



BUDGET 2023-2024

A COMMITTED QUÉBEC

BUDGET PLAN

March 2023

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BUDGET PLAN

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SUMMARY

The government is continuing the efforts of the past four years. Budget 2023-2024 prioritizes the economy, education, health and the environment, while maintaining a prudent and responsible financial framework.

The year 2023 will be a period of transition for the global economy, marking a move to a more stable economic environment.

- In early 2020, the COVID-19 pandemic caused a shock of unprecedented magnitude, sending the economy into a short but deep recession.
- The subsequent economic recovery in 2021 and 2022, monetary and fiscal stimulus, supply-demand imbalances and Russia's invasion of Ukraine created an environment conducive to upward inflationary pressures. Most central banks have raised their policy rates during the past year in order to curb demand and control prices.
- The rising cost of living and deteriorating credit conditions will weigh on global economic expansion in the coming quarters. Most regions will experience a significant slowdown in economic activity in 2023.

However, the expected global slowdown could be short-lived. Controlling inflation should help restore an environment conducive to sustainable growth as of 2024.

Québec's economic situation

Economic activity in Québec, like that in the global economy, should moderate in 2023.

- Inflation and high interest rates will curb economic activity. Real GDP growth is expected to slow from 2.8% in 2022 to 0.6% in 2023.
- Controlled inflation and more advantageous credit conditions will foster economic recovery. The expansion of economic activity should accelerate, reaching 1.4% in 2024.

The Québec government has set ambitious objectives for creating wealth and increasing Québec's economic potential. Major steps have been taken to boost business productivity and promote the integration and retention of workers in the labour market. This has helped improve the standard of living for Quebecers and thus reduce the wealth gap with Ontario.

- Since 2019, Québec has made substantial gains in relation to living standards. This improvement has allowed it to narrow the gap with Ontario from 16.4% in 2018 to 13.7% in 2022.
- Living standards will continue to catch up despite the slowdown in economic activity. The standard of living gap with Ontario should fall to 12.8% in 2023.

The government is maintaining its objective of catching up with Ontario's real GDP per capita and aims to bring the gap down to below 10% by the end of 2026. This collective prosperity will benefit all Quebecers and will ensure long-term funding of public services.

A committed Québec

The *Québec Budget Plan – March 2023* reflects the government's determination to fulfill its main commitments:

- increasing Québec's economic potential;
- developing the potential of youth to ensure the future of Québec society;
- deploying the plan to reform health care;
- maintaining sound public finances over time.

Initiatives exceeding \$24 billion

In the *Québec Budget Plan – March 2023*, the government is providing investments of \$24.5 billion by 2027-2028.

The first lever on which the government is acting is increasing Québec's economic potential. Achieving this objective calls for improving Quebecers' disposable income, for continuing public investments, for investments to enable businesses to increase their productivity, and for increasing the labour pool.

- Investments of nearly \$12.1 billion are provided by 2027-2028 for growing Québec's wealth, particularly through a \$9.2-billion income tax cut that will benefit 4.6 million Quebecers.

The government is continuing to invest in education and higher education. It is fostering access, retention and graduation rates, at all educational levels, by making sure that the education and higher education system meets the needs of pupils, students and staff.

- Investments of more than \$2.3 billion by 2027-2028 are provided to develop the potential of youth.

In the wake of initiatives introduced under the plan to reform health care tabled in March 2022, the government is continuing its transformation of the health care system in order to improve care and services to the public. The system will become more efficient and more flexible. The challenge is important, but crucial for Québec society.

- Investments of nearly \$5.6 billion by 2027-2028 are provided to make the health care system more effective and more humane.

In addition, the government is planning investments of nearly \$3.6 billion to support Quebecers.

- In recent years, several measures have been taken to curb the decline of the French language in Québec, including the enactment in June 2022 of Bill 96, *An Act respecting French, the official and common language of Québec*. The government will continue to take action in this matter by accelerating the implementation of the Act and adopting the tools necessary to monitor the language situation in Québec.
- Investments of \$649 million by 2027-2028 are provided to promote culture and the French language.
- The Québec government recognizes how important it is for households to live in quality housing that suits their financial capacity. However, recent years have seen a sharp rise in rental costs, making it hard for certain households to meet this need. Lower-income households are particularly impacted by this situation.
- Investments of \$1.0 billion over six years are provided to improve housing affordability.

Lastly, ensuring that the public and future generations have a healthy environment is a priority for the government. It is committed to diversifying and consolidating actions for the environment by supporting measures for climate transition, water management and biodiversity.

- The 2030 Plan for a Green Economy will receive an additional \$1.4 billion in investment, reaching \$9.0 billion over five years. This is an 18% increase compared with the current plan.
- In addition, \$1.0 billion will be invested over five years to diversify and consolidate environmental measures, in particular the creation of the Fonds bleu and the implementation of the Plan nature 2030.

TABLE A.1

Financial impact of the measures of Budget 2023-2024
(millions of dollars)

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total	Ref. section
Growing Québec's wealth	-502	-2 081	-2 311	-2 438	-2 364	-2 403	-12 099	B
Developing the potential of youth	-34	-345	-499	-496	-470	-467	-2 311	C
Making the health care system more effective and more humane	—	-1 034	-1 135	-1 135	-1 135	-1 135	-5 574	D
Supporting Quebecers	-514	-740	-773	-592	-515	-419	-3 554	E
Diversifying and consolidating environmental measures	-15	-122	-166	-188	-217	-245	-953	F
TOTAL	-1 064	-4 323	-4 885	-4 849	-4 700	-4 670	-24 490	

Note: Totals may not add due to rounding.

■ Responsible management of public finances

In fulfilling these commitments, sound management of public finance will be kept to the forefront.¹ The return to a balanced budget, after deposits in the Generations Fund, is planned for 2027-2028. It will be achieved while maintaining significant investments in the government's main missions.

- The financial framework of Budget 2023-2024 is prudent and provides for shrinking deficits, while including a contingency reserve of \$6.5 billion. Amendments to the *Balanced Budget Act* will be proposed to improve its applicability in unfavourable economic contexts.

Reducing the debt burden also remains a priority for the government. In addition to promoting greater intergenerational fairness, it contributes positively to economic growth by creating a climate of confidence conducive to private investment and higher productivity.

This is why the government is setting a new debt reduction objective. Net debt, which will stand at 37.4% of GDP as at March 31, 2023, will progressively be reduced to within a range of 27.5% of GDP to 32.5% of GDP within the next 15 years, that is, by fiscal year 2037-2038.²

- The median net debt reduction target will therefore stand at 30% of GDP.

¹ Unless otherwise indicated, this document is based on budgetary and economic data available as at March 8, 2023. The budgetary data presented for 2022-2023 are preliminary results. Data for 2023-2024 to 2027-2028 are forecasts and those for subsequent years are projections.

² Amendments to the *Act to reduce the debt and establish the Generations Fund* will be proposed for this purpose.

1. A COMMITTED QUÉBEC

1.1 Growing Québec's wealth

The government is pursuing ambitious goals to create wealth and increase Québec's economic potential.

- Major steps have been taken since fall 2018 to increase business productivity, support innovation and promote worker integration and retention in the labour market, which has helped improve the standard of living of Quebecers and reduce the wealth gap with Ontario.

The government has committed to cut personal income tax, which will improve Quebecers' disposable income and help increase Québec's prosperity by stimulating both economic growth and the labour supply.

- To achieve this, the government is announcing an immediate income tax cut totalling \$9.2 billion over six years, or \$1.7 billion per year. It could reach \$814 per person as of 2023 and will benefit 4.6 million Quebecers.

It will also continue to act on the main determinants of economic growth, that is, productivity gains, innovation, leveraging the regions and increasing the pool of qualified workers.

In Budget 2023-2024, initiatives totalling nearly \$12.1 billion by 2027-2028 are planned to grow Québec's wealth:

- \$9.2 billion for increasing Quebecers' disposable income, with a 1-percentage-point reduction in the two bottom tax rates starting this year;
- \$888 million for increasing the productivity of Québec's economy;
- \$1.4 billion for contributing to the prosperity of the regions;
- \$615 million for addressing the labour shortage.

Measures will also be taken to adapt the Québec Pension Plan to the new realities of Quebecers.

TABLE A.2

Financial impact of the measures to grow Québec's wealth
 (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Increasing Quebecers' disposable income	-402	-1 657	-1 698	-1 750	-1 802	-1 857	-9 166
Increasing the productivity of Québec's economy	—	-109	-222	-199	-173	-184	-888
Contributing to the prosperity of the regions	—	-220	-271	-375	-290	-275	-1 430
Addressing the labour shortage	-100	-95	-120	-114	-98	-87	-615
Adapting the Québec Pension Plan to the new realities of Quebecers	—	—	—	—	—	—	—
TOTAL	-502	-2 081	-2 311	-2 438	-2 364	-2 403	-12 099

Note: Totals may not add due to rounding.

