add due to rounding.

(1) The breakdown of expenditures in 2019-2020 for all of the portfolios is presented in Appendix 1.

(2) Other portfolios include inter-portfolio eliminations resulting from the elimination of reciprocal transactions between entities in different portfolios.

## Shortfall to be offset in portfolio expenditures – Budget 2019-2020

Based on the financial framework of Budget 2019-2020, after inclusion of the new measures announced, the shortfall between the cost of renewing government programs and the spending objectives set will stand at \$469 million in 2020-2021 and \$458 million in 2021-2022.

### Shortfall to be offset in portfolio expenditures – Budget 2019-2020

(millions of dollars)

	2019-2020	2020-2021	2021-2022
Cost of renewing government programs	104 038	107 936	111 103
Portfolio spending objectives	104 038	107 467	110 645
<b>SHORTFALL TO BE OFFSET</b>	<b>—</b>	<b>469</b>	<b>458</b>

Sources : Secrétariat du Conseil du trésor and Ministère des Finances.

## □ Expenditures of the Éducation et Enseignement supérieur portfolio

The expenditures of the Éducation et Enseignement supérieur portfolio are allocated primarily to the activities of educational institutions (school boards, CEGEPS, universities, private educational institutions, government schools). This portfolio also includes student financial assistance as well as programs to promote recreation and sports activities.

These expenditures are funded mainly through income taxes and general taxes, but also through other revenue sources such as the school property tax and tuition fees.

Spending of the Éducation et Enseignement supérieur portfolio will stand at \$24.4 billion in 2019-2020, \$25.3 billion in 2020-2021 and \$26.3 billion in 2021-2022.

— Spending growth in the Éducation et Enseignement supérieur portfolio amounts to 5.1% in 2019-2020, 3.7% in 2020-2021 and 3.9% in 2021-2022.

TABLE H.10

### Expenditures of the Éducation et Enseignement supérieur portfolio (millions of dollars)

	2018-2019	2019-2020	2020-2021	2021-2022
Program spending <sup>(1)</sup>	19 455	20 897	21 768	22 697
Other spending <sup>(2)</sup>	3 806	3 539	3 572	3 628
<b>TOTAL</b>	<b>23 261</b>	<b>24 436</b>	<b>25 340</b>	<b>26 325</b>
<b>% change</b>	<b>5.0</b>	<b>5.1</b>	<b>3.7</b>	<b>3.9</b>

(1) This spending corresponds to departmental expenditures funded mainly through income tax and other general taxes.

(2) This spending corresponds to entities' expenditures funded through their own revenue and to tax-funded expenditures

## □ Expenditures of the Santé et Services sociaux portfolio

The expenditures of the Santé et Services sociaux portfolio consist mainly of the activities of the health and social services network and programs administered by the Régie de l'assurance maladie du Québec. This portfolio also includes the expenditures of other health-related government bodies, such as Héma-Québec.

These expenditures are funded mainly through income taxes and general taxes, but also through other revenue sources such as the contributions of adults residing in residential and long-term care centres or insurance premiums under the Public Prescription Drug Insurance Plan.

Spending for the Santé et Services sociaux portfolio will stand at, \$45.4 billion in 2019-2020, \$47.3 billion in 2020-2021 and \$49.2 billion in 2021-2022.

— Spending growth in the Santé et Services sociaux portfolio amounts to 5.4% in 2019-2020 and 4.1% in 2020-2021 and in 2021-2022.

TABLE H.11

### Expenditures of the Santé et Services sociaux portfolio (millions of dollars)

	2018-2019	2019-2020	2020-2021	2021-2022
Program spending <sup>(1)</sup>	38 609	40 824	42 547	44 410
Other spending <sup>(2)</sup>	4 492	4 609	4 730	4 784
<b>TOTAL</b>	<b>43 101</b>	<b>45 433</b>	<b>47 277</b>	<b>49 194</b>
<b>% change</b>	<b>4.7</b>	<b>5.4</b>	<b>4.1</b>	<b>4.1</b>

(1) This spending corresponds to departmental expenditures funded mainly through income tax and other general taxes.

(2) This spending corresponds to entities' expenditures funded through their own revenue and to tax-funded expenditures.

### 1.3 Public capital investments

To meet Québec's significant public infrastructure needs, the government is announcing a \$15.0-billion increase in investments under the 2019-2029 Québec Infrastructure Plan (QIP) that will serve primarily to maintain the service offering.

— The 2019-2029 QIP thus amounts to \$115.4 billion.

TABLE H.12

#### Investments under the 2019-2029 Québec Infrastructure Plan (billions of dollars)

	<b>2019-2029</b>
Investments under the 2018-2028 QIP	100.4
Increase in investments	15.0
<b>INVESTMENTS UNDER THE 2019-2029 QIP</b>	<b>115.4</b>

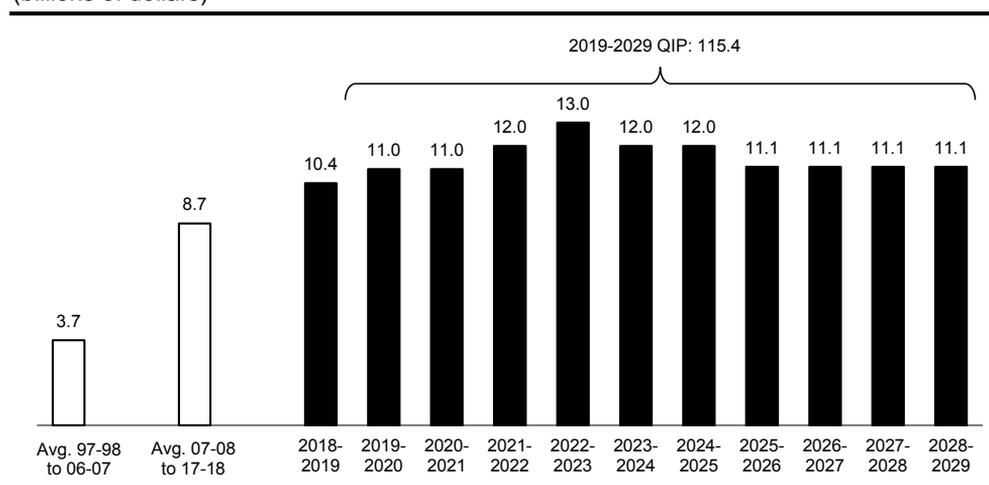
The increase means that, from now until 2028-2029, the government will be injecting over \$11 billion a year, on average, in Québec's infrastructure to, in particular:

- maintain and restore road infrastructure;
- provide students and teachers with healthy and safe educational settings.

This increase will also improve the public infrastructure offering through the gradual rolling out of kindergarten classes for 4-year-olds and seniors' homes, as well as the establishment of a new road link between Québec and Lévis.

CHART H.1

#### Investments under the 2019-2029 Québec Infrastructure Plan (billions of dollars)



## Major investments to improve the quality of public infrastructure

The Québec government owns or funds a large infrastructure inventory evaluated at over \$400 billion, including:

- nearly 28 000 buildings;
- some 9 700 bridges and overpasses and nearly 31 000 km of roads;
- over 94 000 km of drinking water, wastewater and storm water networks.

### **Most of this infrastructure has been assessed to be in good condition**

To ensure that its infrastructure is safe and of good quality, the government monitors its condition closely and publishes a condition index every year in its Annual Management Plans for Public Infrastructure Investments (AMPPII).

- The 2019-2020 AMPPIIs present a condition assessment for 79% of the government's asset inventory.

In the case of the infrastructure assessed to date, the AMPPIIs confirm that most of it, that is, 68%, is in good condition (A, B and C), with an average condition index of C. However, 32% is in unsatisfactory condition (D and E), including:

- 54% of the infrastructures in the education sector;
- 50% of roadways and 47% of road network structures.

### **79% of the asset maintenance deficit is being covered**

Inspections of public infrastructure owned by the government have made it possible to estimate the asset maintenance deficit at \$24.6 billion in 2019. This estimate corresponds to the investments needed to restore infrastructure with a condition index of D and E above the condition threshold.

- Relative to March 2018, the asset maintenance deficit has increased by \$3.8 billion not only on account of the infrastructure's natural deterioration, but also because of new inspections.
- The 2019-2029 QIP provides \$19.4 billion to eliminate the asset maintenance deficit, in particular by replacing the most obsolete infrastructures. An important share of the asset maintenance deficit, that is, 79%, is thus being covered.

### **Priority is being given to investments based on infrastructure sustainability**

To meet Québec's significant public infrastructure needs, the government is announcing a \$15.0-billion increase in investments so as to raise the 2019-2029 QIP to \$115.4 billion.

- As a result of this increase, it will be possible to make up for the accumulated investment delays for infrastructures that are in poor condition, provide for a recurring level of investment in asset maintenance that will foster the infrastructure's sustainability and support its development.
- Without these additional investments of \$15.0 billion, the asset maintenance deficit would have increased more than it did.

In the coming years, the government will continue to take steps to improve the quality of public infrastructure in Québec. To that end, it has pledged to raise to \$7.0 billion the average annual investment over five years provided for maintaining the service offering between now and the 2022-2032 QIP.

## ❑ Contribution of partners

In addition to the \$115.4-billion injection into the 2019-2029 QIP by the Québec government, the government's various partners will contribute a total of \$29.2 billion, including \$4.3 billion in 2019-2020, for projects under the QIP.

Accordingly, infrastructure investments for projects under the QIP will total \$144.6 billion over the next ten years, \$15.3 billion of which will be in 2019-2020.

TABLE H.13

### Infrastructure investments, 2019-2029

(billions of dollars)

	2019-2020	2019-2029
<b>2019-2029 QIP</b>	<b>11.0</b>	<b>115.4</b>
Contribution of partners <sup>(1)</sup>		
– Federal government	2.1	16.5
– Other partners	2.2	12.7
<b>Total – Contribution of partners</b>	<b>4.3</b>	<b>29.2</b>
<b>TOTAL</b>	<b>15.3</b>	<b>144.6</b>

(1) Federal government, municipalities and other partners.

The federal government will contribute \$16.5 billion to Québec's infrastructure projects over ten years. This funding, which will be in addition to the investments planned under the QIP, comes from a sum of \$7.5 billion allocated under the integrated bilateral agreement signed on June 6, 2018 and a sum of \$9.0 billion under previous infrastructure plans, such as phase 1 of the plan, *Investing in Canada*, and the 2014-2024 Building Canada Plan.



## 2. REVENUE AND EXPENDITURE FORECASTS

The *Québec Budget Plan – March 2019* presents the detailed change in consolidated revenue and expenditure:

- detailed adjustments for 2018-2019 since March 2018;
- the outlook over three years, that is, from 2018-2019 to 2020-2021;
- the risks associated with the forecasts and a sensitivity analysis by source of revenue and by type of expenditure.

### **Detailed adjustments to the financial framework since March 2018**

The adjustments to the financial framework since March 2018 keep the budget balanced.

The economic and budgetary situation leads to a \$4.2-billion positive adjustment of the budgetary balance in 2018-2019. This improvement makes it possible to fund targeted, non-recurring initiatives totalling \$1.7 billion for improving public services and increasing the potential of the economy.

A budgetary surplus of \$2.5 billion results from these adjustments for 2018-2019.

TABLE H.14

### Adjustments to the financial framework since March 2018 (millions of dollars)

	2018-2019				March 2019
	March 2018	Adjustments		Total adjustments	
		Economic and budgetary situation <sup>(1)</sup>	Initiatives		
Own-source revenue					
Tax revenue	67 343	2 429	-44	2 385	69 728
Other revenue	14 248	1 097	—	1 097	15 345
Subtotal	81 591	3 526	-44	3 482	85 073
% change					5.3
Revenue from government enterprises	4 332	741	—	741	5 073
% change					-0.4
Total	85 923	4 267	-44	4 223	90 146
% change					4.9
Federal transfers	23 674	-263	—	-263	23 411
% change					4.1
<b>Consolidated revenue</b>	<b>109 597</b>	<b>4 004</b>	<b>-44</b>	<b>3 960</b>	<b>113 557</b>
% change					4.8
Portfolio expenditures	-99 313	1 878	-1 617	261	-99 052
% change					5.1
Debt service	-9 380	481	—	481	-8 899
% change					-3.7
<b>Consolidated expenditure</b>	<b>-108 693</b>	<b>2 359</b>	<b>-1 617</b>	<b>742</b>	<b>-107 951</b>
% change					4.3
<b>SURPLUS</b>	<b>904</b>	<b>6 363</b>	<b>-1 661</b>	<b>4 702</b>	<b>5 606</b>
<b>BALANCED BUDGET ACT</b>					
Deposits of dedicated revenues in the Generations Fund	-2 491	-615	—	-615	-3 106
Use of the stabilization reserve	1 587	-1 587	—	-1 587	—
<b>BUDGETARY BALANCE<sup>(2)</sup></b>	<b>—</b>	<b>4 161</b>	<b>-1 661</b>	<b>2 500</b>	<b>2 500</b>

Note: Totals may not add due to rounding.

(1) The adjustments to the economic and budgetary situation include optimization measures.

(2) Budgetary balance within the meaning of the *Balanced Budget Act*, after use of the stabilization reserve, where applicable.

## 2.1 Change in revenue

Consolidated revenue encompasses own-source revenue, including revenue from government enterprises, as well as federal transfers.

Consolidated revenue totals \$113.6 billion in 2018-2019, that is, \$90.1 billion in own-source revenue and \$23.4 billion from federal transfers.

— Consolidated revenue is adjusted upward by \$4.0 billion compared with the March 2018 forecast.

Revenue growth is expected to be 4.8% in 2018-2019. In 2019-2020 and 2020-2021, it will be 1.8% and 3.2%, respectively.

TABLE H.15

### Change in consolidated revenue (millions of dollars)

	March 2018		March 2019		
	2018-2019	Adjustments	2018-2019	2019-2020	2020-2021
<b>Own-source revenue</b>					
Own-source revenue excluding revenue from government enterprises	81 591	3 482	85 073	85 936	88 722
<i>% change</i>			5.3	1.0	3.2
Revenue from government enterprises	4 332	741	5 073	4 778	5 067
<i>% change</i>			-0.4	-5.8	6.0
<b>Subtotal</b>	<b>85 923</b>	<b>4 223</b>	<b>90 146</b>	<b>90 714</b>	<b>93 789</b>
<i>% change</i>			<b>4.9</b>	<b>0.6</b>	<b>3.4</b>
Federal transfers	23 674	-263	23 411	24 924	25 600
<i>% change</i>			4.1	6.5	2.7
<b>TOTAL</b>	<b>109 597</b>	<b>3 960</b>	<b>113 557</b>	<b>115 638</b>	<b>119 389</b>
<i>% change</i>			<b>4.8</b>	<b>1.8</b>	<b>3.2</b>

## 2.1.1 Own-source revenue excluding government enterprises

Own-source revenue excluding revenue from government enterprises consists chiefly of tax revenue, which is made up of personal income tax, contributions for health services, corporate taxes, school property tax and consumption taxes. How it changes is tied to economic activity in Québec and to changes in the tax systems.

Own-source revenue also includes other revenue sources, that is, duties and permits and miscellaneous revenue, such as interest, the sale of goods and services, as well as fines, forfeitures and recoveries.

Most own-source revenue is intended to fund the delivery of government services and programs. The surplus is dedicated to funding specific activities such as road network maintenance, and to the Generations Fund to reduce the debt.

### □ Adjustments for 2018-2019

For fiscal 2018-2019, own-source revenue excluding revenue from government enterprises totals \$85.1 billion, representing an increase of 5.3% relative to the revenue observed for fiscal 2017-2018.

— Compared with the March 2018 forecast, own-source revenue is adjusted upward by \$3.5 billion.

TABLE H.16

### Change in own-source revenue excluding revenue from government enterprises (millions of dollars)

	March 2018		March 2019		
	2018-2019	Adjustments	2018-2019	2019-2020	2020-2021
Tax revenue	67 343	2 385	69 728	71 027	73 365
<i>% change</i>			4.9	1.9	3.3
Other revenue	14 248	1 097	15 345	14 909	15 357
<i>% change</i>			6.8	-2.8	3.0
<b>TOTAL</b>	<b>81 591</b>	<b>3 482</b>	<b>85 073</b>	<b>85 936</b>	<b>88 722</b>
<i>% change</i>			5.3	1.0	3.2

## ■ Tax revenue

Revenue from personal income tax is adjusted upward by \$705 million compared to the March 2018 forecast.

— This adjustment is explained by higher-than-expected withholdings at source since the beginning of the fiscal year due to the impact of the growth in wages and salaries, which is 1.1 percentage points higher for 2018.

— It also reflects the recurrence of the higher level of tax payable for 2017.

TABLE H.17

### Change in own-source revenue excluding revenue from government enterprises (millions of dollars)

	March 2018		March 2019		
	2018-2019	Adjustments	2018-2019	2019-2020	2020-2021
<b>Tax revenue</b>					
Personal income tax	30 549	705	31 254	32 498	33 959
% change			5.8	4.0	4.5
Contributions for health services	6 028	385	6 413	6 596	6 768
% change			3.1	2.9	2.6
Corporate taxes	8 028	1 008	9 036	8 516	8 743
% change			11.0	-5.8	2.7
School property tax	1 817	60	1 877	1 553	1 556
% change			-16.3	-17.3	0.2
Consumption taxes	20 921	227	21 148	21 864	22 339
% change			4.0	3.4	2.2
<b>Subtotal</b>	<b>67 343</b>	<b>2 385</b>	<b>69 728</b>	<b>71 027</b>	<b>73 365</b>
% change			4.9	1.9	3.3
<b>Other revenue</b>					
Duties and permits	3 797	381	4 178	4 229	4 298
% change			5.4	1.2	1.6
Miscellaneous revenue	10 451	716	11 167	10 680	11 059
% change			7.4	-4.4	3.5
<b>Subtotal</b>	<b>14 248</b>	<b>1 097</b>	<b>15 345</b>	<b>14 909</b>	<b>15 357</b>
% change			6.8	-2.8	3.0
<b>TOTAL</b>	<b>81 591</b>	<b>3 482</b>	<b>85 073</b>	<b>85 936</b>	<b>88 722</b>
% change			5.3	1.0	3.2

Contributions for health services are adjusted upward by \$385 million for 2018-2019. This adjustment is explained by higher-than-expected withholdings at source since the beginning of the fiscal year, due in particular to the higher-than-anticipated level of wages and salaries in 2018 relative to the March 2018 forecast.