1.2 Developing the potential of youth

In Québec, education has been, and continues to be, the cornerstone of our society's development. The government is making education its top priority. High-quality education services ensure collective prosperity.

In recent years, major efforts have been made to increase student success and retention, promote participation in recreation and sports, and foster access and graduation rates in higher education.

The government's action is centred on key policy directions to increase educational success, including:

- enhancing the teaching of French, reading and mathematics;
- offering more special projects and making them more accessible;
- investing in vocational training;
- supporting teachers;
- fostering higher education graduation rates.

Budget 2023-2024 is providing an investment of \$2.3 billion over six years to develop the potential of youth:

- \$1.5 billion for helping youth succeed;
- \$88 million for getting Quebecers moving;
- \$717 million for fostering student access, retention and graduation rates in higher education.

TABLE A.3

Financial impact of the measures to develop the potential of youth (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Helping youth succeed	—	-231	-334	-330	-305	-305	-1 505
Getting Quebecers moving	—	-13	-20	-21	-19	-17	-88
Fostering student access, retention and graduation rates in higher education	-34	-101	-146	-146	-146	-146	-717
TOTAL	-34	-345	-499	-496	-470	-467	-2 311

Note: Totals may not add due to rounding.

1.3 Making the health care system more effective and more humane

The health and social services system has been under great strain in recent years during the pandemic. In March 2022, building on the lessons learned, the government launched its plan to reform health care and initiated a major shift to address the numerous challenges that continue to exist in the health and social services sector.

As a result, initiatives in health and social services of nearly \$5.6 billion over the next five years are planned in Budget 2023-2024:

- \$3.0 billion for making the health care system more efficient and more flexible for the public;
- \$2.0 billion for caring for seniors and informal or family caregivers;
- \$565 million for supporting the most vulnerable.

TABLE A.4

Financial impact of the measures to make the health care system more effective and more humane (millions of dollars)

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Making the health care system more efficient and more flexible for the public	—	-613	-623	-623	-590	-564	-3 013
Caring for seniors and informal or family caregivers	—	-316	-401	-401	-434	-443	-1 996
Supporting the most vulnerable	—	-105	-111	-111	-111	-128	-565
TOTAL	—	-1 034	-1 135	-1 135	-1 135	-1 135	-5 574

Note: Totals may not add due to rounding.

1.4 Supporting Quebecers

Over the past few years, the government has pursued its commitment to support families, people in need of housing, community organizations and vulnerable people.

In this budget, it is consolidating its actions and strengthening its support for communities. Accordingly, \$3.6 billion is provided over six years to support Quebecers:

- \$649 million for promoting and advancing Québec culture, and continuing to uphold, promote and advance the French language;
- \$1.0 billion for fostering the affordability of housing by, in particular, increasing the supply of social and affordable housing and by providing additional support to Quebecers who need to find housing;
 - Of this amount, \$650 million will support the completion of over 5 250 social and affordable housing units throughout Québec, as well as ensure the preservation of aging housing units.
- \$440 million for supporting families by providing educational childcare services adapted to their needs and by supporting vulnerable children;
 - In this respect, an investment of \$331 million will enable 5 000 non-subsidized childcare spaces to be converted into subsidized spaces.
- \$722 million for strengthening the accessibility and efficiency of transportation networks, particularly by supporting public transit;
- \$533 million for improving inclusion and equality, increasing support for various communities by boosting support for community organizations, among other things, protecting the safety of the public and facilitating access to justice;
- \$121 million for continuing to support First Nations and Inuit people, thereby strengthening and facilitating access to services provided;
- \$88 million for modernizing architectural and land-use practices.

TABLE A.5

Financial impact of the measures to support Quebecers
(millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Promoting culture and the French language	—	-140	-146	-126	-118	-119	-649
Improving housing affordability	-237	-173	-127	-189	-168	-106	-1 001
Supporting families	—	-36	-101	-107	-108	-88	-440
Strengthening the accessibility and efficiency of transportation networks	-200	-244	-236	-33	-8	-2	-722
Supporting Quebecers' quality of life	-46	-109	-114	-104	-83	-77	-533
Continuing to support First Nations and Inuit people	-16	-33	-34	-16	-12	-12	-121
Modernizing architectural and land-use practices	-16	-5	-16	-17	-19	-15	-88
TOTAL	-514	-740	-773	-592	-515	-419	-3 554

1.5 Diversifying and consolidating environmental measures

To fight climate change, the government is setting aside an additional \$1.4 billion as part of its yearly update of the 2030 Plan for a Green Economy. The new implementation plan, to be unveiled soon, will therefore benefit from \$9 billion in funding over five years.

In addition, at the United Nations Conference on Biodiversity (COP15), the government announced the implementation of the Plan nature 2030 and committed to protect Québec's water reserves.

To achieve this, the government is investing \$500 million over five years to support the creation of the Fonds bleu, a portion of which will be funded from the duty payable for water use, and is confirming the investments in Plan nature 2030.

In Budget 2023-2024, the government is providing \$1 billion:

- \$520 million for protecting water resources and ensuring the safety of dams;
- \$475 million for protecting biodiversity and promoting access to nature;
- \$23 million for promoting agri-environmental practices.

Lastly, additional revenue of \$65 million over five years resulting from an increase in the environmental duty on new tires will allow the Québec Integrated Used Tire Management Program to continue. This environmental duty has not been increased since its introduction in 1999.

TABLE A.6

Financial impact of the measures to diversify and consolidate environmental measures (millions of dollars)

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Enhancing the 2030 Plan for a Green Economy ⁽¹⁾	—	—	—	—	—	—	—
Protecting water resources and ensuring the safety of dams	—	-54	-79	-104	-129	-154	-520
Protecting biodiversity and promoting access to nature	-15	-63	-90	-98	-103	-106	-475
Recognizing and rewarding agri-environmental practices	—	-12	-12	—	—	—	-23
Subtotal	-15	-128	-181	-202	-232	-260	-1 018
Revising the specific duty on new tires	—	6	15	15	15	15	65
TOTAL	-15	-122	-166	-188	-217	-245	-953

(1) The financial framework of the 2030 Plan for a Green Economy will benefit from an additional investment of \$1.4 billion over five years compared with the current plan, thanks in particular to additional revenue from the carbon market.

2. QUÉBEC'S ECONOMIC SITUATION

2.1 The year 2023, a period of transition before the return to sustainable growth

In recent months, inflation and the synchronized tightening of monetary policy have slowed the pace of economic activity in most regions. Thus, the global economy has entered a slowdown phase.

- Global economic growth is expected to moderate, falling from 3.3% in 2022 to 2.4% in 2023.³ In the United States, economic activity will drop from 2.1% in 2022 to 0.5% in 2023.
- In Canada, real GDP growth is expected to be 0.8% in 2023 following a 3.4% increase in 2022.
- In Québec, economic activity will decelerate from 2.8% in 2022 to 0.6% in 2023.

The year 2023 will be a period of transition. Efforts to contain the rise in prices and maintain it at a stable and predictable level could allow some major central banks to start easing their monetary policy toward the end of 2023.

- Once inflation is under control and more advantageous credit conditions have been introduced, the resumption of economic activity will accelerate starting in 2024.

In this context, the Québec economy will regain its momentum. Real GDP will grow by 1.4% in 2024.

Moreover, while future growth will come mostly from productivity gains, the aging of the population will continue to pose a challenge to accelerating Québec's economic growth.

³ This section reflects economic data available as at February 28, 2023.

TABLE A.7

Economic growth
(real GDP, percentage change)

	2021	2022	2023	2024
Québec	6.0	2.8	0.6	1.4
Canada	5.0	3.4	0.8	1.6
United States	5.9	2.1	0.5	1.3
World ⁽¹⁾	6.2	3.3	2.4	3.1

(1) Global real GDP is expressed in purchasing power parity.

Sources: Institut de la statistique du Québec, Statistics Canada, International Monetary Fund, S&P Global, Refinitiv Datastream, Bloomberg, Eurostat and Ministère des Finances du Québec.

TABLE A.8

Real GDP and its major components in Québec
(percentage change and contribution in percentage points)

	Change			Contribution		
	2022	2023	2024	2022	2023	2024
Domestic demand	2.5	0.6	1.2	2.6	0.6	1.3
Household consumption	4.9	1.6	1.5	2.9	1.0	0.9
Residential investment	-9.7	-7.9	-0.1	-0.8	-0.6	-0.0
Non-residential business investment	3.5	0.4	2.3	0.3	0.0	0.2
Government spending and investment	1.3	1.1	0.6	0.4	0.3	0.2
External sector	—	—	—	-1.8	0.4	0.4
Exports	2.4	1.5	3.7	1.0	0.7	1.6
Imports	5.8	0.6	2.3	-2.8	-0.3	-1.2
Inventories	—	—	—	1.8	-0.4	-0.4
REAL GDP	2.8	0.6	1.4	2.8	0.6	1.4

Note: Totals may not add due to rounding.

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

3. QUÉBEC'S FINANCIAL SITUATION

3.1 A smaller budgetary deficit in 2022-2023

Since the publication of Budget 2022-2023, the economic indicators affecting own-source revenue⁴ have been adjusted favourably for 2022.

— Nominal GDP has been adjusted upward by 3.3 percentage points to stand at 9.7%, compared to 6.4% projected in Budget 2022-2023.

Dynamic economic performance in 2022 has had a positive effect on own-source revenue, which has been adjusted upward by \$5.1 billion in 2022-2023. In particular, corporate taxes have been adjusted upward by \$2.4 billion, and personal income tax, by \$1.5 billion.

After deposits in the Generations Fund,⁵ the budgetary deficit for 2022-2023 is lower than forecast in March 2022, decreasing from nearly \$6.5 billion to \$5.0 billion.

CHART A.1

Nominal GDP and other economic indicators – 2022 (percentage change)

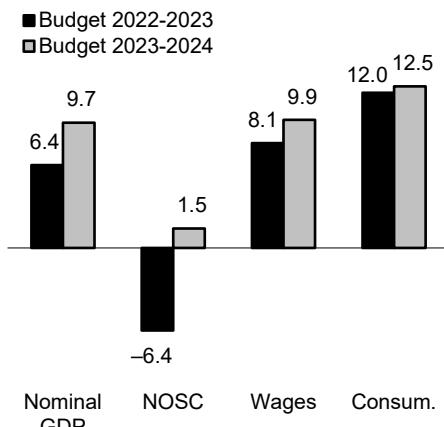
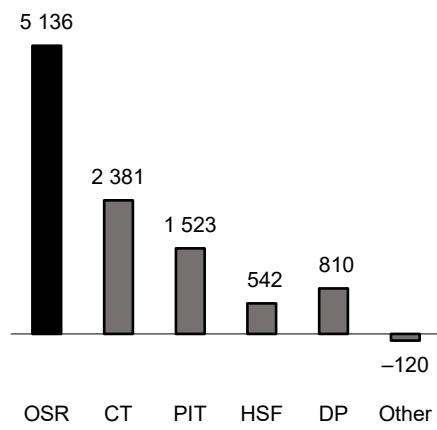


CHART A.2

Adjustment in 2022-2023 to own-source revenue since March 2022 (millions of dollars)



Note: NOSC: net operating surplus of corporations;
Wages: wages and salaries;
Consum.: household consumption excluding food expenditures and shelter.

Note: OSR: own-source revenue excluding revenue from government enterprises;
CT: corporate taxes;
PIT: personal income tax;
HSF: contributions for health services;
DP: duties and permits.

⁴ Own-source revenue excluding revenue from government enterprises.

⁵ Budgetary deficit before use of the stabilization reserve.

TABLE A.9

Adjustments to the financial framework since March 2022
 (millions of dollars)

	2022-2023
BUDGETARY BALANCE⁽¹⁾ – MARCH 2022	-6 450
ECONOMIC AND BUDGETARY SITUATION	
Own-source revenue excluding revenue from government enterprises ⁽²⁾	
Revenue from government enterprises	5 700
Subtotal – Own-source revenue	1 046
Federal transfers	6 746
Subtotal – Revenue	436
Subtotal – Expenditure	7 182
Portfolio expenditures	-554
Debt service	-1 211
Subtotal – Expenditure	-1 765
Deposits of dedicated revenues in the Generations Fund	94
TOTAL ADJUSTMENTS TO THE ECONOMIC AND BUDGETARY SITUATION	5 511
INITIATIVES SINCE BUDGET 2022-2023	-5 518
BUDGET 2023-2024 INITIATIVES	
Growing Québec's wealth	-502
Developing the potential of youth	-34
Making the health care system more effective and more humane	—
Supporting Quebecers	-514
Diversifying and consolidating environmental measures	-15
Subtotal	-1 064
TOTAL INITIATIVES	-6 582
Contingency reserve	2 500
BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE	-5 021
Use of the stabilization reserve ⁽³⁾	449
BUDGETARY BALANCE⁽¹⁾ – MARCH 2023	-4 572

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.

(2) The total adjustment to own-source revenue is \$5.1 billion, including initiatives affecting revenue such as the 1-percentage-point decrease in the two bottom tax rates to improve Quebecers' disposable income, which has an impact of \$402 million in 2022-2023.

(3) The stabilization reserve will be fully utilized in 2022-2023, resulting in a zero balance of the reserve as at March 31, 2023.

3.2 Financial framework

Budget 2023-2024 presents the outlook for the Québec government's revenue and expenditure until 2027-2028.

Revenue amounts to \$147.7 billion in 2023-2024, with growth of 1.8%. Growth will increase to 2.8% in 2024-2025.

— Over the time period of the financial framework up to 2027-2028, annual revenue growth will reach 2.9% on average.

Expenditure amounts to \$147.9 billion in 2023-2024, with growth of 0.7%.⁶ Growth will reach 2.4% in 2024-2025.

— From 2023-2024 to 2027-2028, the annual growth in expenditure will be 2.1%⁷ on average.

The financial framework includes a contingency reserve of \$1.5 billion in 2023-2024, \$1.0 billion in 2024-2025 and 2025-2026, and \$1.5 billion in 2026-2027 and 2027-2028.

The budgetary balance, within the meaning of public accounts, shows a deficit of \$1.6 billion in 2023-2024 and surpluses as of 2025-2026.

According to the definition provided in the *Balanced Budget Act*, the budgetary balance will present a deficit of \$4.0 billion in 2023-2024 and will be balanced in 2027-2028.

⁶ Excluding the impact of the COVID-19 support and recovery measures, growth in expenditure is 4.3% in 2023-2024.

⁷ Excluding the impact of the COVID-19 support and recovery measures, annual growth in expenditure is 2.9% on average.

TABLE A.10

Multi-year financial framework

(millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	AAGR ⁽¹⁾
Revenue							
Personal income tax	42 670	43 126	44 749	46 470	48 153	49 873	
Contributions for health services	7 841	7 944	8 161	8 407	8 601	8 778	
Corporate taxes	13 263	13 192	14 090	14 835	15 529	16 089	
School property tax	1 112	1 184	1 292	1 374	1 387	1 432	
Consumption taxes	26 548	27 290	28 220	29 080	29 875	30 739	
Duties and permits	5 981	5 739	5 746	5 896	6 116	6 214	
Miscellaneous revenue	11 784	12 707	13 112	13 444	13 922	14 365	
Government enterprises	6 674	6 807	6 685	6 539	7 291	6 885	
Own-source revenue	115 873	117 989	122 055	126 045	130 874	134 375	
% change	5.7	1.8	3.4	3.3	3.8	2.7	3.0
Federal transfers	29 226	29 742	29 741	30 908	32 011	33 197	
% change	0.1	1.8	0.0	3.9	3.6	3.7	2.6
Total revenue	145 099	147 731	151 796	156 953	162 885	167 572	
% change	4.5	1.8	2.8	3.4	3.8	2.9	2.9
Expenditure							
Portfolio expenditures	-136 716	-138 392	-141 468	-145 445	-149 138	-152 095	
% change⁽²⁾	7.4	1.2	2.2	2.8	2.5	2.0	2.2
Debt service	-10 053	-9 464	-9 925	-9 964	-10 516	-11 135	
% change	16.4	-5.9	4.9	0.4	5.5	5.9	2.1
Total expenditure	-146 769	-147 856	-151 393	-155 409	-159 654	-163 230	
% change⁽²⁾	7.9	0.7	2.4	2.7	2.7	2.2	2.1⁽³⁾
Contingency reserve	—	-1 500	-1 000	-1 000	-1 500	-1 500	
SURPLUS (DEFICIT)	-1 670	-1 625	-597	544	1 731	2 842	
BALANCED BUDGET ACT							
Deposits of dedicated revenues in the Generations Fund	-3 351	-2 373	-2 387	-2 524	-2 707	-2 833	
BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE							
	-5 021	-3 998	-2 984	-1 980	-976	9	
Use of the stabilization reserve	449	—	—	—	—	—	
BUDGETARY BALANCE	-4 572	-3 998	-2 984	-1 980	-976	9	

Note: Totals may not add due to rounding.