Revenue from corporate taxes is adjusted upward by \$1 008 million compared to the March 2018 forecast. This adjustment results essentially from the monitoring of tax revenues which, in keeping with the increase observed at the end of 2017-2018, were higher than anticipated.

— In fact, since the beginning of the year, many businesses have been paying their quarterly instalments on the basis of their results for 2017, a year in which the growth of the net operating surplus of corporations stood at 11.7%, compared to 3.2% in 2018.

The school property tax is adjusted upward by \$60 million in 2018-2019. This adjustment is explained in particular by the higher growth in taxable property values.

Revenue from consumption taxes is adjusted upward by \$227 million. This adjustment arises mainly from the Québec sales tax and stems from substantial tax revenues plus the fact that residential investment growth is 3.0 percentage points higher than forecast in 2018.

#### ■ Other revenue

Revenue from duties and permits is adjusted upward by \$381 million, reflecting essentially the higher-than-expected revenue collected under Québec's cap-and-trade system for greenhouse gas emission allowances (carbon market).

In addition, miscellaneous revenue is adjusted upward by \$716 million owing chiefly to accelerated repayment of the debt, which leads to, in 2018-2019, higher-than-anticipated realized investment income for the Generations Fund.

## Change in own-source revenue excluding revenue from government enterprises in 2018-2019

Since the beginning of 2018-2019, own-source revenue excluding revenue from government enterprises has experienced steady growth, reaching 8.3% as at December 31, 2018,<sup>1</sup> a rate above that of nominal GDP for 2018 (4.3%).

This positive trend is due to the results recorded over the same period for the main revenue sources, that is, personal income tax (8.7%), corporate taxes (24.6%) and the Québec sales tax (5.4%).

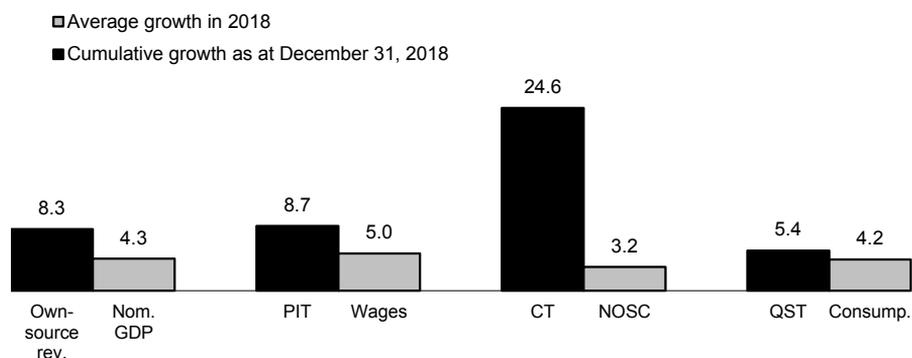
- However, the economic indicators affecting the tax bases of these revenue sources, that is, wages and salaries, the net operating surplus of corporations (corporate profits) and consumer spending, experienced more modest growth in 2018.

Although growth in own-source revenue generally reflects changes in economic activity, this relationship may not apply for a given year owing, in particular, to the fiscal choices made by certain economic agents.

- For example, in 2018-2019, some businesses paid their quarterly instalments on the basis of their results for 2017, a year in which growth of the net operating surplus of corporations stood at 11.7%. Accordingly, despite more modest growth in their profits, these businesses may have decided not to adjust their remittances in order to receive a refund later on.

### Growth of revenue and certain economic indicators<sup>(1)</sup>

(per cent)



(1) Own-source rev.: own-source revenue excluding revenue from government enterprises; Nom. GDP: nominal GDP; PIT: personal income tax; Wages: wages and salaries; CT: corporate taxes; NOSC: Net operating surplus of corporations; QST: Québec sales tax; Consump: consumption excluding food expenditures and shelter.

<sup>1</sup> Growth in own-source revenue of the General Fund excluding revenue from government enterprises is published in the *Monthly Report on Financial Transactions at December 31, 2018*.

## □ Outlook for 2019-2020 and 2020-2021

Own-source revenue excluding revenue from government enterprises will grow by 1.0% in 2019-2020 and 3.2% in 2020-2021. This growth reflects essentially the economic activity forecast for those years and the impact of the fiscal measures implemented.

### ■ Tax revenue

Personal income tax, the government's largest revenue source, will grow by 4.0% in 2019-2020 and 4.5% in 2020-2021, settling at \$32.5 billion and \$34.0 billion, respectively.

- This change reflects, in particular, the growth of household income, including wages and salaries, as well as the indexation of the personal income tax system and the progressive nature of the tax system.
- It also reflects the contribution of pension income to the growth of income subject to tax, particularly income from private pension plans.
- As well, it takes into account the enhancement of the tax credit for career extension announced in Budget 2019-2020.

Contributions for health services will grow by 2.9% in 2019-2020 and 2.6% in 2020-2021, settling at \$6.6 billion and \$6.8 billion, respectively.

- This change reflects the fact that wages and salaries are expected to grow by 3.2% in 2019 and 3.1% in 2020.
- It also takes into account the impact of the reduction of the Health Services Fund contribution rate for all Québec SMBs, announced in March 2018 and enhanced in August 2018.

Revenue from corporate taxes will decrease by 5.8% in 2019-2020 and increase by 2.7% in 2020-2021, settling at \$8.5 billion and \$8.7 billion, respectively.

- This change reflects the projected growth of the net operating surplus of corporations, established at 4.7% in 2019 and 4.3% in 2020.
- It also reflects the measures implemented in recent years to ease the tax burden, in particular the depreciation measure to incentivize businesses to invest more, announced in the December 2018 *Update on Québec's Economic and Financial Situation*, the gradual reduction of the tax rate to 4.0% for all SMBs (March 2018 budget) and the gradual reduction of the general corporate income tax rate (March 2015 budget).

Revenue from the school property tax will decline by 17.3% in 2019-2020 and increase by 0.2% in 2020-2021. These changes are explained mainly by the impact of the lowering of the tax rates within the context of the projected gradual introduction of a single school tax rate.

Revenue from consumption taxes will grow by 3.4% in 2019-2020 and 2.2% in 2020-2021, reaching \$21.9 billion and \$22.3 billion, respectively.

- This growth reflects the change in household consumption excluding food expenditures and shelter, which will be 2.8% in 2019 and 3.0% in 2020.
- However, the growth will be offset in 2020-2021 by the gradual elimination of restrictions on input tax refunds for large businesses.

### ■ Other revenue

Revenue from duties and permits will rise by 1.2% in 2019-2020 and 1.6% in 2020-2021.

- This change is explained primarily by the anticipated growth in revenue from natural resources.

Miscellaneous revenue will show a change of -4.4% in 2019-2020 and 3.5% in 2020-2021.

- These changes stem mainly from the investment income of the Generations Fund and the anticipated revenue of special funds, non-budget-funded bodies and bodies in the health and social services and education networks.

## ■ Change in line with that of the economy

Growth in own-source revenue excluding revenue from government enterprises generally reflects changes in economic activity and the impact of measures introduced by the government.

This growth will stand at 1.0% in 2019-2020 and then increase to 3.2% in 2020-2021.

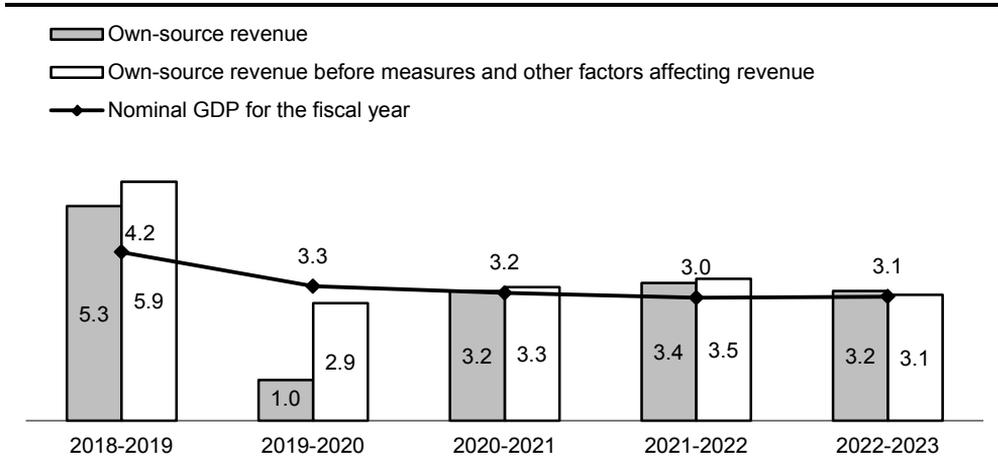
— The growth results, in particular, from various initiatives implemented in recent years, including the reform of the school tax system announced in Budget 2018-2019, the standardization of the school tax rate announced in Budget 2019-2020 and the depreciation measures announced in the December 2018 *Update on Québec's Economic and Financial Situation*.

— Had it not been for those measures, own-source revenue growth would stand at 2.9% in 2019-2020, a rate comparable to that of the economy.

Over the forecast period, revenue growth will keep pace with economic growth.

CHART H.2

### Growth in own-source revenue excluding revenue from government enterprises (per cent)



## Revenue growth in line with economic growth

### Growth in own-source revenue excluding revenue from government enterprises, 2018-2019 to 2022-2023

(millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023
<b>Own-source revenue</b>	<b>90 146</b>	<b>90 714</b>	<b>93 789</b>	<b>97 034</b>	<b>100 443</b>
<b>% change</b>	<b>4.9</b>	<b>0.6</b>	<b>3.4</b>	<b>3.5</b>	<b>3.5</b>
Less: Government enterprises	5 073	4 778	5 067	5 299	5 777
<b>Change in own-source revenue excluding revenue from government enterprises</b>	<b>85 073</b>	<b>85 936</b>	<b>88 722</b>	<b>91 735</b>	<b>94 666</b>
<b>% change</b>	<b>5.3</b>	<b>1.0</b>	<b>3.2</b>	<b>3.4</b>	<b>3.2</b>
<b>Measures and other factors affecting revenue growth<sup>(1)</sup></b>					
Budget 2019-2020	—	-314	-380	-377	-374
December 2018 <i>Update on Québec's Economic and Financial Situation</i>	-44	-448	-357	-372	-365
Recovery measures – August 2018	-108	-83	-48	-21	0
Budget 2018-2019	-805	-1 126	-1 255	-1 292	-1 282
Previous budgets and other <sup>(2)</sup>	17	-634	-692	-824	-842
<b>Subtotal</b>	<b>-940</b>	<b>-2 605</b>	<b>-2 732</b>	<b>-2 886</b>	<b>-2 863</b>
<b>Own-source revenue excluding revenue from government enterprises before measures</b>	<b>86 013</b>	<b>88 541</b>	<b>91 454</b>	<b>94 621</b>	<b>97 529</b>
<b>% change</b>	<b>5.9</b>	<b>2.9</b>	<b>3.3</b>	<b>3.5</b>	<b>3.1</b>
<b>Growth in nominal GDP</b>	<b>4.2</b>	<b>3.3</b>	<b>3.2</b>	<b>3.0</b>	<b>3.1</b>

Note: Totals may not add due to rounding. Save for some exceptions, the amounts correspond to those published in the budgets and fall updates.

(1) Main measures affecting consolidated revenue growth.

(2) This category includes the revenue measures of the budgets and fall updates published from fall 2014 to fall 2017, revenues from the carbon market, the elimination of restrictions on input tax refunds for large businesses and the investment income of the Generations Fund.

## □ Risks and sensitivity analysis

The revenue forecasts for 2019-2020 and subsequent years include a certain level of risk and uncertainty given that they are based on assumptions concerning future events, such as changes in the economic situation.

— For example, the forecast for corporate tax revenue is marked by a considerable level of uncertainty owing to a combination of several economic, decision-making and administrative factors, such as the legal framework that enables businesses to make choices regarding taxation, particularly the utilization of deferred losses, the possibility of adjusting quarterly instalment payments and the deadline for filing and processing tax returns, which affects the recognition of corporate taxes.

Revenue monitoring in the coming months is another component of risk and uncertainty that may cause actual results to differ from the forecasts for 2018-2019 and have an impact on the level of revenue in subsequent years.

## ■ Sensitivity analysis

In general, the nominal GDP forecast is a good indicator of growth in own-source revenue excluding revenue from government enterprises given the direct link between tax bases and nominal GDP.

— According to an overall sensitivity analysis, a variation of 1 percentage point in nominal GDP has an impact of about \$750 million on the government's own-source revenue.

This sensitivity analysis is based on a revision of each tax base in proportion to the revision of nominal GDP.

— In reality, a change in economic outlook can have a greater impact on some economic variables, as well as greater repercussions on certain tax bases than on others.

Sensitivity analyses set an average historical relationship between the change in own-source revenue and growth in nominal GDP. Accordingly, they may prove inaccurate for a given year depending on the economic situation and yet not lose their validity.

— Indeed, for a given year, economic fluctuations may have various impacts on revenue because of changes in the behaviour of economic agents.

— In these situations, the change in own-source revenue can be greater or lower than the change in nominal GDP.

TABLE H.18

**Sensitivity of own-source revenue excluding revenue from government enterprises to major economic variables**

Variables	Growth forecasts for 2019	Impacts for fiscal 2019-2020
Nominal GDP	3.5%	A variation of 1 percentage point changes own-source revenue by roughly \$750 million.
Wages and salaries	3.2%	A variation of 1 percentage point changes personal income tax revenue by about \$320 million.
Employment insurance	0.1%	A variation of 1 percentage point changes personal income tax revenue by roughly \$5 million.
Pension income	6.0%	A variation of 1 percentage point changes personal income tax revenue by about \$50 million.
Net operating surplus of corporations	4.7%	A variation of 1 percentage point changes corporate income tax revenue by roughly \$45 million.
Consumption excluding food expenditures and rent	2.8%	A variation of 1 percentage point changes QST revenue by about \$165 million.
Residential investments	1.9%	A variation of 1 percentage point changes QST revenue by about \$30 million.

## 2.1.2 Revenue from government enterprises

Government enterprises consist of public corporations that play a commercial role, have managerial autonomy and are financially self-sufficient. Revenue from government enterprises consists of the government's share in the net results of these enterprises.

### □ Adjustments for 2018-2019

For 2018-2019, revenue from government enterprises is adjusted upward by \$741 million, to \$5.1 billion. This adjustment can be attributed, in particular, to an increase in Hydro-Québec's results related to the cold weather in recent months and an extraordinary gain tied to the partial disposal of the TM4 subsidiary. In addition, an increase in the results of Loto-Québec stemming mainly from the better-than-anticipated performance of the lottery sector also had a significant impact.

### □ Outlook for 2019-2020 and 2020-2021

Revenue from government enterprises will stand at \$4.8 billion in 2019-2020, representing a decrease of 5.8%, and at \$5.1 billion in 2020-2021, representing an increase of 6.0%.

- The change in 2019-2020 mainly reflects a decrease in the anticipated results of Hydro-Québec and Loto-Québec due to the absence of the exceptional revenue obtained the previous year.
- The change in 2020-2021 can be attributed, in particular, to the increase in the anticipated results of Hydro-Québec because of the fact that net electricity exports and demand in Québec are expected to grow.

TABLE H.19

### Change in revenue from government enterprises (millions of dollars)

	March 2018		March 2019		
	2018-2019	Adjustments	2018-2019	2019-2020	2020-2021
Hydro-Québec	2 075	500	2 575	2 425	2 725
Loto-Québec	1 236	124	1 360	1 271	1 274
Société des alcools du Québec	1 112	29	1 141	1 159	1 184
Investissement Québec	111	83	194	139	133
Société québécoise du cannabis	—	—	—	20	37
Other <sup>(1)</sup>	-202	5	-197	-236	-286
<b>TOTAL</b>	<b>4 332</b>	<b>741</b>	<b>5 073</b>	<b>4 778</b>	<b>5 067</b>
<b>% change</b>			<b>-0.4</b>	<b>-5.8</b>	<b>6.0</b>

(1) Other revenue includes, in particular, the forecast for other government enterprises and the impact of the Electricity Discount Program for Consumers Billed at Rate L.

## ❑ Risks and sensitivity analysis

### ■ Risks

The forecasts for government enterprises depend on the information available when they are made. Updating of information may thus have an impact on forecasts.

It must also be borne in mind that certain variables, such as those concerning weather conditions, are difficult to forecast.

In the case of the Société québécoise du cannabis, which is a new enterprise, the lack of historical data makes it more complicated to establish forecasts.

### ■ Sensitivity analysis

For Hydro-Québec, a variation of:

- 1.0 US¢/kWh in the price of energy on foreign markets changes its net earnings by over \$100 million;
- 1 percentage point in the adjustment of electricity rates charged to Québec consumers by the Régie de l'énergie changes its net earnings by up to \$110 million;
- 1 °C in winter temperatures compared to normal temperatures changes its net earnings by over \$50 million.

For Loto-Québec, a variation of 1% in sales changes its net earnings by over \$10 million.

For the Société des alcools du Québec, a variation of 1% in sales changes its net earnings by more than \$15 million.

For Investissement Québec, a variation of 1 percentage point in interest rates changes its net earnings by nearly \$10 million.

For the Société québécoise du cannabis, no sensitivity analysis is available at the moment owing to the recent creation of this enterprise and the consequent lack of historical data.

### 2.1.3 Federal transfers

Federal transfer revenues correspond to revenue from the federal government paid to Québec under the *Federal-Provincial Fiscal Arrangements Act*, plus revenue from other programs arising from bilateral agreements.

These revenues include mainly equalization and revenue from the Canada Health Transfer (CHT) and the Canada Social Transfer (CST).

#### □ Adjustments for 2018-2019

In 2018-2019, federal transfer revenues stand at \$23.4 billion, or \$263 million less than forecast in March 2018. This adjustment is explained by lower-than-expected CHT and CST revenues resulting from:

- the taking into account of the 2016 population census, which has led to a downward adjustment of Québec's demographic weight in Canada;
- an increase in the value of the special Québec abatement, which is subtracted from these transfers.