(1) Average annual growth rate, corresponding to the geometric mean over five years, from 2023-2024 to 2027-2028.

(2) Excluding the impact of the COVID-19 support and recovery measures, portfolio expenditures will grow by 5.1% in 2023-2024 and total expenditure by 4.3%.

(3) Excluding the impact of the COVID-19 support and recovery measures, annual growth in expenditure will be 2.9% on average.

3.3 Returning to a balanced budget

In early 2020, the pandemic caused a shock of unprecedented magnitude, sending the economy into a short but deep recession. Global economic activity quickly began to recover in a synchronized fashion, but this generated inflationary pressures that caused quick and substantial interest rate hikes.

Despite this economic volatility, the government has maintained adequate funding for the government's main missions, thereby generating deficits. With the move to a more stable economic environment, Budget 2023-2024 is an opportunity for the government to table its plan for a return to a balanced budget.

According to this plan, the deficit will be limited to \$4 billion in 2023-2024, and then progressively reduced by \$1 billion per year until fiscal balance is achieved in 2027-2028.

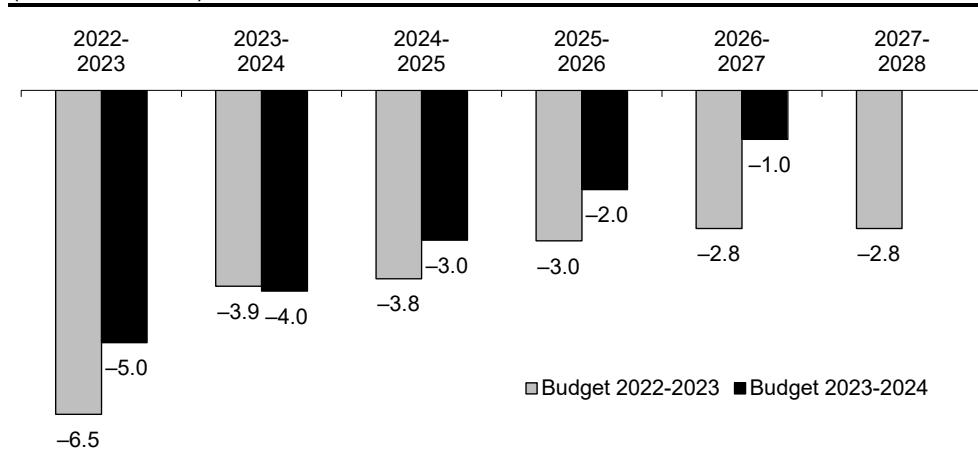
The return to a balanced budget will be achieved while:

- reducing personal income tax;
- fostering economic growth;
- adequately funding the government's missions;
- ensuring that expenditure growth is in line with revenue growth.

Sound management of public finances enables the government to eliminate the \$2.8-billion deficit that was ultimately forecast in Budget 2022-2023 and to continue reducing the debt burden.

CHART A.3

Change in the budgetary balance
(billions of dollars)



Lifting of suspension and modernization of the *Balanced Budget Act*

Lifting the suspension of certain effects of the Act

The *Balanced Budget Act* was amended by Bill 17,¹ assented to on February 24, 2022, which temporarily suspends certain effects of the Act from 2021-2022 until the end of the fiscal year determined by the Minister, that is, no later than the fiscal 2023-2024 Budget Speech.

The desired effects of the suspension include:

- the prohibition of an actual or forecast budgetary deficit;
- the tabling of a plan to restore fiscal balance;
- the obligation to implement offsetting measures for overruns.

In order to meet the Act's requirements, the Minister of Finance is lifting the suspension of these effects as of the end of fiscal 2022-2023.

As a result, the financial framework of Budget 2023-2024 includes a plan for a return to a balanced budget by 2027-2028. The plan presented, whereby the deficit will be limited to \$4 billion in 2023-2024, and thereafter progressively reduced by \$1 billion per year until fiscal balance is achieved, constitutes the government's plan for restoring fiscal balance.

- As such, the fiscal framework calls for a \$1-billion decrease in the deficit in 2023-2024 compared with 2022-2023. Considering the changing revenue outlook, the expenditure level has therefore been determined so as to reduce the deficit in accordance with the requirements of the Act.

Modernization of the *Balanced Budget Act*

Since its enactment in 1996, the *Balanced Budget Act* has been amended a number of times, essentially to suspend some of its effects during periods of recession or economic instability.

Since experience has revealed the difficulties of enforcing the Act in a context of major economic slowdown, Budget 2023-2024 provides an opportunity to modernize certain of its provisions.

The government wishes specifically to:

- improve fiscal flexibility in determining the fiscal balance;
- update the rules requiring the tabling of a plan to offset budget overruns, including the threshold and timeframe for when such a plan is required;
- revise the rules governing the execution of this plan, including the implementation of measures to offset overruns and the time period for offsetting overruns;
- abolish the stabilization reserve.

Proposed details will be specified at a later date.

¹ *An Act respecting the implementation of certain provisions of the Budget Speech of 25 March 2021 and amending other provisions* (S.Q. 2022, c. 3).

3.4 Increased investment in public infrastructure

Québec has significant public infrastructure needs. To meet them, the government is announcing an increase of \$7.5 billion over 10 years under the Québec Infrastructure Plan (QIP).

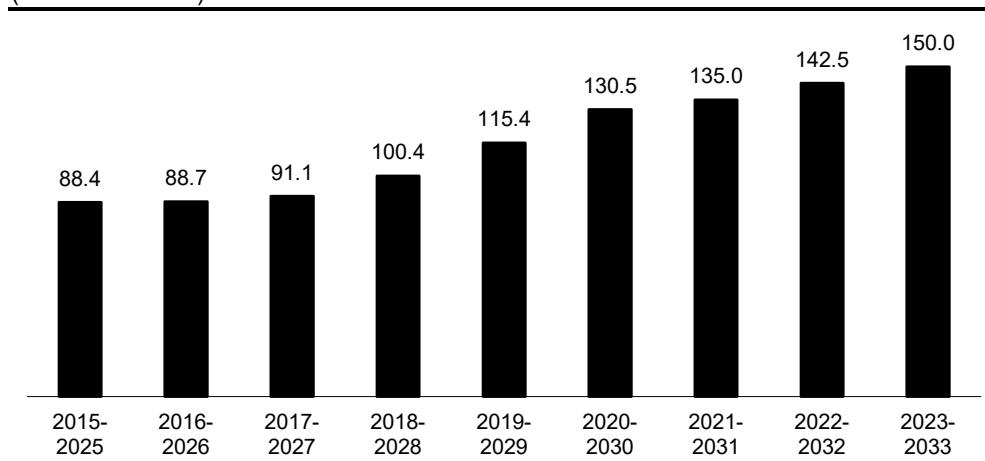
- The 2023-2033 QIP therefore amounts to \$150.0 billion, or \$15.0 billion per year on average.
- Over the past five years, the QIP has been increased each year, going from \$100.4 billion in March 2018 to \$150.0 billion in March 2023.

These substantial investments will serve, in particular, to repair and build schools and health care institutions, maintain the road network and develop public transit infrastructure.

- The financial impact of the increase in the QIP is estimated at \$1.0 billion over five years, from 2023-2024 to 2027-2028. This includes the impact on portfolio expenditures and on debt service.

CHART A.4

Change in the Québec Infrastructure Plan
(billions of dollars)



4. GRADUALLY REDUCING THE DEBT BURDEN

The debt burden is lower than before the pandemic

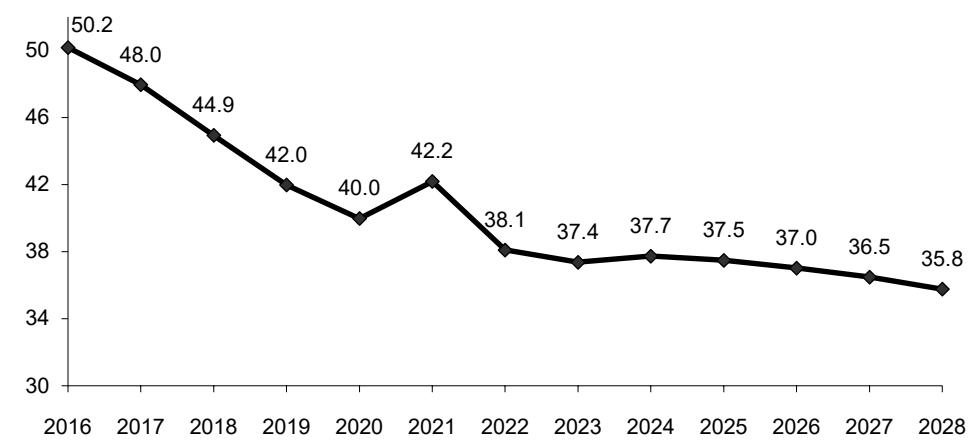
Québec has made remarkable progress in reducing its debt in recent decades. The net debt burden will stand at 37.4% of GDP as at March 31, 2023. This is lower than the pre-pandemic level, which stood at 40.0% of GDP as at March 31, 2020.