TABLE H.20

#### Change in federal transfer revenues (millions of dollars)

	March 2018		March 2019		
	2018-2019	Adjustments	2018-2019	2019-2020	2020-2021
Equalization	11 732	—	11 732	13 124	13 333
% change			5.9	11.9	1.6
Health transfers	6 431	-125	6 306	6 628	6 852
% change			3.4	5.1	3.4
Transfers for post-secondary education and other social programs	1 659	-62	1 597	1 620	1 645
% change			-3.1	1.4	1.5
Other programs	3 852	-76	3 776	3 552	3 770
% change			3.2	-5.9	6.1
<b>TOTAL</b>	<b>23 674</b>	<b>-263</b>	<b>23 411</b>	<b>24 924</b>	<b>25 600</b>
% change			<b>4.1</b>	<b>6.5</b>	<b>2.7</b>

## □ Outlook for 2019-2020 and 2020-2021

Federal transfer revenues will increase by 6.5% in 2019-2020 and 2.7% in 2020-2021. The larger increase in 2019-2020 is explained, in particular, by equalization. Thus, the equalization envelope grows, for Canada as a whole, at the same pace as Canada's nominal GDP and, furthermore, an increase was observed in fiscal capacity disparities compared to the average of the ten provinces relative to 2018-2019.

## □ Risks and sensitivity analysis

### ■ Risks

The primary risk associated with the equalization forecast concerns the estimation of the per capita fiscal capacity of each province, given that the federal government does not publish forecasts for equalization payments by province.

In addition, the main risks associated with the forecast for revenue from the CHT and the CST concern the estimation of the value of the special Québec abatement<sup>2</sup> and the estimation of the population of the provinces and territories.

### ■ Sensitivity analysis

The forecast for revenue from equalization, the CHT and the CST is based primarily on the following economic and demographic variables:

- the growth of Canada's nominal GDP;
- the growth in wages and salaries used in the forecast for basic federal tax;
- the growth of the net operating surplus of corporations used in the forecast for taxable corporate income;
- Québec's share of the population among the provinces as a whole.

Sensitivity analyses may not apply for a given year if special economic conditions arise or changes are made by the federal government to the operation of equalization, the CHT and the CST.

In addition, the sensitivity analysis of equalization revenue is based on an increase of 1 percentage point in the growth of Québec's economic variables, without any impact on that of the other provinces.

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<sup>2</sup> Québec's revenues from the CHT and the CST are reduced by a portion of the value of the special Québec abatement (13.5% of basic federal tax collected in Québec, 62% of which is attributed to the CHT and 38% to the CST).

TABLE H.21

### Sensitivity of federal transfer revenues to major economic and demographic variables

Variables	Forecasts for 2019	Impacts for fiscal 2019-2020
Growth of Canada's nominal GDP	4.1% <sup>(1)</sup>	An increase of 1 percentage point raises equalization revenue by roughly \$45 million.  An increase of 1 percentage point raises CHT revenue by about \$30 million.
Growth in wages and salaries in Québec	3.2%	An increase of 1 percentage point reduces equalization revenue <sup>(2)</sup> by approximately \$40 million.  An increase of 1 percentage point reduces CHT and CST revenues by around \$50 million.
Québec's share of the population in Canada	22.6%	An increase of 0.1 percentage point increases equalization revenue <sup>(2)</sup> by approximately \$60 million.  An increase of 0.1 percentage point raises CHT and CST revenues by approximately \$55 million.
Growth of the net operating surplus of corporations in Québec	4.7%	An increase of 1 percentage point reduces equalization revenue <sup>(2)</sup> by approximately \$5 million.

(1) The growth of 4.1% in Canada's nominal GDP in 2019 is based on federal calculations for 2019-2020 regarding equalization and the CHT, and it will not be revised. The impacts for 2019-2020 are provided for purposes of illustration.

(2) Due to the two-year lag in the equalization formula, increased growth in 2019 will have an impact as of 2021-2022. The impact for the years 2019-2020 and 2020-2021 is nil.

## 2.2 Change in expenditure

Consolidated expenditure consists of portfolio expenditures, which are tied to the delivery of public services, and debt service.

Consolidated expenditure stands at \$108.0 billion in 2018-2019. This represents a downward adjustment of \$742 million relative to March 2018.

— Portfolio expenditures are adjusted downward by \$261 million.

— In addition, spending on debt service is \$481 million lower.

Consolidated expenditure will stand at \$113.0 billion in 2019-2020 and \$116.6 billion in 2020-2021, up 4.7% and 3.2%, respectively.

TABLE H.22

### Change in consolidated expenditure (millions of dollars)

	March 2018		March 2019		
	2018-2019	Adjustments	2018-2019	2019-2020	2020-2021
Portfolio expenditures	99 313	-261	99 052	104 038	107 467
<i>% change</i>			5.1	5.0	3.3
Debt service	9 380	-481	8 899	8 996	9 138
<i>% change</i>			-3.7	1.1	1.6
<b>TOTAL</b>	<b>108 693</b>	<b>-742</b>	<b>107 951</b>	<b>113 034</b>	<b>116 605</b>
<i>% change</i>			<b>4.3</b>	<b>4.7</b>	<b>3.2</b>

## 2.2.1 Portfolio expenditures

To achieve its priorities and carry out its activities, the government sets up programs that are administered by government entities, including departments and bodies. All the entities for which a minister is responsible constitutes a portfolio.

### □ Adjustments for 2018-2019

In 2018-2019, portfolio expenditures total \$99.1 billion, representing a downward adjustment of \$261 million compared with the March 2018 forecasts.

The adjustment is explained by, in particular:

- the \$88-million increase in spending for the Santé et Services sociaux portfolio owing to the increase in home care and support services and the development of social geriatrics;
- the \$337-million decrease in spending for other portfolios, explained essentially by the more-gradual-than expected implement of certain infrastructure projects, in particular for the Société de financement des infrastructures locales du Québec, the Land Transportation Network Fund and the Green Fund.

In addition, spending for the Éducation et Enseignement supérieur portfolio has been adjusted to only a limited extent relative to the March 2018 forecasts.

TABLE H.23

### Change in expenditures by departmental portfolio (millions of dollars)

	March 2018		March 2019		
	2018-2019	Adjustments	2018-2019	2019-2020 <sup>(1)</sup>	2020-2021
Éducation et Enseignement supérieur	23 273	-12	23 261	24 436	25 340
% change			5.0	5.1	3.7
Santé et Services sociaux	43 013	88	43 101	45 433	47 277
% change			4.7	5.4	4.1
Other portfolios <sup>(2)</sup>	33 027	-337	32 690	34 169	34 850
% change			5.7	4.5	2.0
<b>TOTAL</b>	<b>99 313</b>	<b>-261</b>	<b>99 052</b>	<b>104 038</b>	<b>107 467</b>
% change			5.1	5.0	3.3

Note: Totals may not add due to rounding.

(1) The breakdown of expenditures in 2019-2020 for all the portfolios is presented in Appendix 1.

(2) Other portfolios include inter-portfolio eliminations resulting from the elimination of reciprocal transactions between entities in different portfolios.

## □ Outlook for 2019-2020 and 2020-2021

In 2019-2020 and 2020-2021, portfolio expenditures will total \$104.0 billion and \$107.5 billion, respectively.

- Growth in spending for these two fiscal years will reach 5.0% and 3.3%, respectively.

These increases can be attributed, in particular, to investments:

- in education, for rolling out kindergarten for 4 year-olds, adding an extra hour of extracurricular activities a day in secondary schools, providing Québec with better infrastructure and ensuring more services for students experiencing difficulties;
- in health, for adding more residential beds for seniors, enhancing home care services and increasing the volume of health services;
- in other portfolios, for better integrating immigrants, easing the tax burden on families and providing all Quebecers with access to high-speed Internet and a broadband cellular network.

<b>Program and other spending</b>				
Portfolio expenditures consist of program spending, that is, departmental expenditures, as well as other spending, namely, entities' expenditures funded through their own revenue and tax-funded expenditures.				
— Program spending will grow by 5.8% in 2019-2020 and 3.3% in 2020-2021.				
<b>Change in portfolio expenditures</b> (millions of dollars)				
	<b>2018-2019</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>
Program spending <sup>(1)</sup>	76 869	81 351	84 048	87 295
<i>% change</i>	6.1	5.8	3.3	3.9
Other spending <sup>(2)</sup>	22 183	22 687	23 419	23 350
<i>% change</i>	1.7	2.3	3.2	-0.3
<b>TOTAL</b>	<b>99 052</b>	<b>104 038</b>	<b>107 467</b>	<b>110 645</b>
<b><i>% change</i></b>	<b>5.1</b>	<b>5.0</b>	<b>3.3</b>	<b>3.0</b>
(1) This spending corresponds to departmental expenditures funded mainly through income tax and other general taxes.				
(2) This spending corresponds to entities' expenditures funded through their own revenue and to tax-funded expenditures.				

## Expenditures by mission

Government expenditures are broken down into five major public service missions. This breakdown of government spending for its primary functions is a stable indicator over time since it is not usually affected by cabinet shuffles. In addition, since it is used as well in the Public Accounts, presenting it in the budget makes it possible to better compare forecasts with actual results.

The public service missions are:

- Health and Social Services, which consists primarily of the activities of the health and social services network and the programs administered by the Régie de l'assurance maladie du Québec;
- Education and Culture, which consists primarily of the activities of the education networks, student financial assistance, programs in the culture sector and immigration-related programs;
- Economy and Environment, which primarily includes programs related to economic development, employment assistance measures, international relations, the environment and infrastructure support;
- Support for Individuals and Families, which primarily includes last resort financial assistance, assistance measures for families and seniors, and certain legal aid measures;
- Administration and Justice, which consists of the activities of legislature, central bodies and public security, as well as administrative programs.

### Expenditures by mission (millions of dollars)

	2018-2019	2019-2020	2020-2021
Health and Social Services	41 978	44 429	46 136
Education and culture	23 706	25 357	26 223
Economy and environment	15 807	15 424	16 320
Support for Individuals and Families	10 200	10 832	10 965
Administration and Justice <sup>(1)</sup>	7 361	7 996	7 823
<b>TOTAL</b>	<b>99 052</b>	<b>104 038</b>	<b>107 467</b>
<b>% change</b>	<b>5.1</b>	<b>5.0</b>	<b>3.3</b>

(1) These amounts include the Contingency Fund reserve.

## □ Risks and sensitivity analysis

### ■ Risks

Several factors can have an impact on government spending. These factors include, in particular:

- changes in target clientele, such as the student population in educational institutions;
- technological changes, which affect spending, particularly spending in the health sector;
- changes in the general level of prices, which have different impacts on each of the government's portfolios;
- the emergence of new needs among Quebecers.

### ■ Sensitivity analysis

The financial framework's forecasts take into account:

- budgetary choices, which stem from the prioritization of certain sectors over others in the allocation of spending;
- economic and demographic variables, which are tied to price factors (inflation) and demographic factors (changes in population).

The following two tables show the sensitivity of portfolio expenditures at the budgetary level as well as in regard to economic and demographic factors.

- It should be noted that such data constitute indications and that impacts may vary depending on the nature and interaction of risk factors.

### ■ Budgetary choices

Expenditures may vary according to the choices made by the government in allocating its available budgetary resources. For example, a variation of 1% in the consolidated expenditures of the Santé et Services sociaux portfolio would lead to a variation of about \$460 million in the portfolio's spending.

TABLE H.24

#### **Sensitivity of spending to a variation of 1% by departmental portfolio** (millions of dollars)

	<b>Impacts for fiscal 2019-2020</b>
Santé et Services sociaux	460
Éducation et Enseignement supérieur	250
Other portfolios	350
<b>TOTAL</b>	<b>1 060</b>

- **Economic and demographic variables**

The analysis carried out also makes it possible to estimate the sensitivity of consolidated expenditure before debt service to certain important economic and demographic variables.

- **Prices**

Public spending is influenced by the price of services offered by the government. The change in the price of such services is closely tied to the change in the general level of prices in the economy, that is, inflation.

The results show that a variation of 1% in prices would lead to a variation of \$400 million, or 0.3 percentage point, in total spending.

- **Population**

Spending is affected by changes in total population and by changes in the size of the clientele for certain services.

For example, a variation of 1% in the total population would change total spending by \$760 million, that is, 0.7 percentage point.

TABLE H.25

**Sensitivity of spending to a variation of 1% in each economic and demographic variable**

Variables	Expenditures	Impacts for fiscal 2019-2020	
		\$million	Percentage point
<b>Prices</b>			
Inflation	Total spending	400	0.3
<b>Population</b>			
Total population	Total spending	760	0.7
	By portfolio		
	– Santé et Services sociaux		0.7
	– Éducation et Enseignement supérieur		0.8
	– Other		0.7
0-4 years	Total spending	80	0.1
5-16 years	Total spending	130	0.1
17-24 years	Total spending	130	0.1
65 years and over	Total spending	210	0.2

## 2.2.2 Debt service

Debt service consists of interest on the direct debt and interest on the liability for the retirement plans and other future benefits of public and parapublic sector employees.

Changes in debt service are tied chiefly to debt level, interest rates and the return on the Retirement Plans Sinking Fund (RPSF).

### □ Adjustments for 2018-2019

In 2018-2019, debt service amounts to \$8.9 billion, that is, \$7.5 billion for interest on the direct debt and \$1.4 billion for interest on the liability for the retirement plans and other future benefits of public and parapublic sector employees.

Compared with March 2018, debt service is adjusted downward by \$481 million in 2018-2019 because of accelerated repayment of the debt from the Generations Fund, lower-than-expected long-term interest rates and a smaller debt.

TABLE H.26

### Change in debt service (millions of dollars)

	March 2018		March 2019		
	2018-2019	Adjustments	2018-2019	2019-2020	2020-2021
Interest on the direct debt <sup>(1)</sup>	7 991	-452	7 539	7 984	8 274
<i>% change</i>			1.0	5.9	3.6
Interest on the liability for the retirement plans and other employee future benefits <sup>(2)</sup>	1 389	-29	1 360	1 012	864
<i>% change</i>			-23.3	-25.6	-14.6
<b>TOTAL</b>	<b>9 380</b>	<b>-481</b>	<b>8 899</b>	<b>8 996</b>	<b>9 138</b>
<i>% change</i>			-3.7	1.1	1.6

- (1) Interest on the direct debt includes the income of the Sinking Fund for Government Borrowings. This income, which is applied against debt service, consists of interest generated on investments as well as gains and losses on disposal. Given that the revenue forecast for the sinking fund for government borrowings is closely tied to the change in interest rates, it may be adjusted upward or downward.
- (2) This corresponds to the interest on obligations relating to the retirement plans and other employee future benefits of public and parapublic sector employees, minus the investment income of the Retirement Plans Sinking Fund, individual funds and funds for other employee future benefit programs.

## ❑ Outlook for 2019-2020 and 2020-2021

Overall, debt service will stand at \$9.0 billion in 2019-2020 and \$9.1 billion in 2020-2021, representing growth of 1.1% and 1.6%, respectively.

In 2019-2020 and 2020-2021, interest on the direct debt will grow mainly because of the anticipated increase in interest rates and the government's capital investments.

Interest on the liability for the retirement plans and other employee future benefits will decrease due to the fact that the investment income of the RPSF increases every year.

## ❑ Risks and sensitivity analysis

### ■ Risks

The main risk associated with the debt service forecast is a higher-than-anticipated increase in interest rates or a lower-than-anticipated return on the RPSF.<sup>3</sup>

The RPSF is an asset that was created for the purpose of paying the retirement benefits of public and parapublic sector employees. It is managed by the Caisse de dépôt et placement du Québec. For the purposes of the gross debt, it is applied against the retirement plans liability. For further details, see Section I.

The income of the RPSF is applied against debt service. Therefore, a lower-than-expected return on the RPSF would lead to an increase in debt service.

### ■ Sensitivity analysis

A greater-than-anticipated rise in interest rates of 1 percentage point over a full year would increase the interest expenditure by roughly \$250 million.

A return of 1 percentage point less than the anticipated return on the RPSF would lead to a \$20-million increase in debt service the following year.

A change in the value of the Canadian dollar compared with other currencies would have no impact on debt service because the government's debt has no foreign currency exposure.

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<sup>3</sup> With its investment policy, which is based on a long-term horizon, the RPSF should generate an annual return of 6.35%.

### **3. STEPS TO ENSURE MORE EFFICIENT AND MORE TRANSPARENT MANAGEMENT OF PUBLIC FINANCES**

As soon as it took office last October, the government pledged to manage public finances in an efficient and transparent manner.

This undertaking is a gradual process aimed, in particular, at defining the best way to achieve productivity and efficiency gains.

Budget 2019-2020 is an opportunity to assess the optimization measures identified to date. It is also an opportunity to present other efficiency measures that will provide leeway for improving the delivery of public services.

This subsection presents the following efficiency and transparency measures:

- improving performance in the delivery of public services;
- ensuring better budgetary monitoring;
- strengthening the approval process for the budget forecasts of bodies.

## □ Improving performance in the delivery of public services

### ■ Support for process improvement projects

Government departments and bodies must have access to sufficient resources if they are to offer quality services to Quebecers.

Therefore, the government is setting aside sums to help departments and bodies implement process improvement projects. A total of \$15 million in 2019-2020, \$22 million in 2020-2021 and \$30 million in 2021-2022 will fund projects to increase the efficiency of departments and bodies and even generate savings.

— To that end, additional appropriations will be allocated to the Secrétariat du Conseil du trésor. The amounts for 2019-2020 will be drawn from the Contingency Fund.

More specifically, the projects will aim to:

- improve processes or support them with information systems in order to ease pressure on staff;
- provide financial support for public bodies that will serve as testing grounds and technology showcases for Québec's innovations;
- create a modern and stimulating environment that will make it easier to recruit staff.

TABLE H.27

### Financial impact of the measures for improving performance in the delivery of public services

(millions of dollars)

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	Total
Support for process improvement projects	-15.0	-22.0	-30.0	—	—	-67.0

## Examples of the application of optimization project funding

### **Online management of driver's licences, registration and claims at the SAAQ**

The Société de l'assurance automobile du Québec (SAAQ) is modernizing its systems to provide online access for obtaining and automatically renewing driver's licences and registration and to facilitate electronic transmission of documents.

In addition, road accident victims and service providers can now enter directly online the amount of certain fees provided for by insurance coverage and for which a reimbursement is being claimed. Therefore, it is no longer necessary to fill out paper forms and send them to the SAAQ. If a copy of an invoice or a receipt is requested, it can also be transmitted electronically.

### **Modernization of the justice system**

The Ministère de la Justice is modernizing its systems and implementing technology projects to reduce additional costs and delays for citizens and players in the system.

With this new, reliable, secure and effective justice system, it will be possible, in particular, to manage digital court records and hold digital hearings and thereby prevent delays and errors arising from paper handling.

### **Improvement of Retraite Québec's client services**

Retraite Québec is creating a unified and improved client relations centre by upgrading, in particular, its interactive voice response system adapted to client profiles.

The organization is also harmonizing and streamlining client procedures for the Québec Pension Plan, public sector retirement plans and the family allowance (formerly called child assistance).

These improvements enrich the experience of clients and improve the information transmitted to them.

## Performance of the public administration

The *Public Administration Act* has established a results-based management framework that gives priority to the quality of public services, transparency, and the accountability of government departments and bodies to the National Assembly. In accordance with the principles established by this management framework, citizens have a right to expect an effective public administration centred on efficient, transparent and disciplined management that is able to do more for them.

The government's goal is to optimize the application of this management framework so that it gives greater support to performance. To that end, the Chair of the Conseil du trésor will roll out a performance action plan in the coming years providing for a series of measures grouped according to the following thrusts:

- increasing the transparency of departments and bodies and monitoring their performance;
- recognizing the full importance of the strategic planning and accountability reporting process;
- providing departments and bodies with more effective support in developing their performance.

This plan provides for, in particular, the development of a new indicator for measuring the performance of departments and bodies, as well as the distribution of a public dashboard. It also provides for full recognition of the importance of strategic planning. The period covered by departments' strategic plans will thus be gradually aligned with the electoral cycle. In addition, the quality of plans will be improved to provide for, in particular, better indicators that take Quebecers' expectations into account.

The identification and monitoring of key performance indicators (KPI) as part of this work will allow the performance of organizations to be measured over time and in accordance with the desired results. As in other parts of the world, in particular, Scotland and New York City, the public dashboard will enable the public to monitor changes in these indicators with full transparency.

## ■ **Managing information technology and procurement**

The government is planning to make changes in the management of information technology and procurement. These functions have a direct impact on the government's ability to provide the quality services that individuals and businesses have a right to expect.

First, the government will adopt a government digital transformation plan. Public bodies will be required, in particular, to disclose actions planned and efforts made in keeping with this plan. These policy directions will be specified when the new digital transformation strategy is announced.

In addition, the activities and resources of the Centre de services partagés du Québec in these areas will be included in the two new bodies. The two bodies thus created, which will be operational starting on January 1, 2020, will be under the responsibility of the Minister responsible for Government Administration and Chair of the Conseil du trésor.

### ■ **Creation of Infrastructures technologiques Québec**

The creation of Infrastructures technologiques Québec will provide, in particular, effective and shared technology infrastructure and management systems to support the delivery of quality services, consolidate and develop specialized expertise, help to increase information security, and support more rapid digital transformation of public bodies without overlapping of solutions.

### ■ **Creation of the Centre d'acquisitions gouvernementales**

The creation of this body will concentrate within a single entity all the purchases of public bodies in the Administration, the health and social services network, and the education and higher education networks. The pool of procurement experts grouped in this body will support, in particular, public bodies that do not have the necessary specialized resources.

## ❑ Ensuring better budgetary monitoring

In 2006, the Québec government began to publish a monthly report on financial transactions. The objective of this report is to regularly monitor the implementation of the annual budget.

- This report is produced using public sector accounting standards and was examined by the Auditor General of Québec in 2015.
- Until now, the presentation of financial information has been focused on monitoring General Fund revenue, program spending and the net results of bodies and special funds.

As of 2019-2020, the government will publish the monthly report on a fully consolidated basis to ensure that the information is comparable with that of the budget and the public accounts.

- The report will thus focus on consolidated revenue by source and consolidated expenditure according to the government's primary functions.
- In addition, the fact that it will take into account the actual revenue and expenditure of institutions in the health and social services and education networks will make it even more relevant.
- The government also plans to conduct more detailed analyses that will improve the report in each quarter on the basis of information received from the various government entities.

Furthermore, with a view to transparency and making the most recent information on the budgetary balance for the current year available on a regular basis, the government has included, in every quarter since fall 2018, a preliminary estimate of the budgetary balance for the current year in the monthly report. In particular:

- it updated the budget forecasts for 2018-2019 when the December 2018 *Update on Québec's Economic and Financial Situation* was released, and is doing so again in the *Québec Budget Plan – March 2019*;
- it will present the preliminary results for the fiscal year in June, in the *Monthly Report on Financial Transactions at March 31, 2019*;
- it plans to do a first preliminary update of the budgetary balance for 2019-2020 when the *Monthly Report on Financial Transactions at June 30, 2019* is published.

## ❑ **Strengthening the approval process for the budget forecasts of bodies**

Various budgetary structures have been put in place to ensure a link between the revenues collected by the government and the funding of public services. This financial organization results primarily from government choices regarding governance and the delivery of services.

Approval of annual budgets differs according to the type of structure. For example, the appropriations of departments are generally voted annually for each program by the National Assembly, while the budgets of the special funds are voted globally for each entity.

In addition, approval of budget forecasts differs among the various public bodies. The legislative provisions governing approval provide for different procedures.

Lastly, current budget planning rules and practices lead to certain discrepancies between government policy directions and their implementation by bodies.

— In particular, there is a delay in the government's approval of the spending forecasts of certain bodies. In other cases, such approval is not provided for in the legislation.

Adoption of bodies' spending forecasts before budgets are prepared would, in particular, ensure consistency for the purpose of taking government policy directions into account.

To bolster synchronization between the government's budget planning and that of public bodies prior to budget approval, in keeping with government policy directions, the government will amend the rules for adopting the budgets of these bodies based on best practices.

These changes, which will require the adoption of legislative amendments, are based on the following principles:

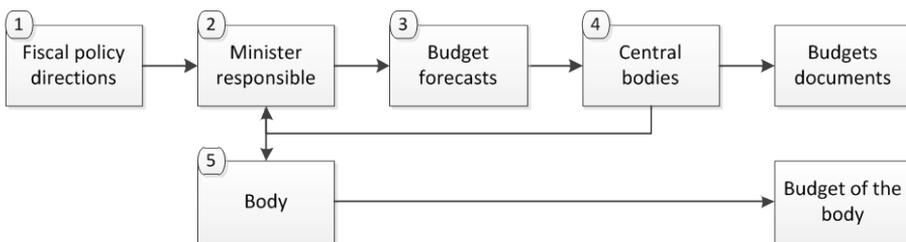
- consistency of processes within bodies and the government;
- easing of controls and the budget adoption process.

These changes will allow for better integration of the government budget preparation process, in keeping with the principles of governance of public bodies.

## Approval process for the budget forecasts of bodies

1. First, the Minister of Finance and the Chair of the Conseil du trésor (central bodies) jointly propose to the Conseil du trésor common fiscal policy directions or ones that are specific to each non-budget-funded body (bodies<sup>1</sup>). Once these policy directions have been approved, they are transmitted to the ministers responsible for the bodies.
  - These policy directions may concern, in particular, the bodies' revenue, expenditure and accumulated surplus or deficits.
2. Each minister then transmits the policy directions to the bodies for which he or she is responsible and encloses, if necessary, directives concerning, in particular, the transmission and format of the annual budget.
3. On the basis of the policy directions and directives received, the bodies adopt an annual budget and budget forecasts and transmit them to the minister responsible. The minister then submits the budget forecasts to the Chair of the Conseil du trésor and the Minister of Finance.
4. Afterwards, the Chair of the Conseil du trésor and the Minister of Finance submit the budget forecasts to the Conseil du trésor for approval, along with, where applicable, changes they deem appropriate in light of the budgetary and financial policies proposed by the Minister of Finance. The approved forecasts are then submitted to the government.
5. Lastly, after the Expenditure Budget is tabled, the changes, if any, are transmitted to the ministers responsible, who inform the bodies concerned. The bodies then modify the annual budget, if necessary, and transmit it to the minister responsible.
  - It is up to the ministers to ensure that the bodies for which they are responsible respect their annual budget and multi-year forecasts.

### Proposed process



<sup>1</sup> This change does not apply to non-budget-funded bodies whose forecasts are included in the budgets of special funds.

## 4. QUÉBEC'S REQUESTS REGARDING FEDERAL TRANSFERS

### 4.1 For an increase in the federal contribution to health and social programs

The federal government contributes to the provinces' spending in health, post-secondary education and other social programs through the Canada Health Transfer (CHT) and the Canada Social Transfer (CST).

Québec is asking that both of these transfers be increased to give the provinces the means they need to fully assume their responsibilities.

#### **The CHT must correspond to 25% of provincial spending on health**

From 2006-2007 to 2016-2017, the CHT grew by 6% per year. As a result of this indexation, the federal contribution to provincial health spending was raised. In 2016-2017, it stood at 22.6%.

However, since 2017-2018, the increase in the CHT has been limited to the increase in Canada's nominal GDP (subject to a floor of 3%).

— This decision by the federal government to no longer index the CHT by 6% per year leads to a cumulative shortfall for Québec of \$13.7 billion over 10 years, that is, from 2017-2018 to 2026-2027.

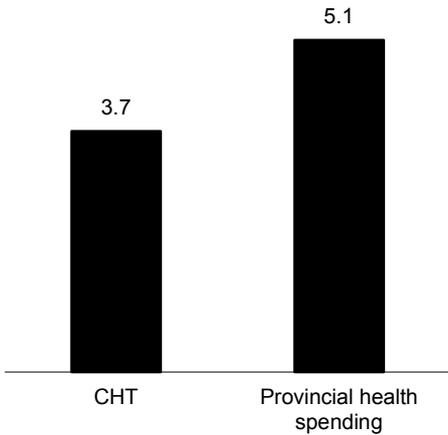
This increase in the CHT is insufficient considering, among other things, the aging of the population, which is putting more pressure on health spending.

According to the Conference Board of Canada,<sup>4</sup> provincial health spending from 2017-2018 to 2026-2027 will increase by 5.1% per year on average compared to 3.7% for the CHT.

This means that the federal contribution will decline. In 2026-2027, it is expected to represent only 19.6% of provincial health spending, a record low since the September 2004 federal–provincial–territorial agreement on health.

CHART H.3

**Average annual change in the CHT and provincial health spending, 2017-2018 to 2026-2027**  
(per cent)

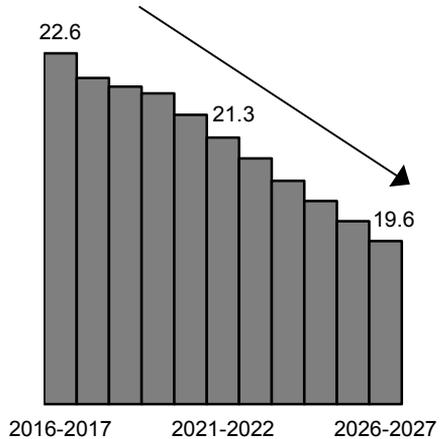


Source: Conference Board of Canada.

CHART H.4

**Federal health contribution**

(percentage of provincial health spending)



Sources: Conference Board of Canada and Ministère des Finances du Québec.

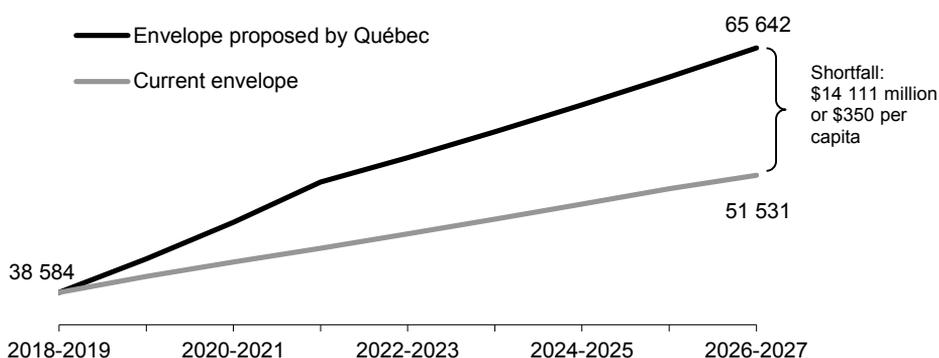
<sup>4</sup> CONFERENCE BOARD OF CANADA, *Meeting the Care Needs of Canada's Aging Population*, [Outlook], July 2018.

Québec is asking that the CHT envelope be increased gradually to 25% of provincial health spending as of 2021-2022 and that the federal contribution be kept at that level thereafter.

- This federal contribution representing 25% of provincial health spending would be achieved by 2021-2022 through an additional pan-Canadian injection of \$7.3 billion under the CHT over three years, including \$1.9 billion in 2019-2020.
- Subsequently, this share would be maintained by indexing the CHT envelope by 5.1%, the annual growth rate of provincial health spending estimated by the Conference Board of Canada.
- In accordance with this proposal, the CHT envelope would reach \$65.6 billion in 2026-2027, providing additional pan-Canadian funding of \$14.1 billion or \$350 per capita.<sup>5</sup>

CHART H.5

**Gradual restoration of the Canada Health Transfer representing 25% of provincial health spending, 2018-2019 to 2026-2027**  
(millions of dollars)



Note: The current envelope excludes targeted funds. If these funds are included, an additional pan-Canadian injection of \$12.9 billion would be needed in 2026-2027.

Sources: Conference Board of Canada, Department of Finance Canada and Ministère des Finances du Québec.

<sup>5</sup> Québec's CHT revenue would increase by \$433 million in 2019-2020. This additional funding would increase to \$3.1 billion in 2026-2027.

## ❑ Raising the CST to its 1994-1995 level

Colleges and universities play an important role in training and scientific research. For the Québec government, higher education also provides leverage for creating wealth.

The federal government contributes to the provinces' spending in post-secondary education and other social programs through the CST.

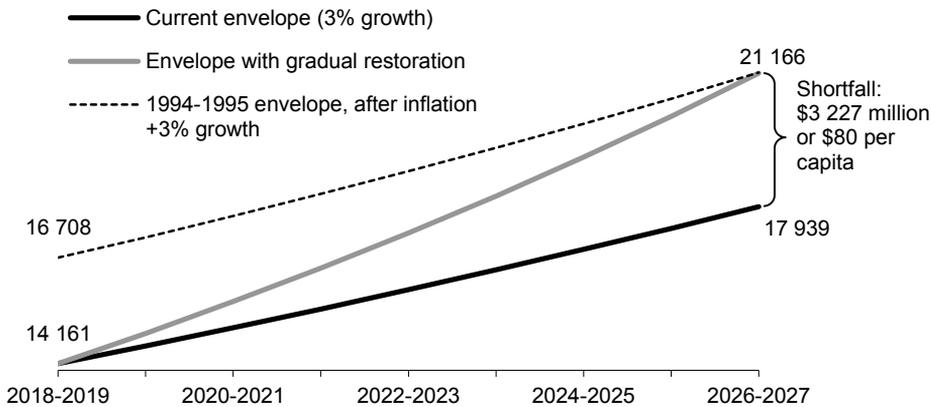
The CST, which increases by 3% per year, stands at \$14.2 billion for Canada as a whole in 2018-2019. After inflation, this is less than the level observed in 1994-1995, prior to the substantial reductions in federal funding in the mid-1990s.

Québec is asking the federal government for an increase in the CST envelope to the 1994-1995 level, after inflation. Québec is proposing that this gap be narrowed gradually between now and 2026-2027.

— This gradual narrowing of the gap would involve an additional increase of \$305 million in the CST envelope in 2019-2020 and would reach \$3.2 billion in 2026-2027.<sup>6</sup>

CHART H.6

### Gradual restoration of the Canada Social Transfer to its 1994-1995 level, after inflation, 2018-2019 to 2026-2027 (millions of dollars)



Sources: Department of Finance Canada and Ministère des Finances du Québec.

<sup>6</sup> Prorated on the basis of population, this increase would represent for Québec \$69 million (\$8 per capita) in 2019-2020. Thereafter, it would increase to \$706 million (\$80 per capita) in 2026-2027.

## The role of equalization

The provinces do not all have the same fiscal capacity, that is, they do not all have the same capacity to generate revenue.

The objective of equalization is to enable the provinces to “have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation.”<sup>1</sup>

This tax fairness is important. It means that Canadians have access to reasonably comparable levels of public services at reasonably comparable levels of taxation wherever they live.

For Québec, equalization must be based on principles. For example, the standard of comparison must correspond to the average of the ten provinces.

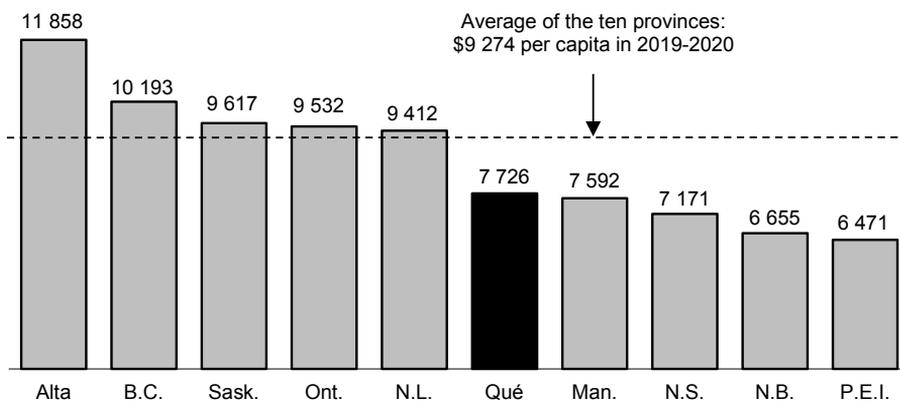
Provinces whose fiscal capacity, in dollars per capita, is below the average of the ten provinces receive equalization payments. They therefore have, after equalization, a fiscal capacity equivalent to the average of the ten provinces so that they can provide public services.<sup>2</sup>

In 2019-2020, Québec will have the highest per capita fiscal capacity of the provinces that receive equalization, that is, \$7 726. Therefore, on a per capita basis, Québec is the recipient province that receives the lowest equalization payments.