— The net debt-to-GDP ratio is expected to decline gradually starting in 2024-2025.

CHART A.5

Net debt as at March 31

(percentage of GDP)



However, Québec remains one of the most indebted provinces. That is why reducing the debt burden remains a priority for the government. It contributes positively to economic growth through the creation of a climate of confidence conducive to private investment and higher productivity and promotes intergenerational fairness, in particular.

□ The new debt reduction objective

In view of the importance of continuing to gradually reduce the debt burden, the government is announcing a new debt reduction objective.

Net debt, which will stand at 37.4% of GDP as at March 31, 2023, will gradually be reduced to within a range of 27.5% of GDP to 32.5% of GDP within the next 15 years, that is, by fiscal year 2037-2038.⁸

— The median net debt reduction target will stand at 30% of GDP.

Based on this target, Québec's net debt burden will therefore gradually move toward the current average net debt of the provinces (31% of GDP as at March 31, 2022).

The government also aims for the net debt burden to be 33% of GDP by 2032-2033. This is an intermediate target.

TABLE A.11

The new debt reduction targets

Net debt by 2032-2033 (intermediate target)	33% of GDP ($\pm 2.5\%$ of GDP)
Net debt by 2037-2038	30% of GDP ($\pm 2.5\%$ of GDP)

The government's debt reduction strategy will rest on three key elements:

- a return to a balanced budget by 2027-2028 and the maintenance of that balance subsequently, after deposits of dedicated revenues in the Generations Fund;
- deposits in the Generations Fund, which will continue to increase starting in 2024-2025;
- accelerated economic growth, which will contribute to reducing the relative weight of the debt.

Just as it did when the Generations Fund was established in 2006, the government will continue to bank on the wealth of Québec's hydroelectricity to reduce Québec's debt. The Generations Fund will receive water-power royalties on an annual basis as well as \$650 million from the dividend paid by Hydro-Québec to the government.

In 2023-2024, revenues dedicated to the Generations Fund will amount to \$2.4 billion. They will gradually increase to \$2.8 billion in 2027-2028,⁹ reaching nearly \$5.0 billion in 2037-2038.

Moreover, in order to reduce the financing program and alleviate debt service, withdrawals from the Generations Fund of \$2.5 billion per year will be made in 2023-2024 and 2024-2025.

⁸ Amendments to the *Act to reduce the debt and establish the Generations Fund* will be proposed for this purpose.

⁹ The portion of the amounts provided for in the March 2022 budget that will not be deposited in the Generations Fund will be allocated to the financing of the 1 percentage-point reduction in the first two tax brackets as of 2023.

5. ALTERNATIVE FORECAST SCENARIOS

A high degree of uncertainty surrounds the economic forecasts. As a result, although the baseline scenario forecast is balanced and similar to that of the private sector, it is not shielded from risks that could impact the economic outlook, both on the downside and the upside.

In this context, the Ministère des Finances has developed one alternative scenario forecasting a recession and another forecasting greater-than-anticipated growth, so that their impact on the financial framework and the Québec government's debt can be assessed.

Two alternative economic forecast scenarios

The recession scenario reflects a more pronounced economic slowdown in the short term than forecast in the baseline scenario.

Under this scenario, economic activity would decline by 0.8% in 2023 before increasing by 0.6% in 2024. This represents a negative gap of 1.4 percentage points in 2023 and 0.8 percentage points in 2024 compared to the baseline scenario.

— This shock would be followed by a rebound in 2025 and 2026, such that real GDP would return to a level equivalent to the baseline scenario by the end of 2026.

The strong growth scenario reflects a stronger increase in economic activity than forecast in the baseline scenario.

Under this scenario, economic activity in Québec would grow by 2.0% in 2023 and 2.1% in 2024. This represents positive gaps of 1.4 percentage points in 2023 and 0.7 percentage points in 2024 compared to the baseline scenario.

— Real GDP would return to a level equivalent to the baseline scenario by the end of 2026.

TABLE A.12

Real GDP – Québec

(percentage change, shock in percentage points)

	Baseline scenario	Recession scenario		Strong growth scenario	
	Change	Shock	Change	Shock	Change
2023	0.6	-1.4	-0.8	+1.4	2.0
2024	1.4	-0.8	0.6	+0.7	2.1
2025	1.6	+1.1	2.7	-1.1	0.5
2026	1.5	+0.9	2.4	-0.8	0.7
2027	1.4	+0.3	1.7	-0.3	1.1

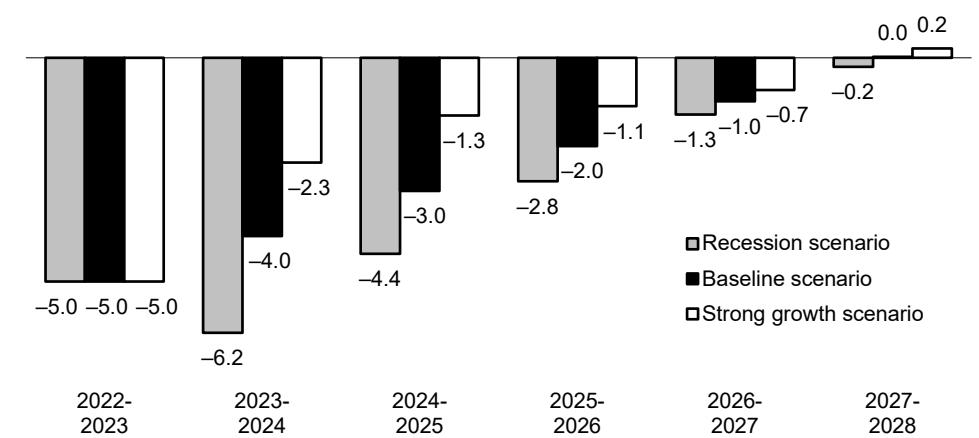
□ Impact on the financial framework and the net debt

The alternative scenarios illustrate how achieving a balanced budget could be affected if the economic situation were to take a different trajectory than that expected in Budget 2023-2024.

- If the economic situation were to deteriorate, use of the contingency reserve built into the financial framework would make it possible to avoid delaying the return to a balanced budget.
- Conversely, an improvement in the economic situation could reduce the anticipated deficits, or even allow a return to a balanced budget before 2027-2028.

CHART A.6

Return to a balanced budget – Baseline scenario and alternative scenarios (billions of dollars)



Under the recession scenario, the net debt-to-GDP ratio would be 1.4 percentage points higher in 2024-2025, bringing it to 38.9%.

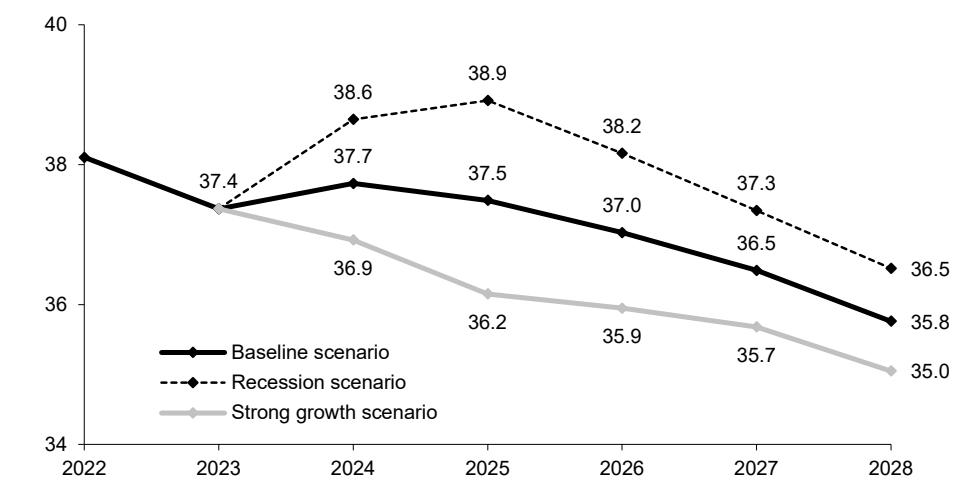
— The ratio would then gradually decline to 36.5% of GDP as at March 31, 2028, that is 0.7 percentage points of GDP or \$4.9 billion higher than in the baseline scenario.