The equalization program is funded by the federal government from the revenues it collects from taxpayers in each province, including those of Québec. Non-recipient provinces do not pay anything to recipient provinces.

### Fiscal capacity of the provinces, 2019-2020

(dollars per capita)



Note: Equalization payments for 2019-2020 are based on data for the years 2015-2016 to 2017-2018. The data take into account 50% of revenues from natural resources.

Source: Department of Finance Canada.

1 *Constitution Act*, 1982, Subsection 36 (2).

2 The provinces' fiscal capacity is assessed using five tax bases (personal income tax, corporate income tax, consumption taxes, property taxes and natural resources).

## 4.2 Fair treatment of Hydro-Québec dividends

In November 2008, the federal government changed the equalization program by transferring dividends paid to the Ontario government by Hydro One, a corporation that transports and distributes electricity, from the natural resource base to the corporate income tax base.

However, this decision by the federal government was unfair because the dividends from activities in transporting and distributing electricity paid to the Québec government by Hydro-Québec (28.7% of the dividends in 2018) are still included in the natural resource base.

In 2018, the federal government renewed the equalization program until 2023-2024 without making the change requested by Québec. Québec estimates the annual shortfall at roughly \$200 million.

# APPENDIX 1: CONSOLIDATED EXPENDITURE BY DEPARTMENTAL PORTFOLIO

TABLE H.28

## Consolidated expenditure by portfolio, 2019-2020 (millions of dollars)

	Program spending <sup>(1)</sup>	Contingency Fund measures	Other spending <sup>(2)</sup>	Total	% change
Affaires municipales et Habitation	2 087	62	820	2 969	-4.0
Agriculture, Pêcheries et Alimentation	969	5	156	1 130	16.3
Assemblée nationale	137	—	—	137	-0.4
Conseil du trésor et Administration gouvernementale	1 536	-339	1 392	2 588	-5.8
Conseil exécutif	468	11	1	480	2.8
Culture et Communications	772	38	510	1 320	5.8
Économie et Innovation	1 093	105	1 482	2 680	5.0
Éducation et Enseignement supérieur	20 897	—	3 539	24 436	5.1
Énergie et Ressources naturelles	88	12	530	629	-1.1
Environnement et Lutte contre les changements climatiques	205	11	1 388	1 605	51.7
Famille	2 787	1	3 414	6 202	7.2
Finances	200	2	2 748	2 950	5.8
Forêts, Faune et Parcs	526	20	461	1 007	-1.8
Immigration, Diversité et Inclusion	482	—	3	485	168.0
Justice	1 043	10	184	1 237	4.5
Personnes désignées par l'Assemblée nationale	106	—	—	106	-43.4
Relations internationales et Francophonie	112	2	6	120	1.7
Santé et Services sociaux	40 824	—	4 609	45 433	5.4
Sécurité publique	1 629	29	484	2 142	-5.6
Tourisme	158	1	181	341	-7.8
Transports	763	—	4 187	4 950	-7.3
Travail, Emploi et Solidarité sociale	4 468	30	745	5 243	2.9
Inter-portfolio eliminations <sup>(3)</sup>	—	—	-4 152	-4 152	n/a
<b>Subtotal</b>	<b>81 351</b>	<b>—</b>	<b>22 687</b>	<b>104 038</b>	<b>5.0</b>
Debt service	6 589	—	2 407	8 996	1.1
<b>TOTAL</b>	<b>87 940</b>	<b>—</b>	<b>25 094</b>	<b>113 034</b>	<b>4.7</b>

Note: Totals may not add due to rounding.

(1) This spending corresponds to departmental expenditures and is funded mainly through income taxes and general taxes.

(2) This spending corresponds to entities' expenditures funded through their own revenue and to tax-funded expenditures

(3) Inter-portfolio eliminations result mainly from the elimination of reciprocal transactions between entities in different portfolios.

TABLE H.29

**Consolidated expenditure by portfolio, 2019-2020**  
(millions of dollars)

	Consolidated Revenue Fund			
	General Fund <sup>(1)</sup>	Special funds	Specified purpose accounts	Tax-funded expenditures
Affaires municipales et Habitation	2 149	124	121	1
Agriculture, Pêcheries et Alimentation	974	—	110	—
Assemblée nationale	137	—	—	—
Conseil du trésor et Administration gouvernementale	1 196	—	—	—
Conseil exécutif	480	—	—	—
Culture et Communications	810	28	9	390
Économie et Innovation	1 198	292	37	1 315
Éducation et Enseignement supérieur	20 897	109	45	148
Énergie et Ressources naturelles	99	159	1	95
Environnement et Lutte contre les changements climatiques	217	1 323	3	14
Famille	2 788	2 575	—	3 406
Finances	202	1 125	496	764
Forêts, Faune et Parcs	546	535	12	15
Immigration, Diversité et Inclusion	482	—	3	—
Justice	1 053	150	1	—
Personnes désignées par l'Assemblée nationale	106	—	—	—
Relations internationales et Francophonie	114	—	—	—
Santé et Services sociaux	40 824	290	142	870
Sécurité publique	1 658	706	101	—
Tourisme	160	208	—	—
Transports	763	3 914	—	4
Travail, Emploi et Solidarité sociale	4 498	1 420	6	487
Inter-portfolio eliminations <sup>(2)</sup>	—	—	—	—
<b>Subtotal</b>	<b>81 351</b>	<b>12 955</b>	<b>1 087</b>	<b>7 509</b>
Debt service	6 589	2 669	—	—
<b>TOTAL</b>	<b>87 940</b>	<b>15 624</b>	<b>1 087</b>	<b>7 509</b>

Note: Totals may not add due to rounding.

(1) The amounts include the Contingency Fund measures.

(2) Consolidation adjustments resulting mainly from the elimination of reciprocal transactions between entities in the same portfolio (intra-portfolio eliminations) or different portfolios (inter-portfolio eliminations).

Non-budget-funded bodies	Bodies in the health and social services and education networks	Intra-portfolio elimination <sup>(2)</sup>	Inter-portfolio eliminations <sup>(2)</sup>	TOTAL
1 328	—	-754	—	2 969
535	—	-488	—	1 130
—	—	—	—	137
1 428	—	-36	—	2 588
3	—	-2	—	480
532	—	-449	—	1 320
315	—	-477	—	2 680
42	18 271	-15 075	—	24 436
303	—	-27	—	629
53	—	-4	—	1 605
—	—	-2 567	—	6 202
1 860	—	-1 497	—	2 950
162	—	-262	—	1 007
—	—	—	—	485
229	—	-196	—	1 237
—	—	—	—	106
9	—	-3	—	120
17 824	28 363	-42 879	—	45 433
63	—	-387	—	2 142
141	—	-167	—	341
445	—	-175	—	4 950
28	—	-1 196	—	5 243
—	—	—	-4 152	-4 152
<b>25 298</b>	<b>46 634</b>	<b>-66 644</b>	<b>-4 152</b>	<b>104 038</b>
592	1 111	-9	-1 956	8 996
<b>25 890</b>	<b>47 745</b>	<b>-66 653</b>	<b>-6 108</b>	<b>113 034</b>



## APPENDIX 2: ADDITIONAL TABLES

Digital distribution of content is part of the department's broader objective of improving the messages addressed to Quebecers by fostering the use of documents in electronic format that can be consulted with a smartphone, a tablet or a computer.

The Ministère des Finances is thus embarking on the shift to digital documents by distributing certain additional budgetary information exclusively on the budget website.

This information includes, in particular, the following details on Québec's financial situation:

- *Québec's Budgetary Statistics*, which present, in particular, the government's revenue and expenditure on a historical basis;
- *Québec by the Numbers*, which presents budgetary information in the form of interactive tables and charts;
- various financial data according to the government's financial organization, such as the General Fund, special funds, non-budget-funded bodies and bodies in the health and social services and education networks;
- allocations of revenue from consumption taxes;
- entities included in the government reporting entity, classified by portfolio;
- the government's net financial surpluses or requirements.

The additional tables are now available on the website of the Ministère des Finances. To consult them, visit the Budget 2019-2020 documents page at:

[www.budget.finances.gouv.qc.ca/budget/2019-2020/en/index.asp](http://www.budget.finances.gouv.qc.ca/budget/2019-2020/en/index.asp)



# Section I

## THE QUÉBEC GOVERNMENT'S DEBT

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## SUMMARY

Even though Québec's gross debt burden is high compared to other provinces, standing at 46.1% of GDP as at March 31, 2019, it is at its lowest in over 20 years.

The *Act to reduce the debt and establish the Generations Fund* stipulates that for fiscal 2025-2026, the gross debt must not exceed 45% of GDP, while the debt representing accumulated deficits must not exceed 17% of GDP.

This budget confirms that these objectives are being maintained.

The objective of reducing the gross debt will be achieved in 2020-2021, or five years earlier than forecast, while that of reducing the debt representing accumulated deficits will be achieved in 2025-2026, as stipulated in the Act.

Reduction of the debt burden will enable Québec to:

- ensure stable funding for the government's chief missions;
- cope with the costs associated with population aging;
- fund investment in public infrastructure;
- counter an eventual economic slowdown;
- ease the tax burden on taxpayers;
- increase Québec's financial autonomy within the federation.

In the fall 2018 update, the government announced an acceleration in repayment of the debt, as it had promised.

- By spring 2019, \$10 billion from the Generations Fund will have been used to reduce Québec's debt on financial markets.
- This debt repayment will lower the government's interest charges by \$1.6 billion over the next five years.



# 1. QUÉBEC'S DEBT

## 1.1 Different concepts of debt

A number of different concepts of debt are used to measure a government's indebtedness.

- **Gross debt** corresponds to the debt on financial markets, plus the commitments made with regard to the retirement plans of government employees. The balance of the Generations Fund is subtracted from the gross debt.
- **Net debt** corresponds to the government's liabilities as a whole, less its financial assets.
- **Debt representing accumulated deficits** corresponds to the difference between the government's assets and liabilities. It is the debt that does not correspond to any assets.
  - Pursuant to the *Act to reduce the debt and establish the Generations Fund*, the balance of the stabilization reserve, that is, the sum of the budgetary surpluses achieved since 2015-2016, is added to this debt.

The following table presents data on Québec's debt according to these concepts.

TABLEAU I.1

### Debt of the Québec government as at March 31 according to various concepts (millions of dollars)

	2018	2019	2020
<b>GROSS DEBT<sup>(1)</sup></b>	<b>201 071</b>	<b>200 756</b>	<b>204 169</b>
% of GDP	48.2	46.1	45.3
Less: Financial assets, net of other liabilities <sup>(2)</sup>	-24 528	-26 661	-29 470
<b>NET DEBT</b>	<b>176 543</b>	<b>174 095</b>	<b>174 699</b>
% of GDP	42.3	40.0	38.8
Less: Non-financial assets	-69 073	-72 231	-75 339
<b>DEBT REPRESENTING ACCUMULATED DEFICITS WITHIN THE MEANING OF THE PUBLIC ACCOUNTS</b>	<b>107 470</b>	<b>101 864</b>	<b>99 360</b>
% of GDP	25.8	23.4	22.1
Plus: Stabilization reserve	7 174	9 674	9 674
<b>DEBT REPRESENTING ACCUMULATED DEFICITS WITHIN THE MEANING OF THE ACT TO REDUCE THE DEBT AND ESTABLISH THE GENERATIONS FUND</b>	<b>114 644</b>	<b>111 538</b>	<b>109 034</b>
% of GDP	27.5	25.6	24.2

(1) The gross debt excludes pre-financing and takes into account the sums accumulated in the Generations Fund.

(2) Financial assets include, in particular, participations in government enterprises (for example, Hydro-Québec) and accounts receivable, minus other liabilities (for example, accounts payable).

### **The debt representing accumulated deficits is increased by the stabilization reserve**

According to the *Act to reduce the debt and establish the Generations Fund*, the debt representing accumulated deficits consists of the accumulated deficits figuring in the government's financial statements plus the balance of the stabilization reserve. This debt would be lower if the stabilization reserve were not added to it.

– For example, as at March 31, 2019, the debt representing accumulated deficits without the stabilization reserve, that is, **within the meaning of the Public Accounts**, will be \$101.9 billion, or \$9.7 billion less than the debt representing accumulated deficits within the meaning of the *Act to reduce the debt and establish the Generations Fund*.

This is explained by the fact that budgetary surpluses achieved since 2015-2016 have been allocated to the stabilization reserve instead of being deducted from the debt representing accumulated deficits.

To compare Québec's debt representing accumulated deficits with that of other governments in Canada, **it is necessary to use the debt representing accumulated deficits without the addition of the stabilization reserve.**

Contrary to the debt representing accumulated deficits, the gross debt and the net debt are not increased by the stabilization reserve.

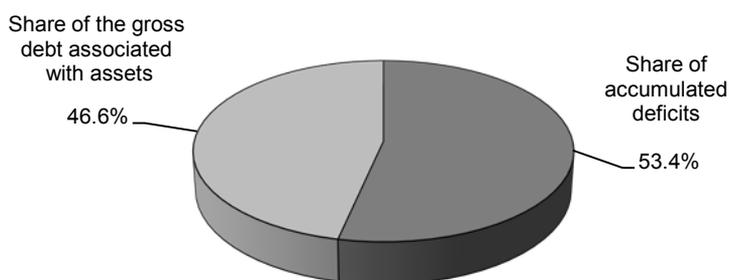
## ❑ Accumulated deficits account for more than half of the gross debt

As at March 31, 2018, accumulated deficits accounted for more than half of the gross debt. This share will decrease in the coming years because of ongoing fiscal balance, deposits in the Generations Fund and capital investments by the government. The gross debt will thus be increasingly associated with assets, that is, public infrastructure and investments in government enterprises.

CHART I.1

### Share of accumulated deficits in the gross debt as at March 31, 2018 (per cent)

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## 1.2 Interprovincial comparison

Since 2015-2016, Québec has not incurred debt because of budgetary deficits. Instead, it has posted budgetary surpluses that have helped to reduce its debt, notably in 2018-2019. Nevertheless, Québec's debt is still fairly high.

— Regardless of the debt concept used, Québec is the second most indebted province after Newfoundland and Labrador.

The interest that Québec has to pay on this debt represents a large proportion of the government's revenue.

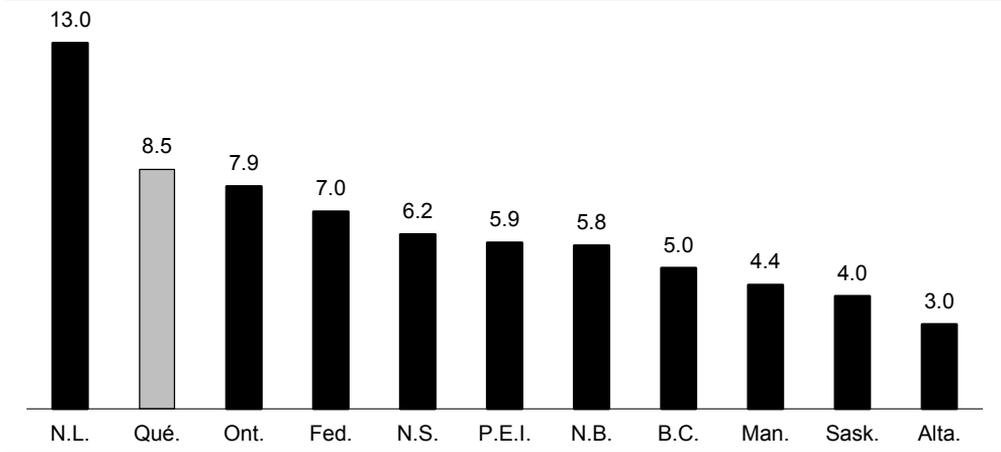
In 2017-2018, \$9.2 billion was paid in interest on the debt, which amounts to 8.5% of consolidated revenue, or \$1 114 per capita.

— After Newfoundland and Labrador, Québec is the province with the highest ratio.

Every dollar paid in interest is one dollar less for funding public services.

CHART I.2

### Debt service of governments in Canada in 2017-2018 (percentage of revenue)



Sources: Governments' public accounts.

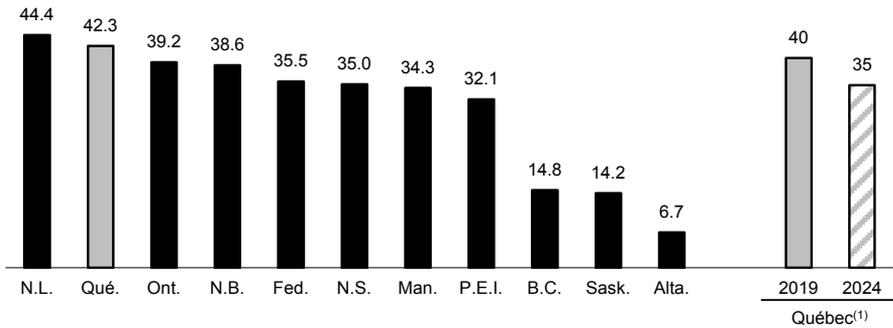
## Comparison of the net debt of governments in Canada

In percentage of GDP, Québec is the second most indebted province after Newfoundland and Labrador.

As at March 31, 2018, Québec's net debt burden was 42.3% of GDP, compared with the provincial average of 30.4%.<sup>1</sup>

Québec's net debt burden will decrease to 40% of GDP as at March 31, 2019 and to 35% as at March 31, 2024.

### Net debt of governments in Canada as at March 31, 2018 (percentage of GDP)



Sources: Governments' public accounts and Ministère des Finances du Québec.  
(1) Forecasts

<sup>1</sup> Weighted average.

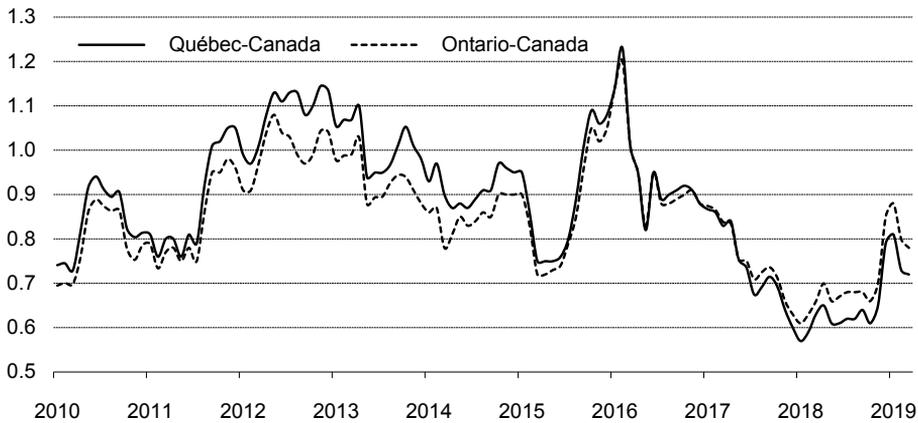
### 1.3 The benefits of debt reduction

In terms of benefits, reduction of the debt burden contributes to economic growth by creating a climate of confidence conducive to private investment and higher productivity.

Due to the decrease in the debt burden, Québec benefits from advantageous borrowing costs. Québec currently borrows at lower costs than Ontario.

CHART I.3

#### Yield spread on long-term (10-year) securities (percentage points)



Source: PC-Bond.

Reduction of the debt burden will also enable Québec to:

- ensure stable funding for the government's chief missions;
- cope with the costs associated with population aging;
- fund investment in public infrastructure;
- counter an eventual economic slowdown;
- ease the tax burden on taxpayers;
- increase Québec's financial autonomy within the federation.

For all of these reasons, the government intends to continue reducing the debt burden.

## 1.4 Gross debt

The gross debt corresponds to the amount of debt issued on financial markets (consolidated direct debt) plus the net liability for the retirement plans and other future benefits of public and parapublic sector employees, minus the balance of the Generations Fund.

As at March 31, 2019, the gross debt will stand at \$200.8 billion, or 46.1% of GDP. The gross debt will increase in absolute terms over the coming years, mainly because of the government's capital investments.

However, the debt burden is expected to decrease because of economic growth, which will be greater than the anticipated increase in the gross debt. The ratio of gross debt to GDP will be 42.3% as at March 31, 2024.

TABLE I.2

### Gross debt as at March 31

(millions of dollars)

	2018	2019	2020	2021	2022	2023	2024
Consolidated direct debt	191 984	190 270	196 517	204 924	214 920	224 075	232 856
Plus: Retirement plans and other employee future benefits <sup>(1)</sup>	21 903	18 408	16 078	13 504	10 494	7 337	3 537
Less: Generations Fund	-12 816	-7 922	-8 426	-11 110	-14 057	-17 317	-20 899
<b>GROSS DEBT</b>	<b>201 071</b>	<b>200 756</b>	<b>204 169</b>	<b>207 318</b>	<b>211 357</b>	<b>214 095</b>	<b>215 494</b>
<b>% of GDP</b>	<b>48.2</b>	<b>46.1</b>	<b>45.3</b>	<b>44.6</b>	<b>44.1</b>	<b>43.4</b>	<b>42.3</b>

(1) Net liability.

### 1.4.1 The gross debt burden is at its lowest in over 20 years

Even though Québec's gross debt burden is relatively high, standing at 46.1% of GDP as at March 31, 2019, it is at its lowest in over 20 years.

CHART I.4

#### Change in the gross debt as at March 31 (percentage of GDP)

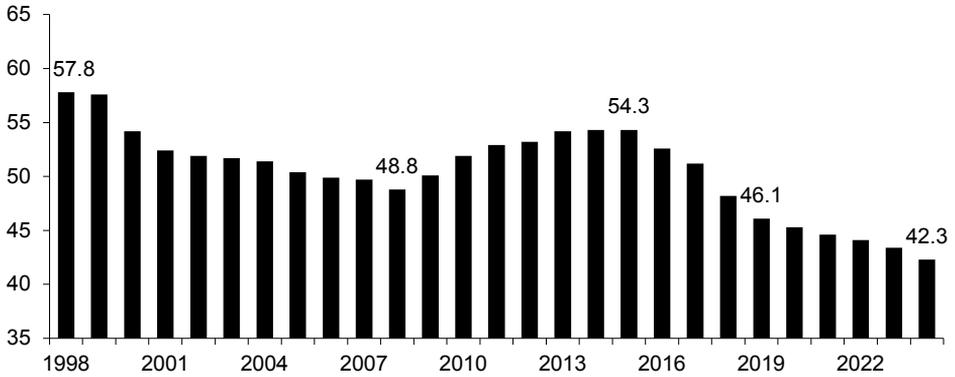


TABLE I.3

**Factors responsible for the change in the Québec government's gross debt**  
(millions of dollars)

	Debt, beginning of year	Budgetary deficit (surplus)	Investments, loans and advances	Net capital investments <sup>(1)</sup>	Other factors <sup>(2)</sup>	Deposits in the Generations Fund	Total change	Debt, end of year	% of GDP
2009-2010	157 630	3 174 <sup>(3)</sup>	1 746	4 226	-2 733	-725	5 688	163 318	51.9
2010-2011	163 318	3 150	2 507	4 923	298	-760	10 118	173 436	52.9
2011-2012	173 436	2 628	1 861	5 071	1 228	-840	9 948	183 384	53.2
2012-2013	183 384	3 476 <sup>(4)</sup>	659	4 863	445	-961	8 482	191 866	54.2
2013-2014	191 866	2 824	1 349	3 977	-788	-1 421	5 941	197 807	54.3
2014-2015	197 807	1 143 <sup>(5)</sup>	2 146	2 980	1 160	-1 279	6 150	203 957	54.3
2015-2016	203 957	-2 191	808	2 695	-338	-1 584	-610	203 347	52.6
2016-2017	203 347	-2 361	2 527	1 784	194	-2 001	143	203 490	51.2
2017-2018	203 490	-2 622	1 859	2 173	-1 536	-2 293	-2 419	201 071	48.2
2018-2019	201 071	-2 500	2 538	3 158	-405	-3 106	-315	200 756	46.1
2019-2020	200 756	—	3 212	3 108	-403	-2 504	3 413	204 169	45.3
2020-2021	204 169	—	2 368	3 261	204	-2 684	3 149	207 318	44.6
2021-2022	207 318	—	2 871	4 169	-54	-2 947	4 039	211 357	44.1
2022-2023	211 357	-100	2 476	4 290	-668	-3 260	2 738	214 095	43.4
2023-2024	214 095	-450	1 882	3 459	90	-3 582	1 399	215 494	42.3

(1) Investments made under public-private partnership agreements are included in net capital investments.

(2) Other factors include, in particular, the change in other accounts, such as accounts receivable and accounts payable.

(3) The budgetary balance presented is the budgetary balance after use of the stabilization reserve.

(4) This amount includes the loss of \$1 876 million stemming from activities abandoned following the closure of Hydro-Québec's Gentilly-2 nuclear power plant.

(5) The budgetary balance presented excludes the impact of accounting adjustments. The budgetary balance including accounting adjustments of \$418 million is a deficit of \$725 million.

## Net capital investments

Net capital investments consist of the government's gross investments minus depreciation expenses.

- The Québec government's contribution to the projects of partners (e.g. municipalities) is not included in these investments, whereas it is included in the annual investments of the Québec Infrastructure Plan.

Even though gross investments have an impact on the gross debt, net capital investments are presented in the factors responsible for the change in the gross debt due to the fact that depreciation expenses are included in the budgetary balance.

From 2019-2020 to 2023-2024, net capital investments will increase gross debt by \$3.7 billion per year on average.

### Net capital investments

(millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024
Gross investments <sup>(1)</sup>	7 295	7 411	7 691	8 814	9 218	8 945
Less: Depreciation	-4 137	-4 303	-4 430	-4 645	-4 928	-5 486
<b>Net capital investments</b>	<b>3 158</b>	<b>3 108</b>	<b>3 261</b>	<b>4 169</b>	<b>4 290</b>	<b>3 459</b>

(1) Gross investments include those made under public-private partnership agreements and are presented net of the value of disposals.

## Net liability for the retirement plans and other employee future benefits

The net liability for the retirement plans and other employee future benefits corresponds to the government's net commitments toward its public and parapublic sector employees.

The net liability for the retirement plans and other employee future benefits, which is included in the gross debt, is calculated by subtracting from the liability the balance of the sums accumulated to pay for these benefits. The balances concerned are those of the Retirement Plans Sinking Fund (RPSF), the Accumulated Sick Leave Fund and the Survivor's Pension Plan Fund.

As at March 31, 2018, the net liability for the retirement plans and other employee future benefits stood at \$21.9 billion.

### Net liability for the retirement plans and other employee future benefits as at March 31, 2018

(millions of dollars)

#### Retirement plans

Liability for the Government and Public Employees Retirement Plan (RREGOP)	60 384
Liability for the Pension Plan of Management Personnel (PPMP) and the Retirement Plan for Senior Officials (RPSO)	19 360
Liability for the other plans <sup>(1)</sup>	17 694
<b>Retirement plans liability</b>	<b>97 438</b>

Less: Retirement Plans Sinking Fund (RPSF)	-75 417
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<b>Net retirement plans liability</b>	<b>22 021</b>
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#### Other employee future benefits

Other employee future benefits liability	1 480
Less: Funds dedicated to other employee future benefits	-1 598
<b>Net other employee future benefits liability</b>	<b>-118</b>

<b>NET LIABILITY FOR THE RETIREMENT PLANS AND OTHER EMPLOYEE FUTURE BENEFITS</b>	<b>21 903</b>
--	---------------

(1) The liability for the other plans takes into account the assets of the other plans, including those of the Pension Plan of the Université du Québec.

## 1.5 Net debt

The net debt corresponds to the government's liabilities less its financial assets.

As a proportion of GDP, the net debt will decrease in the coming years, reaching 34.8% as at March 31, 2024.

TABLE I.4

### Factors responsible for the change in the net debt (millions of dollars)

	Debt, beginning of year	Budgetary deficit (surplus)	Net capital investments	Other	Deposits in the Generations Fund	Total change	Debt, end of year	% of GDP
2017-2018	181 755	-2 622	2 173	-2 470 <sup>(1)</sup>	-2 293	-5 212	176 543	42.3
2018-2019	176 543	-2 500	3 158	—	-3 106	-2 448	174 095	40.0
2019-2020	174 095	—	3 108	—	-2 504	604	174 699	38.8
2020-2021	174 699	—	3 261	—	-2 684	577	175 276	37.7
2021-2022	175 276	—	4 169	—	-2 947	1 222	176 498	36.8
2022-2023	176 498	-100	4 290	—	-3 260	930	177 428	35.9
2023-2024	177 428	-450	3 459	—	-3 582	-573	176 855	34.8

(1) This decrease in the net debt is due, in particular, to the transfer on June 1, 2017 of the capital investments of the Agence métropolitaine de transport (AMT) to the Autorité régionale de transport métropolitain (ARTM) and to the Réseau de transport métropolitain (RTM), which are two entities excluded from the government reporting entity.

## 1.6 Debt representing accumulated deficits

According to the *Act to reduce the debt and establish the Generations Fund*, the debt representing accumulated deficits consists of the accumulated deficits figuring in the government's financial statements plus the balance of the stabilization reserve.

As a proportion of GDP, the debt representing accumulated deficits will decrease in the coming years, reaching 19.0% as at March 31, 2024.

TABLE I.5

### Factors responsible for the change in the debt representing accumulated deficits

(millions of dollars)

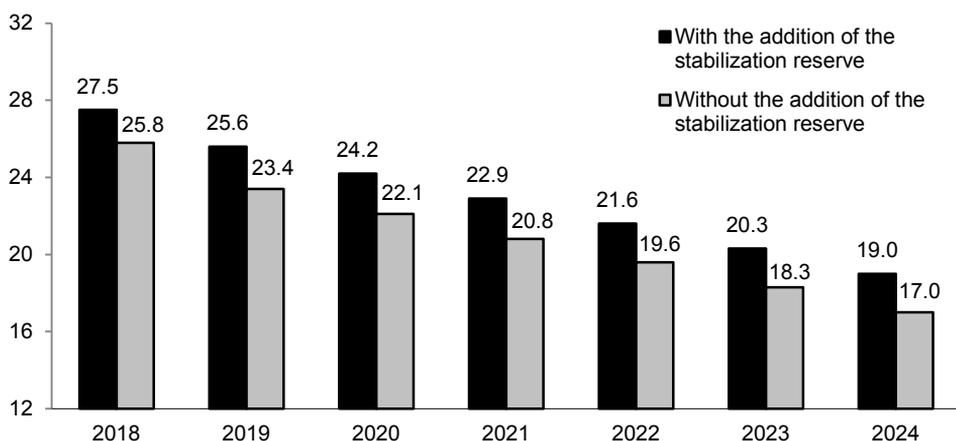
	Debt, beginning of year	Budgetary deficit (surplus)	Allocation to the stabilization reserve	Accounting adjustments	Deposits in the Generations Fund	Total change	Debt, end of year	% of GDP
2017-2018	117 401	-2 622	2 622	-464	-2 293	-2 757	114 644	27.5
2018-2019	114 644	-2 500	2 500	—	-3 106	-3 106	111 538	25.6
2019-2020	111 538	—	—	—	-2 504	-2 504	109 034	24.2
2020-2021	109 034	—	—	—	-2 684	-2 684	106 350	22.9
2021-2022	106 350	—	—	—	-2 947	-2 947	103 403	21.6
2022-2023	103 403	-100	100	—	-3 260	-3 260	100 143	20.3
2023-2024	100 143	-450	450	—	-3 582	-3 582	96 561	19.0

Without the addition of the stabilization reserve, the debt representing accumulated deficits is expected to amount to 17.0% of GDP as at March 31, 2024.

CHART I.5

### Debt representing accumulated deficits as at March 31 with and without the stabilization reserve

(percentage of GDP)



Note: The debt representing accumulated deficits within the meaning of the Public Accounts does not take into account the stabilization reserve.

## 1.7 Maintenance of debt reduction objectives

The *Act to reduce the debt and establish the Generations Fund* stipulates that for fiscal 2025-2026, the gross debt must not exceed 45% of GDP, while the debt representing accumulated deficits must not exceed 17% of GDP.

This budget confirms that these objectives are being maintained.

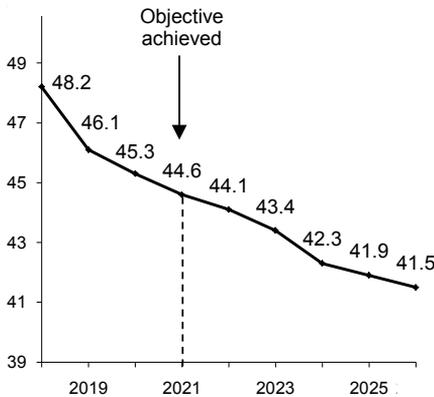
Due to continued fiscal balance, deposits in the Generations Fund, and the economic growth that is contributing to reducing the debt burden, the government forecasts that:

- the objective of reducing the gross debt to 45% of GDP will be achieved in 2020-2021, or five years earlier than forecast;
- the objective of reducing the debt representing accumulated deficits to 17% of GDP will be achieved in 2025-2026, as provided for in the Act.
  - Without the addition of the stabilization reserve, the objective of reducing the debt representing accumulated deficits to 17% of GDP would be achieved in 2023-2024.

CHART I.6

### Gross debt as at March 31

(percentage of GDP)

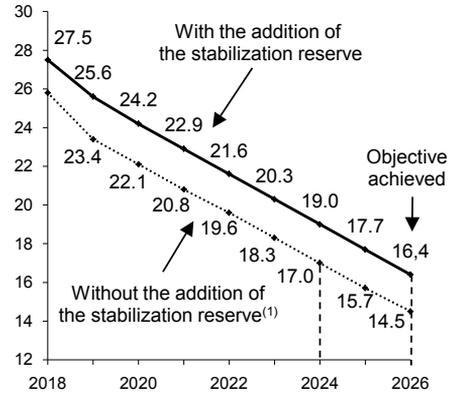


Note: These are projections as of 2025.

CHART I.7

### Debt representing accumulated deficits as at March 31

(percentage of GDP)



Note: These are projections as of 2025.

(1) Debt representing accumulated deficits within the meaning of the Public Accounts, that is, without the addition of the stabilization reserve.

## 1.8 Accelerated repayment of the debt

On December 3, 2018, in the *Update on Québec's Economic and Financial Situation*, the government announced an acceleration in the repayment of the debt, as it had promised.

By spring 2019, \$10 billion from the Generations Fund will have been used to reduce Québec's debt on financial markets and lower the government's interest charges.

TABLE I.6

### Use of the Generations Fund for debt repayment

(millions of dollars)

	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
<b>Book value, beginning of year</b>	<b>12 816</b>	<b>7 922</b>	<b>8 426</b>	<b>11 110</b>	<b>14 057</b>	<b>17 317</b>	
Revenues dedicated to the Generations Fund	3 106	2 504	2 684	2 947	3 260	3 582	
Use of the Generations Fund to repay borrowings	-8 000	-2 000	—	—	—	—	-10 000
<b>BOOK VALUE, END OF YEAR</b>	<b>7 922</b>	<b>8 426</b>	<b>11 110</b>	<b>14 057</b>	<b>17 317</b>	<b>20 899</b>	

### 1.8.1 Savings of \$1.6 billion in interest over five years

The \$10-billion repayment of the debt from the Generations Fund will generate interest savings of \$318 million per year as of 2019-2020, or \$1.6 billion over the next five years.

— These sums can be used to fund public services rather than for paying interest.

TABLE I.7

### Interest savings resulting from the \$10-billion repayment of the debt

(millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total over 5 years
Interest savings on the debt	318	318	318	318	318	1 590

Note: Savings presented in the December 2018 update. These savings total \$98 million in 2018-2019.