Under the strong growth scenario, the net debt-to-GDP ratio would decrease gradually each year.

— As at March 31, 2028, the ratio would stand at 35.0% of GDP, or 0.8 percentage points of GDP lower than in the baseline scenario.

CHART A.7

**Net debt as at March 31 – Baseline scenario and alternative scenarios
(percentage of GDP)**



APPENDIX: QUÉBEC'S ECONOMIC OUTLOOK – 2021 TO 2027

TABLE A.13

Economic outlook in Québec

(annual average, percentage change, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027
Output							
Real GDP	6.0	2.8	0.6	1.4	1.6	1.5	1.4
Nominal GDP	11.8	9.7	2.7	3.8	3.7	3.3	3.3
Nominal GDP (billions of dollars)	504.5	553.5	568.4	589.8	611.8	632.0	652.8
Components of GDP (in real terms)							
Final domestic demand	6.2	2.5	0.6	1.2	1.5	1.2	1.3
– Household consumption	5.4	4.9	1.6	1.5	1.6	1.5	1.6
– Government spending and investment	5.6	1.3	1.1	0.6	1.0	0.0	0.4
– Residential investment	12.9	-9.7	-7.9	-0.1	1.0	1.0	0.8
– Non-residential business investment	7.3	3.5	0.4	2.3	2.5	2.5	2.3
Exports	2.9	2.4	1.5	3.7	3.0	2.7	2.2
Imports	6.8	5.8	0.6	2.3	2.0	1.8	1.8
Labour market							
Population (thousands)	8 602	8 696	8 776	8 843	8 904	8 956	9 002
Population aged 15 and over (thousands)	7 099	7 156	7 238	7 303	7 363	7 413	7 460
Jobs (thousands)	4 273	4 403	4 466	4 491	4 517	4 538	4 557
Job creation (thousands)	176.6	129.7	63.2	25.2	25.2	21.7	18.3
Unemployment rate (per cent)	6.1	4.3	4.6	4.2	4.1	4.1	4.0
Other economic indicators (in nominal terms)							
Household consumption	8.9	10.8	4.5	3.4	3.5	3.5	3.4
– Excluding food expenditures and shelter	11.1	12.5	4.0	3.4	3.5	3.4	3.4
Housing starts (thousands of units)	67.8	57.1	50.1	46.2	44.1	43.0	42.0
Residential investment	29.8	-0.1	-7.1	2.0	3.8	3.4	3.0
Non-residential business investment	9.5	10.1	3.8	3.8	4.0	4.2	4.1
Wages and salaries	10.8	9.9	3.7	3.4	3.3	3.1	2.9
Household income	5.6	9.2	3.0	3.4	3.2	3.2	3.0
Net operating surplus of corporations	8.9	1.5	-4.9	5.3	3.9	3.5	3.6
Consumer price index	3.8	6.7	3.5	2.2	2.0	2.0	2.0
– Excluding food and energy	3.0	4.7	3.6	2.2	2.2	2.2	2.0

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

Section B

GROWING QUÉBEC'S WEALTH

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SUMMARY

The government is pursuing ambitious goals to create wealth and increase Québec's economic potential.

Major steps have been taken since fall 2018 to improve business productivity, support innovation and promote workers' integration and retention in the labour market. These actions have helped improve the standard of living for Quebecers and reduce the wealth gap with Ontario.

- Between 2018 and 2022, the gap between Québec's and Ontario's real GDP per capita narrowed from 16.4% to 13.7%.

The government is maintaining its goal of reducing the gap in real GDP per capita with Ontario to less than 10% by 2026 and will intensify its efforts to achieve this. The collective enrichment will benefit all Quebecers by improving their standard of living and will ensure that public services are funded in the long term.

The government has pledged to cut personal income tax, which will improve Quebecers' disposable income and help increase Québec's prosperity by stimulating both economic growth and the labour supply.

The government is announcing a tax reduction that will benefit 4.6 million people. This tax reduction represents an annual saving of up to \$814 and an investment of \$1.7 billion per year.

It will also continue to take action on the main determinants of economic growth, namely, productivity gains, innovation, developing the regions and increasing the pool of qualified workers.

- New initiatives totalling nearly \$900 million have been planned to boost the productivity of Québec's economy and stimulate innovation.

In order to grow Québec's wealth, the government has planned initiatives totalling close to \$12.1 billion by 2027-2028 and aimed at:

- improving Quebecers' disposable income;
- increasing the productivity of Québec's economy;
- contributing to the prosperity of the regions;
- addressing the labour shortage;
- adapting the Québec Pension Plan to the new realities of Quebecers.

TABLE B.1

Financial impact of the measures to grow Québec's wealth
 (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Improving Quebecers' disposable income	-401.5	-1 657.1	-1 698.3	-1 749.5	-1 802.4	-1 856.9	-9 165.7
Increasing the productivity of Québec's economy	—	-109.2	-221.8	-199.3	-173.3	-184.0	-887.6
Contributing to the prosperity of the regions	—	-219.5	-270.8	-375.2	-289.6	-275.1	-1 430.2
Addressing the labour shortage	-100.0	-95.4	-120.2	-113.8	-98.4	-87.4	-615.2
Adapting the Québec Pension Plan to the new realities of Quebecers	—	—	—	—	—	—	—
TOTAL	-501.5	-2 081.2	-2 311.1	-2 437.8	-2 363.7	-2 403.4	-12 098.7

1. IMPROVING QUEBECERS' DISPOSABLE INCOME

In the current economic context, improving the financial situation of Quebecers will boost their level of consumption and savings, which will contribute to collective enrichment.

In this regard, the government is following through on its commitment and is announcing a personal income tax reduction as of 2023. This represents a \$1.7-billion reduction per year for 4.6 million taxpayers, which will have positive impacts on the economy and the labour supply.

- This tax reduction will be funded by a more moderate growth in deposits in the Generations Fund¹ and will not reduce the government's financial capacity to support its various missions.

Overall, nearly \$9.2 billion will be invested by 2027-2028 to improve Quebecers' disposable income.

TABLE B.2

Financial impact of the measure to improve Quebecers' disposable income (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Lowering taxes	-401.5	-1 657.1	-1 698.3	-1 749.5	-1 802.4	-1 856.9	-9 165.7

¹ See Section I, "The Québec Government's Debt" and Section C of *Additional Information – March 2023*.

1.1 Lowering taxes

Quebecers are the most taxed in Canada. In 2021, the personal income tax burden was 14.7% of GDP.

- This proportion is higher than the Canadian average excluding Québec of 12.7% and the average for advanced OECD economies of 9.5%.

However, this drain on personal income can reduce individuals' consumption and their ability to save. Furthermore, high personal income tax rates make it less worthwhile for workers to work more, particularly those in the middle class.

In the context of a labour shortage and an economic slowdown, this high tax burden is a major obstacle to Québec's economic growth.

In an effort to stimulate the labour supply and thus contribute to economic prosperity, the government is announcing a reduction of personal income tax as of the 2023 taxation year.

A decrease in the two bottom tax rates

Budget 2023-2024 thus provides for a 1-percentage-point decrease in the two bottom tax rates as of taxation year 2023, namely:

- a decrease from 15% to 14% for the first tax rate;
- a decrease from 20% to 19% for the second tax rate.

To maintain consistency in the tax system, the conversion rate for personal tax credits is also being reduced by 1 percentage point from 15% to 14%.

TABLE B.3

Modification of marginal rates from the tax table (per cent)

2023 tax bracket	Before budget	After budget	Difference
Up to \$49 275	15.00	14.00	-1.00
More than \$49 275 up to \$98 540	20.00	19.00	-1.00
More than \$98 540 up to \$119 910	24.00	24.00	—
More than \$119 910	25.75	25.75	—
Conversion rate for personal tax credits	15.00	14.00	-1.00

Québec: the most taxed in Canada and among the most taxed in the OECD

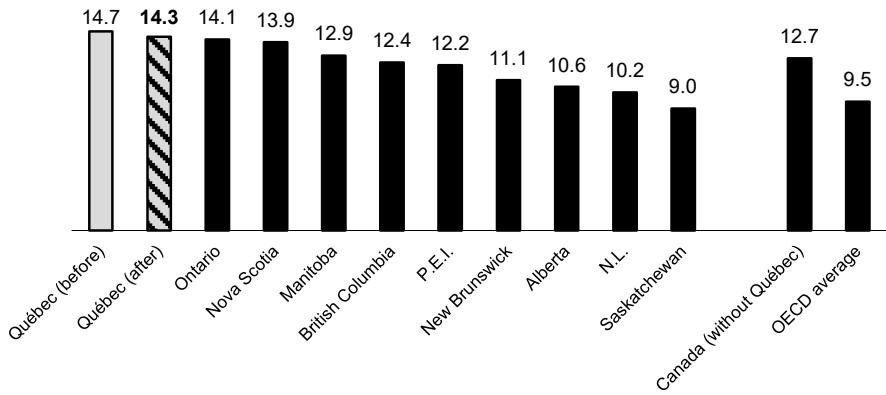
Québec has the highest personal income tax to GDP ratio in Canada. In 2021, this proportion was 14.7%, which is higher than the Canadian average excluding Québec of 12.7% and the average for advanced OECD economies of 9.5%.

Amid the current labour shortage, high taxes can be a barrier to consumption and savings, and a disincentive to work.

The objective of the personal income tax reduction is to stimulate economic growth and make Québec more attractive to workers.

With the tax reduction announced in this budget, the ratio of personal income tax to GDP in Québec will drop from 14.7% to 14.3%, still making it the highest-taxed province in Canada.

Personal income tax-to-GDP ratio by province, for Canada (excluding Québec) and advanced OECD economies – 2021
(per cent)



Note: For all the provinces, this proportion takes into account personal income taxes paid to the provincial and federal governments. The personal income tax burden in Québec after the tax reduction is presented for illustrative purposes only.

Sources: Department of Finance Canada, Statistics Canada and OECD.

A reduction in the tax rate differential with Ontario

Individuals with a taxable income of less than \$100 000 are subject to much higher taxes in Québec than in Ontario when considering both federal and provincial taxation.

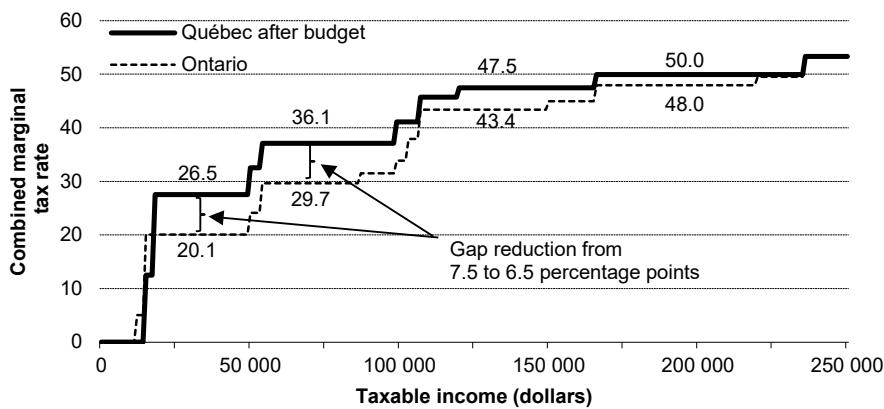
- For example, between an income of \$20 000 and \$85 000, the combined tax rate¹ in Québec is 7.5 percentage points (ppt) higher than in Ontario.
- This difference is less significant above an income of \$100 000. It is 4.1 ppt between \$120 000 and \$150 000 and 2.0 ppt between \$165 000 and \$220 000.
- At higher incomes of \$220 000 and above, the rate is similar between the two provinces.

Thus, the 1-ppt tax reduction reduces the tax differential with Ontario for taxpayers with incomes under \$100 000.

- Between an income of \$20 000 and \$85 000, the maximum combined rate will drop to 36.1%, a difference of 6.5 ppt.

Combined tax rate for Québec and Ontario – 2023

(per cent)



¹ The combined tax rate takes into account the provincial marginal tax rate including the Ontario surtax and the federal marginal tax rate including the special Québec abatement.

□ A gain of up to \$814 per person

The tax reduction may be up to \$814 for a person living alone and \$1 627 for a couple.

For example, a person living alone with an income of \$60 000 will receive a tax reduction of \$428, while a couple where each spouse has an income of \$30 000 will receive a total tax reduction of \$256.

— At an income of \$100 000, the tax reduction will reach \$814 for a person living alone and \$656 for a couple.

TABLE B.4

Example of the tax reduction – 2023 (dollars)

Income ⁽¹⁾	Person living alone			Couple with two equal incomes		
	Tax before budget	Tax after budget	Tax reduction	Tax before budget	Tax after budget	Tax reduction
No income	—	—	—	—	—	—
20 000	127	119	-8	—	—	—
40 000	3 157	2 946	-210	845	789	-56
60 000	6 959	6 531	-428	3 845	3 589	-256
80 000	10 959	10 331	-628	6 845	6 389	-456
100 000	15 017	14 204	-814	9 918	9 261	-656
150 000	27 544	26 730	-814	19 918	18 761	-1 156
200 000	40 419	39 605	-814	30 034	28 407	-1 627

(1) For illustrative purposes, the income used is equal to taxable income. Taxable income equals the individual's total income less certain deductions, such as the deduction for workers and the deduction for additional contributions to the Québec Pension Plan.

A tax reduction that benefits all taxable taxpayers

This tax reduction will provide \$1.7 billion in tax relief per year to the 4.6 million taxable taxpayers in Québec.

- Three quarters of the tax reduction will go to taxpayers with income of \$98 540 or less. This represents nearly \$1.3 billion more per year that will go to about 4.1 million Québec taxpayers.
- Half of the tax reduction will go to taxpayers with incomes of \$72 500 or less, or about 3.4 million people.

TABLE B.5

Breakdown of tax reduction by tax bracket

2023 tax bracket	Number of taxable taxpayers	Tax reduction in 2023-2024		
		\$million	%	Gain
Up to \$49 275	2 221 320	-347.6	21	\$0 to \$321
More than \$49 275 up to \$98 540	1 837 497	-903.0	54	\$321 to \$814
Subtotal	4 058 817	-1 250.6	75	
More than \$98 540 up to \$119 910	217 936	-174.5	11	\$814
More than \$119 910	290 921	-232.0	14	\$814
TOTAL	4 567 674	-1 657.1	100	

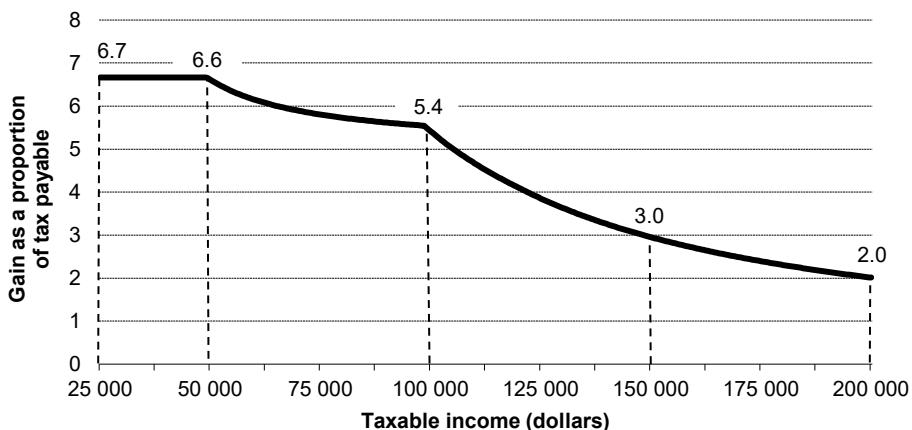
■ **A larger gain in the proportion of tax for low- and middle-income taxpayers**

The gain resulting from the tax reduction, as a proportion of Québec income tax payable, is larger for low- and middle-income taxpayers.

- For example, a taxpayer with an income of \$25 000 will see a 6.7% reduction in their taxes.
- This proportion will be similar for a person with an income of \$50 000, amounting to a 6.6% reduction in their taxes.
- However, for a high-income individual, the tax reduction constitutes a fairly small reduction compared to the amount of tax they pay. For example, at an income of \$200 000, this proportion only constitutes 2% of the tax payable.

CHART B.1

Gain from the tax reduction as a proportion of Québec income tax payable for a person living alone – 2023
(per cent)



A tax reduction as of July 2023

The government wants to put money back in Quebecers' pockets quickly. Therefore, wage earners will start benefiting from the tax reduction as of July 2023.²

- Their source deductions will be adjusted as of July 2023.
- The remaining tax reduction will be granted when they file their 2023 income tax returns in spring 2024.