### 1.8.2 A decrease in the proportion of revenue devoted to debt service

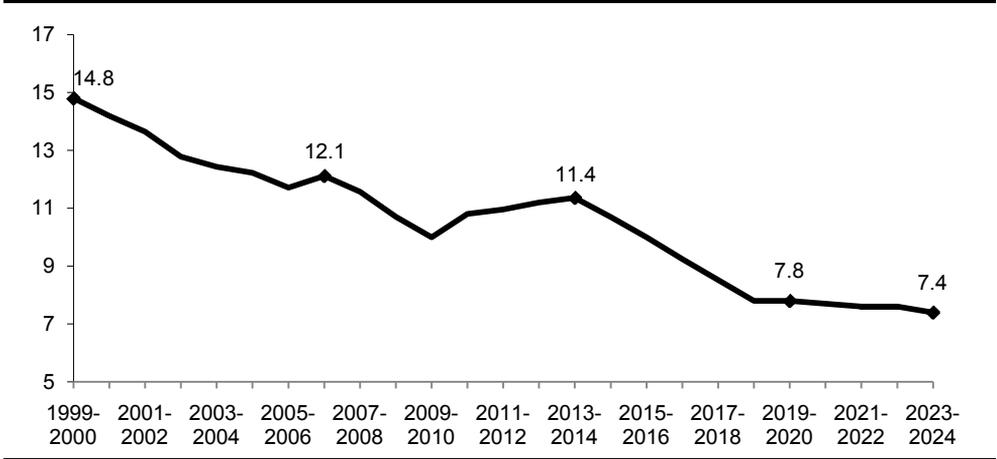
A large proportion of the government's revenue is devoted to paying interest on the debt, but this proportion is declining.

The proportion of revenue devoted to debt service will stand at 7.8% in 2019-2020 due to, among other things, accelerated repayment of the debt from the Generations Fund.

**CHART I.8**

#### **Debt service**

(percentage of consolidated revenue)



## 1.9 Generations Fund

In 2019-2020, deposits of dedicated revenues in the Generations Fund will amount to \$2.5 billion. These sums come mainly from:

- water-power royalties paid by Hydro-Québec and private producers of hydro-electricity;
- revenue stemming from the indexation of the price of heritage electricity;
- mining revenues;
- an amount from the specific tax on alcoholic beverages;
- investment income.

The Generations Fund should stand at \$20.9 billion as at March 31, 2024.

TABLE I.8

### Generations Fund (millions of dollars)

	2018- 2019 <sup>(1)</sup>	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024
<b>Book value, beginning of year</b>	<b>12 816</b>	<b>7 922</b>	<b>8 426</b>	<b>11 110</b>	<b>14 057</b>	<b>17 317</b>
<b>Dedicated revenues</b>						
Water-power royalties						
Hydro-Québec	699	706	736	751	786	809
Private producers	103	102	104	106	108	110
<b>Subtotal</b>	<b>802</b>	<b>808</b>	<b>840</b>	<b>857</b>	<b>894</b>	<b>919</b>
Indexation of the price of heritage electricity	258	305	385	475	575	680
Additional contribution from Hydro-Québec	215	215	215	215	215	215
Mining revenues	231	245	292	319	352	387
Specific tax on alcoholic beverages	500	500	500	500	500	500
Unclaimed property	15	15	15	15	15	15
Investment income <sup>(2)</sup>	1 085	416	437	566	709	866
<b>Total dedicated revenues</b>	<b>3 106</b>	<b>2 504</b>	<b>2 684</b>	<b>2 947</b>	<b>3 260</b>	<b>3 582</b>
Use of the Generations Fund to repay borrowings	-8 000	-2 000	—	—	—	—
<b>BOOK VALUE, END OF YEAR</b>	<b>7 922</b>	<b>8 426</b>	<b>11 110</b>	<b>14 057</b>	<b>17 317</b>	<b>20 899</b>

(1) For information purposes, the market value of the Generations Fund as at December 31, 2018, was \$11.3 billion, or \$1.1 billion higher than its book value at that date.

(2) The investment income of the Generations Fund corresponds to realized investment income (interest income, dividends, gains on the disposal of assets, etc.). The forecast may thus be adjusted upward or downward according to the timing of realized gains or losses. The substantial investment income in 2018-2019 is explained by the materialization of a portion of the investment gains resulting from the use of the Generations Fund to repay the debt. In addition to the realized gains from withdrawals from the Generations Fund, an annual return of 4.8% is expected, a rate based on the actual results of the past five years.

## ❑ The importance of the Generations Fund

The Generations Fund is a tool that contributes directly to reducing the debt burden.

Without the deposits made in the Generations Fund, the ratio of gross debt to GDP would be much higher. As at March 31, 2024, the gross debt burden will stand at 42.3% of GDP. Without the Generations Fund, the forecast would be 48.6% of GDP, or 6.3 percentage points higher.

This difference means that in the absence of the Generations Fund, the anticipated gross debt as at March 31, 2024 would be \$31.9 billion higher.<sup>1</sup>

CHART I.9

**Gross debt as at March 31**  
(percentage of GDP)

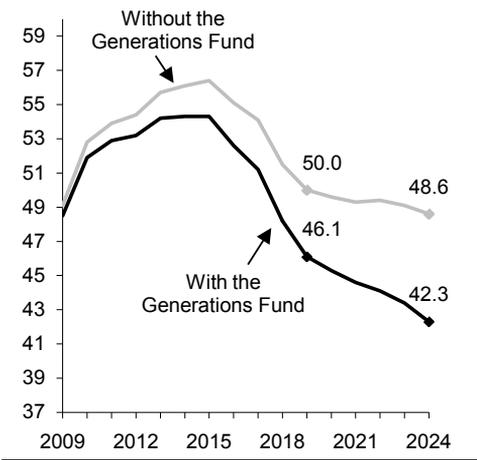
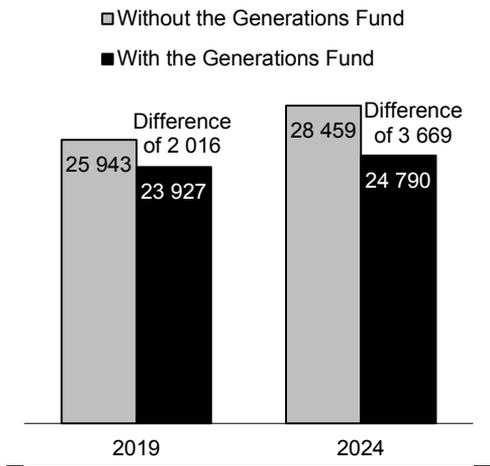


CHART I.10

**Gross debt as at March 31**  
(dollars per capita)



<sup>1</sup> The \$31.9 billion difference is \$11 billion higher than the balance of the Generations Fund as at March 31, 2024 (\$20.9 billion) owing to the use of \$11 billion from the Generations Fund to repay borrowings (\$1 billion in 2013-2014, \$8 billion in 2018-2019 and \$2 billion in 2019-2020).

## Returns of the Generations Fund

Since the first deposit was made in the Generations Fund in January 2007, the return has been higher than the cost of new borrowings by the government 11 years out of 12.

- From 2007 to 2018, the average return was 5.5%, compared with an average cost of 3.4% for new borrowings, which represents a difference of 2.1 percentage points.

The accelerated debt repayment announced in the fall 2018 update has also meant faster crystallization of investment gains, as well as reduced exposure of the amounts making up the Generations Fund to market risk.

### Comparison of the Generations Fund's annual return and the Québec government's borrowing costs

(per cent, on a calendar year basis)

	Return of the Generations Fund	Cost of new borrowings <sup>(1)</sup>	Difference (percentage points)
2007	5.6	4.7	0.9
2008	-22.4	4.5	-26.9
2009	11.3	4.4	6.9
2010	12.3	4.1	8.2
2011	4.0	3.7	0.3
2012	8.4	3.0	5.4
2013	12.0	3.3	8.7
2014	11.7	3.2	8.5
2015	8.1	2.4	5.7
2016	7.3	2.2	5.1
2017	8.5	2.5	6.0
2018	4.4	2.9	1.5

(1) The government's borrowing costs correspond to the yield on 10-year maturity Québec bonds.

Source: PC-Bond for the yield on 10-year maturity Québec bonds.



## 2. FINANCING

### 2.1 Financing program

The financing program corresponds to long-term borrowings made, in particular, to repay maturing borrowings and to fund the government's capital investments.

For fiscal 2018-2019, it amounts to \$15.6 billion, which is \$2.2 billion more than forecast in the March 2018 budget.

This upward revision is attributable mainly to pre-financing for the following year.

TABLE I.9

#### The government's financing program in 2018-2019 (millions of dollars)

	March 2018	Revisions	March 2019
<b>GENERAL FUND</b>			
Net financial requirements	5 012	-3 758	1 254
Repayments of borrowings	8 252	3 042	11 294
Use of the Generations Fund to repay borrowings	-2 000	-6 000	-8 000
Change in cash position	-9 342	-405	-9 747
Deposits in the Retirement Plans Sinking Fund (RPSF) <sup>(1)</sup> and other funds related to retirement plans	—	1 205	1 205
Contributions to the Sinking Fund for borrowings	—	1 500	1 500
Transactions under the credit policy <sup>(2)</sup>	—	827	827
Pre-financing	—	4 167	4 167
<b>GENERAL FUND</b>	<b>1 922</b>	<b>578</b>	<b>2 500</b>
<b>FINANCING FUND</b>	<b>10 100</b>	<b>1 800</b>	<b>11 900</b>
<b>FINANCEMENT-QUÉBEC</b>	<b>1 400</b>	<b>-200</b>	<b>1 200</b>
<b>TOTAL</b>	<b>13 422</b>	<b>2 178</b>	<b>15 600<sup>(3)</sup></b>
Including: repayments of borrowings	16 559	3 042	19 601

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

(1) Deposits in the RPSF are optional. They are recorded in the financing program only once they are made.

(2) Under the credit policy, which is designed to limit financial risk with respect to counterparties, the government disburses or receives amounts following, in particular, movements in exchange rates. These amounts have no effect on the debt.

(3) This data is based on borrowings contracted as at March 6, 2019.

## Borrowings carried out in 2018-2019

The government aims to borrow at the lowest possible cost. To that end, it applies a strategy for diversifying sources of funding by market, financial instrument and maturity.

In 2018-2019, the government carried out 17.0% of its borrowings on foreign markets, a level similar to the average for the past 10 years (19.2%). Nonetheless, the government keeps no exposure of its debt to those foreign currencies so as to neutralize the impact of variations in foreign exchange rates on debt service.

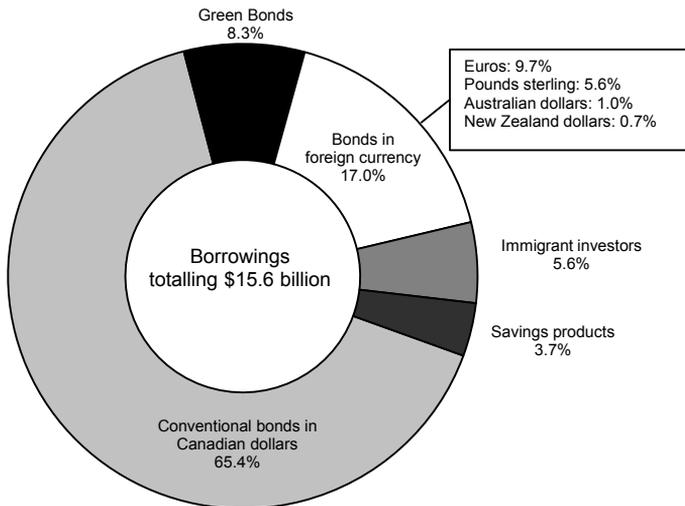
In 2018-2019, conventional bonds in Canadian dollars were the main debt instrument used. The government also made two other green bond issues, for \$500 million in June 2018 and \$800 million in February 2019.

Over 76% of the borrowings carried out in 2018-2019 had a maturity of 10 years or more.

As at March 31, 2019, the average maturity of the debt should be 11 years.

### Long-term borrowings contracted in 2018-2019

(per cent)



Note: The data are based on borrowings contracted as at March 6, 2019.

The financing program will amount to \$11.8 billion in 2019-2020.

For the four subsequent years, that is, from 2020-2021 to 2023-2024, it will average \$21.6 billion per year.

As of 2020-2021, the financing program does not include any new withdrawals from the Generations Fund.

TABLE I.10

**The government's financing program, 2019-2020 to 2023-2024**  
(millions of dollars)

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
<b>GENERAL FUND</b>					
Net financial requirements	1 826	2 750	3 087	3 325	3 369
Repayments of borrowings	4 823	3 848	9 293	8 326	5 928
Use of the Generations Fund to repay borrowings	-2 000	—	—	—	—
Change in cash position	-4 167	—	—	—	—
<b>GENERAL FUND</b>	<b>482</b>	<b>6 598</b>	<b>12 380</b>	<b>11 651</b>	<b>9 297</b>
<b>FINANCING FUND</b>	<b>9 400</b>	<b>9 000</b>	<b>9 000</b>	<b>9 300</b>	<b>11 000</b>
<b>FINANCEMENT-QUÉBEC</b>	<b>1 900</b>	<b>1 800</b>	<b>2 700</b>	<b>2 000</b>	<b>1 700</b>
<b>TOTAL</b>	<b>11 782</b>	<b>17 398</b>	<b>24 080</b>	<b>22 951</b>	<b>21 997</b>
Including: repayments of borrowings	11 066	11 528	14 231	13 277	12 820

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

### Green Bond program

In 2017, the government introduced a Green Bond program that funds projects providing tangible benefits with regard to protecting the environment, reducing greenhouse gas (GHG) emissions or adapting to climate change. Through this program, the government is contributing to, among other things, the development of a socially responsible investment market.

Four issues totalling \$2.3 billion have been made since the program was launched. Given the demand for Québec's Green Bonds and the government's commitment to the environment, Québec will be a regular issuer of Green Bonds.

For further details, please visit  
[www.finances.gouv.qc.ca/en/RI\\_GB\\_Green\\_Bonds.asp](http://www.finances.gouv.qc.ca/en/RI_GB_Green_Bonds.asp).

## 2.2 Debt management strategy

The government's debt management strategy aims to minimize the cost of debt while limiting the risks related to fluctuations in foreign exchange and interest rates.

The government uses a range of financial instruments, particularly interest rate and currency swap agreements (swaps), to achieve desired debt proportions by currency and interest rate.

### □ Structure of the gross debt by currency

As at March 31, 2019, before taking swaps into account, 81.8% of the gross debt is expected to be in Canadian dollars, 9.4% in U.S. dollars, 6.4% in euros, 0.8% in Australian dollars, 0.7% in pounds sterling, 0.7% in Swiss francs and 0.2% in other foreign currencies (in yen, New Zealand dollars, and Hong Kong dollars).

However, after taking swaps into account, the gross debt in its entirety will be denominated in Canadian dollars.

Indeed, since 2012-2013, the government has maintained no exposure of its debt to foreign currencies.

Swaps allow to neutralize the impact of variations in foreign exchange rates on debt service.

TABLE I.11

### Structure of the gross debt by currency as at March 31, 2019 (per cent)

	Before swaps	After swaps
Canadian dollar	81.8	100.0
U.S. dollar	9.4	0.0
Euro	6.4	0.0
Australian dollar	0.8	0.0
Pound sterling	0.7	0.0
Swiss franc	0.7	0.0
Other (yen, New Zealand dollar and Hong Kong dollar)	0.2	0.0
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

Note: Gross debt including pre-financing.

## ❑ Structure of the gross debt by interest rate

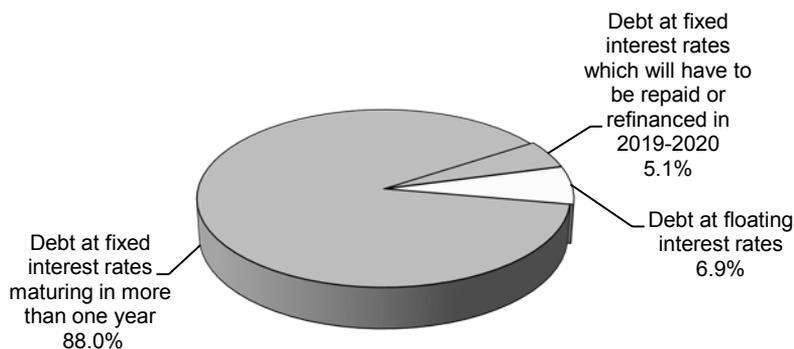
The government keeps part of its debt at fixed interest rates and part at floating interest rates.

As at March 31, 2019, after taking swaps into account, the proportion of the gross debt at fixed interest rates is expected to be 93.1%,<sup>2</sup> while the proportion at floating rates is expected to be 6.9%.

In addition, as at March 31, 2019, the proportion of the gross debt repayable or subject to an interest rate change in 2019-2020 is expected to be 12.0%. This proportion includes the debt at floating interest rates (6.9%) as well as the debt at fixed rates which will have to be repaid<sup>3</sup> or refinanced in 2019-2020 (5.1%).

CHART I.11

**Structure of the gross debt by interest rate as at March 31, 2019**  
(per cent)



Note: Gross debt including pre-financing.

<sup>2</sup> This proportion includes the debt at fixed interest rates maturing in more than one year (88.0%) as well as the debt at fixed interest rates which will have to be repaid or refinanced in 2019-2020 (5.1%).

<sup>3</sup> Includes, in particular, long-term borrowings that will be repaid through the use of \$2 billion from the Generations Fund in 2019-2020.



### 3. CREDIT RATINGS

#### 3.1 The Québec government's credit ratings

A credit rating measures the ability of a borrower, like the Québec government, to pay interest on its debt and repay the principal at maturity.

Québec's credit rating is evaluated by six credit rating agencies. These six agencies have assigned a stable outlook to Québec's credit rating.

TABLE I.12

#### **The Québec government's credit ratings**

<b>Credit rating agency</b>	<b>Credit rating</b>	<b>Outlook</b>
Moody's	Aa2	Stable
Standard & Poor's (S&P)	AA-	Stable
Fitch	AA-	Stable
DBRS	A (high)	Stable
Japan Credit Rating Agency (JCR)	AA+	Stable
China Chengxin International (CCXI)	AAA <sup>(1)</sup>	Stable

(1) This is the credit rating for bond issues on the Chinese market.

The Québec government's credit ratings, which are indicated in the table below, differ from one credit rating agency to another because of the methodology used by each agency to determine credit risk.

The three main international credit rating agencies (Moody's, S&P and Fitch) assign Québec a credit rating in the “AA” category.

DBRS is the only credit rating agency that assigns Québec a rating of less than the “AA” category. This rating has been unchanged since 2006. However, Québec's financial situation has improved in the meantime. The government aims to have this rating upgraded by keeping the budget balanced and reducing the debt burden. A rating in the “AA” category from DBRS would be a first for Québec.

— A higher credit rating means access to a broader pool of investors and advantageous borrowing costs.

TABLE I.13

**Credit rating scales for long-term debt**

	Moody's	S&P	Fitch	DBRS	JCR	CCXI <sup>(1)</sup>
Highest credit quality ↑	Aaa	AAA	AAA	AAA	AAA	AAA
	Aa1	AA+	AA+	AA (high)	AA+	AA+
	Aa2	AA	AA	AA	AA	AA
	Aa3	AA-	AA-	AA (low)	AA-	AA-
	A1	A+	A+	A (high)	A+	A+
	A2	A	A	A	A	A
	A3	A-	A-	A (low)	A-	A-
	Baa1	BBB+	BBB+	BBB (high)	BBB+	BBB+
	Baa2	BBB	BBB	BBB	BBB	BBB
	Baa3	BBB-	BBB-	BBB (low)	BBB-	BBB-
	Ba1	BB+	BB+	BB (high)	BB+	BB+
	Ba2	BB	BB	BB	BB	BB
	Ba3	BB-	BB-	BB (low)	BB-	BB-
	B1	B+	B+	B (high)	B+	B+
	B2	B	B	B	B	B
	B3	B-	B-	B (low)	B-	B-

(1) This is the credit rating for bond issues on the Chinese market.

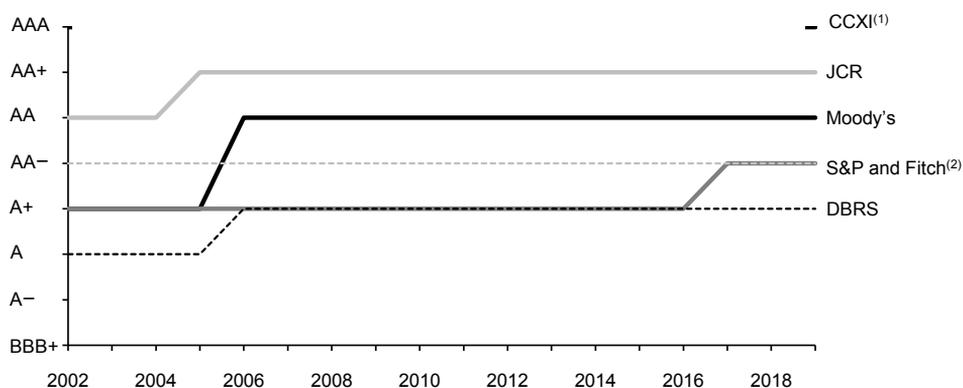
## Change in Québec's credit ratings

The following chart shows the change in Québec's credit ratings since 2002.

In June 2017, S&P raised Québec's credit rating from "A+" to "AA-", a first since 1993. In fact, Québec recovered the credit rating it had with S&P from 1982 to 1993.

CHART I.12

### Change in Québec's credit ratings



Note: The credit ratings for 2019 are those in effect as at March 6, 2019.

(1) CCXI has assigned Québec a credit rating since 2018.

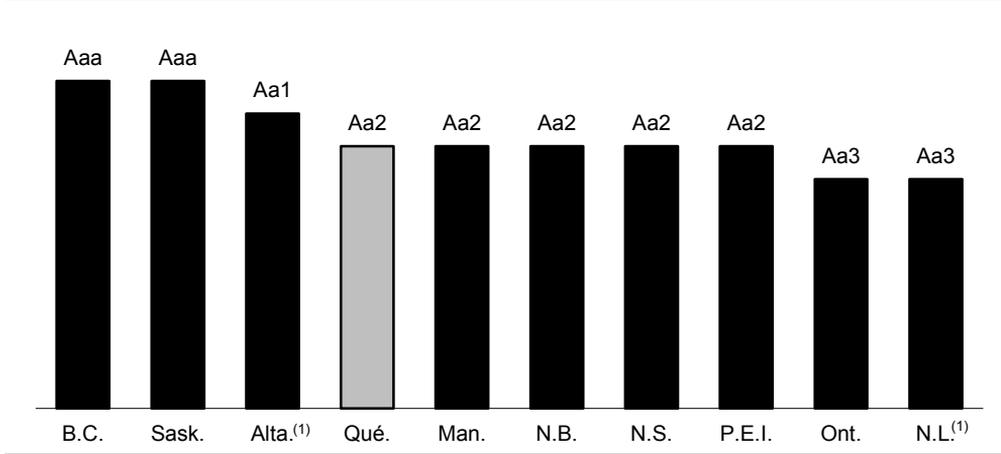
(2) Fitch's credit rating is indicated by the dotted line.

### 3.2 Comparison of the credit ratings of the Canadian provinces

The following charts show the credit ratings of the Canadian provinces assigned by Moody's and Standard & Poor's as at March 6, 2019.

CHART I.13

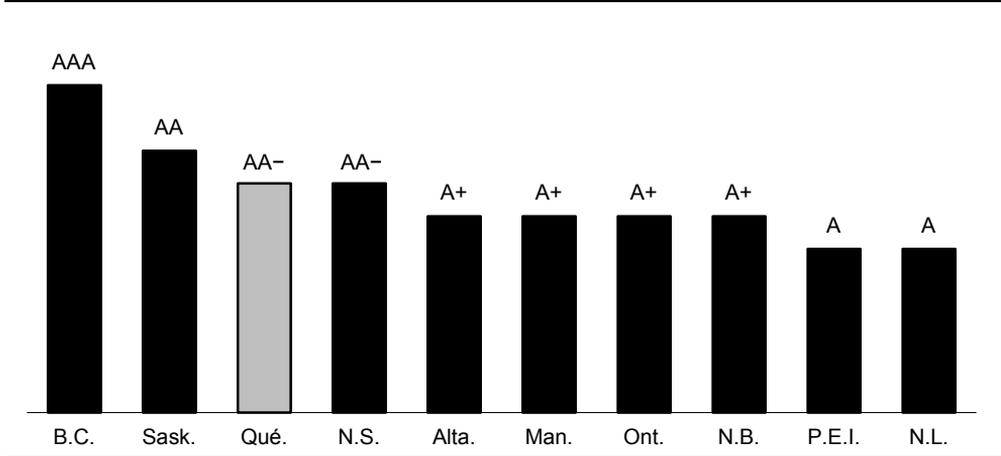
#### Credit ratings of the Canadian provinces – Moody's



(1) These provinces have a negative outlook.

CHART I.14

#### Credit ratings of the Canadian provinces – Standard & Poor's



## APPENDIX 1: ADJUSTMENTS TO DEBT SINCE THE MARCH 2018 BUDGET

### □ Adjustments to the gross debt compared to the March 2018 budget

The gross debt as at March 31, 2023 has been adjusted downward by \$2.8 billion compared with the March 2018 budget.

As for the gross-debt-to-GDP ratio, it has been adjusted downward by 1.6 percentage points, particularly due to stronger economic growth.

The downward adjustments can be attributed mainly to:

- a larger-than-expected budgetary surplus in 2017-2018;
- the elimination of the use of the stabilization reserve;
- an anticipated budgetary surplus in 2018-2019.

In return, the government forecasts higher levels of investment in public infrastructure and its enterprises.

TABLE I.14

#### Adjustments to the gross debt as at March 31 since the March 2018 budget (millions of dollars)

	2018	2019	2020	2021	2022	2023
<b>March 2019 budget</b>	201 071	200 756	204 169	207 318	211 357	214 095
<i>% of GDP</i>	48.2	46.1	45.3	44.6	44.1	43.4
<b>March 2018 budget</b>	204 533	209 418	211 120	214 151	215 076	216 876
<i>% of GDP</i>	49.6	49.1	47.9	47.1	45.9	45.0
<b>Adjustments</b>	<b>-3 462</b>	<b>-8 662</b>	<b>-6 951</b>	<b>-6 833</b>	<b>-3 719</b>	<b>-2 781</b>
<i>% of GDP</i>	<b>-1.4</b>	<b>-3.0</b>	<b>-2.6</b>	<b>-2.5</b>	<b>-1.8</b>	<b>-1.6</b>

## □ Adjustments to the debt representing accumulated deficits compared with the March 2018 budget

Compared with the March 2018 budget, as at March 31, 2023, the debt representing accumulated deficits within the meaning of the *Act to reduce the debt and establish the Generations Fund* has been adjusted downward by \$10 million.

As for the ratio of debt representing accumulated deficits to GDP, it has been adjusted downward by 0.5 percentage point due, in particular, to stronger economic growth.

TABLE I.15

### Adjustments to the debt representing accumulated deficits as at March 31 since the March 2018 budget (millions of dollars)

	2018	2019	2020	2021	2022	2023
<b>March 2019 budget</b>	114 644	111 538	109 034	106 350	103 403	100 143
<i>% of GDP</i>	27.5	25.6	24.2	22.9	21.6	20.3
<b>March 2018 budget</b>	115 109	112 618	109 911	106 920	103 655	100 153
<i>% of GDP</i>	27.9	26.4	24.9	23.5	22.1	20.8
<b>Adjustments</b>	<b>-465</b>	<b>-1 080</b>	<b>-877</b>	<b>-570</b>	<b>-252</b>	<b>-10</b>
<i>% of GDP</i>	<b>-0.4</b>	<b>-0.8</b>	<b>-0.7</b>	<b>-0.6</b>	<b>-0.5</b>	<b>-0.5</b>

### Adjustments to the debt representing accumulated deficits within the meaning of the Public Accounts since the March 2018 budget

Compared with the March 2018 budget, as at March 31, 2023 the debt representing accumulated deficits within the meaning of the Public Accounts, that is, without the addition of the stabilization reserve, has been adjusted downward by \$7.4 billion, or 2.0 percentage points of GDP.

This downward adjustment can be attributed to the higher-than-anticipated budgetary surplus in 2017-2018, the elimination of the use of the stabilization reserve and the budgetary surplus anticipated in 2018-2019.

### Adjustments to the debt representing accumulated deficits within the meaning of the Public Accounts as at March 31 since the March 2018 budget (millions of dollars)

	2018	2019	2020	2021	2022	2023
<b>March 2019 budget</b>	107 470	101 864	99 360	96 676	93 729	90 369
<i>% of GDP</i>	25.8	23.4	22.1	20.8	19.6	18.3
<b>March 2018 budget</b>	109 707	108 803	107 032	104 520	101 255	97 753
<i>% of GDP</i>	26.6	25.5	24.3	23.0	21.6	20.3
<b>Adjustments</b>	<b>-2 237</b>	<b>-6 939</b>	<b>-7 672</b>	<b>-7 844</b>	<b>-7 526</b>	<b>-7 384</b>
<i>% of GDP</i>	<b>-0.8</b>	<b>-2.1</b>	<b>-2.2</b>	<b>-2.2</b>	<b>-2.0</b>	<b>-2.0</b>

## APPENDIX 2: RETIREMENT PLANS SINKING FUND

The Retirement Plans Sinking Fund (RPSF) is an asset that was created by the government in 1993 for the purpose of paying the retirement benefits of public and parapublic sector employees.

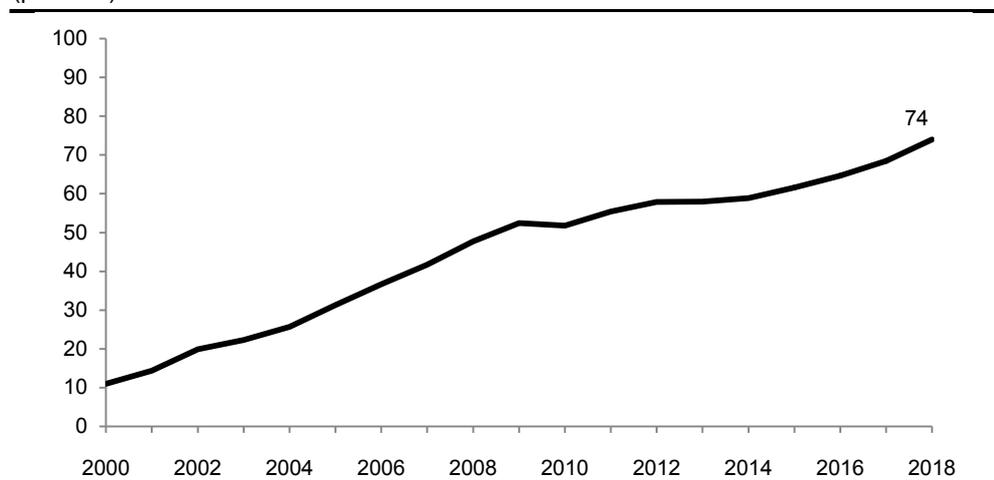
In December 1999, as part of the agreement concluded for the renewal of its employees' collective agreements, the government set the objective that the book value of the sums accumulated in the RPSF would be equal, in 2020, to 70% of its actuarial obligations in regard to the retirement plans of public and parapublic sector employees. This objective was reached earlier than anticipated since this proportion was 74% as at March 31, 2018.

Sums will continue to be accumulated in the RPSF so as to continue reducing the gap that exists between its actuarial obligations in regard to the retirement plans of public and parapublic sector employees and the sums it holds to meet these obligations.

As in previous years, deposits in the RPSF will be made only when market conditions are favourable, particularly with respect to interest rates and market receptiveness to bond issues.

CHART I.15

**Book value of the RPSF in proportion to the government's actuarial obligations regarding the retirement plans of public and parapublic sector employees as at March 31**  
(per cent)





## APPENDIX 3: RETURNS ON FUNDS DEPOSITED WITH THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

The main funds deposited by the Ministère des Finances with the Caisse de dépôt et placement du Québec (Retirement Plans Sinking Fund, Generations Fund and Accumulated Sick Leave Fund) are managed in accordance with an investment policy established by the Ministère des Finances in cooperation with the Caisse.

This investment policy is established on the basis of several factors, including 10-year return, standard deviation and correlation forecasts for various categories of assets, opportunities for investing in these assets and recommendations of the Caisse.

In 2018, the return on funds deposited by the Ministère des Finances with the Caisse was 4.29% for the Retirement Plans Sinking Fund, 4.38% for the Generations Fund and 4.33% for the Accumulated Sick Leave Fund.

The investment policy of these funds is presented in the box on the next page.

TABLE I.16

### Return on and market value of funds deposited by the Ministère des Finances with the Caisse de dépôt et placement du Québec in 2018

	Return (%)	Market value as at December 31, 2018 (\$ million)
Retirement Plans Sinking Fund (RPSF)	4.29	83 176
Generations Fund	4.38	11 298
Accumulated Sick Leave Fund (ASLF)	4.33	1 240

## Comparison of investment policies

### Investment policies as at January 1, 2019 (per cent)

Specialized portfolios	RPSF and ASLF	Generations Fund <sup>(1)</sup>	Average benchmark portfolio of depositors as a whole <sup>(2)</sup>
Short-Term Investments	1.0	1.0	1.2
Rates <sup>(3)</sup>	15.0	15.0	13.5
Credit <sup>(4)</sup>	17.0	16.5	16.0
Long-term bonds	0.0	0.0	1.0
Real Return Bonds	0.0	0.0	0.4
<b>Total – Fixed income</b>	<b>33.0</b>	<b>32.5</b>	<b>32.1</b>
Infrastructure	7.0	8.0	6.3
Real Estate	12.0	12.5	12.0
<b>Total – Real assets</b>	<b>19.0</b>	<b>20.5</b>	<b>18.3</b>
Public Equity	35.0	31.5	37.6
Private Equity	13.0	15.5	12.0
<b>Total – Equity</b>	<b>48.0</b>	<b>47.0</b>	<b>49.6</b>
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

RPSF: Retirement Plans Sinking Fund.

ASLF: Accumulated Sick Leave Fund.

(1) The investment policy of the Generations Fund has been adjusted, in cooperation with the Caisse, to take into account withdrawals from this fund for accelerating debt repayment.

(2) Data as at December 31, 2017 drawn from the *2017 Annual Report* of the Caisse de dépôt et placement du Québec.

(3) Fixed nominal income government bonds.

(4) Broader range of instruments with fixed income securities characteristics.

## APPENDIX 4: QUÉBEC'S PUBLIC SECTOR DEBT

The public sector debt includes the government's gross debt as well as the debt of Hydro-Québec, the municipalities, universities other than the Université du Québec and its constituents, and other government enterprises. This debt has served, in particular, to fund public infrastructure, such as roads, schools, hospitals, hydroelectric dams and water treatment plants.

As at March 31, 2019, Québec's public sector debt is expected to stand at \$270.8 billion, or 62.2% of GDP. These figures must be put into perspective for they do not take into account the economic value of certain assets held by the government, such as Hydro-Québec, the Société des alcools du Québec and Loto-Québec.

The ratio of public sector debt to GDP has been falling since 2015-2016.

TABLE I.17

### Public sector debt as at March 31 (millions of dollars)

	2015	2016	2017	2018	2019
Government's gross debt	203 957	203 347	203 490	201 071	200 756
Hydro-Québec	41 662	43 843	42 882	43 160	43 838
Municipalities	23 305	23 846	24 058	24 505	24 670
Universities other than the Université du Québec and its constituents	1 624	1 608	1 656	1 321	1 321
Other government enterprises	383	308	258	218	228
<b>PUBLIC SECTOR DEBT</b>	<b>270 931</b>	<b>272 952</b>	<b>272 344</b>	<b>270 275</b>	<b>270 813</b>
<b>% of GDP</b>	<b>72.1</b>	<b>70.7</b>	<b>68.6</b>	<b>64.8</b>	<b>62.2</b>