For those who determine their own instalments, the amounts can be readjusted now, in accordance with the usual rules.

For example, a wage earner living alone with an income of \$75 000 may receive a tax reduction of \$289 in 2023, or half of their total gain.

TABLE B.6

Tax reduction by income bracket for a wage earner living alone – 2023 taxation year (dollars)

Income ⁽²⁾	Reduction of source deductions ⁽¹⁾			Tax reduction on filing the tax return	Total gain
	Before July 1	As of July 1	Total		
25 000	—	-2	-29	-29	-58
50 000	—	-13	-164	-164	-328
75 000	—	-22	-289	-289	-578
100 000	—	-31	-407	-407	-814
125 000	—	-31	-407	-407	-814

(1) Source deductions are deducted every two weeks in the illustrated case.

(2) For illustrative purposes, the income used is equal to taxable income. Taxable income equals the individual's total income less certain deductions, such as the deduction for workers and the deduction for additional contributions to the Québec Pension Plan.

² For more details, see Section A of *Additional Information – March 2023*.

Adjustments to certain non-refundable tax credits

In Québec, the conversion rate for certain personal tax credits¹ corresponds to the bottom rate of the personal income tax table.

- To ensure consistency, the conversion rate for these tax credits is also being reduced by 1 percentage point from 15% to 14%.

Therefore, in order not to penalize certain households, the amounts below will be increased in 2023. The increase in these amounts offsets the loss due to the lower conversion rate, thus maintaining the same level of tax assistance.

Changes in amounts used to calculate certain personal tax credits – 2023 (dollars, unless otherwise indicated)

	Before changes			After changes		
	Amount	Rate	Tax assistance	Amount	Rate	Tax assistance
Amount for a child under 18 enrolled in vocational training or post-secondary studies (per term)	3 301	15%	495	3 537	14%	495
Amount for other dependants	4 810	15%	722	5 154	14%	722
Transfer of a recognized parental contribution						
– Maximum amount	11 795	15%	1 769	12 638	14%	1 769
– Reduction when only one term has been completed	3 301	15%	495	3 537	14%	495

Other non-refundable tax credits affected

Four other non-refundable tax credits are converted to a harmonized rate at the bottom tax rate: the tax credit for career extension, the first-time home buyers' tax credit, the tax credit for volunteer firefighters and the tax credit for search and rescue volunteers.

- As a result, their conversion rate also drops from 15% to 14% as of the 2023 taxation year.

In addition, the amount of the tax credit for volunteer firefighters and the one for search and rescue volunteers are increased from \$3 000 to \$5 000 as of taxation year 2023 (see Section E, "Supporting Quebecers").

1 These personal tax credits are the basic amount, the age amount, the amounts for a person living alone, the amount for retirement income, the amount for other dependants, the amount for a child under 18 enrolled in vocational training or post-secondary studies, the amounts to calculate the transfer of the recognized parental contribution and the amount for a severe and prolonged impairment in mental or physical functions.

Helping low- and middle-income Quebecers

The government plans to increase the housing component of the refundable solidarity tax credit as of July 2023.³

Thus, individuals who have a tax payable or live in unsubsidized housing could benefit from additional tax assistance starting in 2023 with the tax reduction or increase in the housing component of the refundable solidarity tax credit.

■ Example of combined assistance for a person living alone

Thanks to the measures in Budget 2023-2024, a person living alone will benefit from:

- an increase in the housing component of the solidarity tax credit of \$78 if they have no income;
- an increase in the housing component of \$78 and a tax reduction of \$108, for a combined assistance of \$186 if they have an income of \$30 000;
- an increase in the housing component of \$78 and a tax reduction of \$328, for a combined assistance of \$406 if they have an income of \$50 000.

TABLE B.7

Example of combined assistance for a person living alone – 2023 (dollars)

Income ⁽¹⁾	Housing component of the refundable solidarity tax credit			Tax reduction			
	Before July 2023	After July 2023	Gain	Before budget	After budget	Gain	Total
No income	599	677	78	—	—	—	78
10 000	599	677	78	—	—	—	78
20 000	599	677	78	127	119	8	86
30 000	599	677	78	1 627	1 519	108	186
40 000	571	649	78	3 157	2 946	210	288
50 000	240	318	78	4 959	4 631	328	406
60 000	—	—	—	6 959	6 531	428	428

(1) For illustrative purposes, the income used is equal to taxable income. Taxable income equals the individual's total income less certain deductions, such as the deduction for workers and the deduction for additional contributions to the Québec Pension Plan.

³ Details of the measure are presented in Section E, "Supporting Quebecers."

■ Example of combined assistance for a couple with two children

The amount of the increase in the refundable solidarity tax credit is more generous for families, who generally have greater housing needs.

Thanks to the measures in Budget 2023-2024, a couple with two children will benefit from:

- an increase in the housing component of the solidarity tax credit of \$126 if they have no income;
- an increase in the housing component of \$126 and a tax reduction of \$256, for a combined assistance of \$382 if they have a family income of \$60 000.

TABLE B.8

Example of combined assistance for a couple with two equal incomes and two children – 2023 (dollars)

Family income ⁽¹⁾	Housing component of the refundable solidarity tax credit			Tax reduction			
	Before July 2023	After July 2023	Gain	Before budget	After budget	Gain	Total
No income	983	1 109	126	—	—	—	126
20 000	983	1 109	126	—	—	—	126
40 000	953	1 079	126	845	789	56	182
50 000	593	719	126	2 345	2 189	156	282
60 000	234	360	126	3 845	3 589	256	382
70 000	—	—	—	5 345	4 989	356	356

(1) For illustrative purposes, the income used is equal to taxable income. Taxable income equals the individual's total income less certain deductions, such as the deduction for workers and the deduction for additional contributions to the Québec Pension Plan.

Close to \$25 billion by 2027-2028 to benefit Quebecers

In the face of soaring prices caused by inflation, the government has introduced major measures since fall 2022 to provide rapid financial support to Quebecers.

This budget provides \$9.5 billion over six years for the tax reduction and to enhance the housing component of the refundable solidarity tax credit.¹

These measures complement those announced last fall, namely:

- \$9.7 billion to enhance the senior assistance amount as of 2022 for nearly 1.1 million seniors aged 70 or over;
- \$3.5 billion in 2022-2023 for the new one-time cost of living support payment to nearly 6.5 million Quebecers;
- \$2.0 billion to cap rate indexing at 3% as of January 1, 2023 for a period of four years, from 2023 to 2026.

Overall, nearly \$25 billion will be provided to benefit Quebecers by 2027-2028, including nearly \$3.7 billion in 2023-2024.

Financial impact of the actions to benefit Quebecers since fall 2022 (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Budget 2023-2024							
Lowering taxes	-401.5	-1 657.1	-1 698.3	-1 749.5	-1 802.4	-1 856.9	-9 165.7
Enhancing the solidarity tax credit	—	-42.6	-59.1	-61.4	-63.3	-65.3	-291.7
Subtotal	-401.5	-1 699.7	-1 757.4	-1 810.9	-1 865.7	-1 922.2	-9 457.4
Fall 2022 update							
Enhancing the senior assistance amount	-1 544.5	-1 574.2	-1 605.2	-1 630.8	-1 652.9	-1 707.8	-9 715.4
Granting a new one-time cost of living support payment	-3 513.6	—	—	—	—	—	-3 513.6
Limiting rate indexing to 3%	-32.4	-376.5	-603.9	-301.8	-335.0	-346.0	-1 995.6
Subtotal	-5 090.5	-1 950.7	-2 209.1	-1 932.6	-1 987.9	-2 053.8	-15 224.6
TOTAL	-5 492.0	-3 650.4	-3 966.5	-3 743.5	-3 853.6	-3 976.0	-24 682.0

¹ Details of the measure are presented in Section E, “Supporting Quebecers.”

2. INCREASING THE PRODUCTIVITY OF QUÉBEC'S ECONOMY

Given the labour shortage, productivity gains hold the greatest potential for boosting economic growth and improving the standard of living.

As a result, the government is announcing the introduction of a new tax holiday for large investment projects, which will promote the implementation of more large investment projects throughout Québec and stimulate productivity gains in a greater number of sectors with growth potential.

In order to increase the productivity of Québec's economy, in Budget 2023-2024, the government has planned initiatives totalling \$887.6 million over five years and aimed at:

- stimulating private investment to accelerate economic growth;
- stepping up efforts in innovation;
- promoting business growth, digitization and exports.

TABLE B.9

Financial impact of the measures to increase the productivity of Québec's economy (millions of dollars)

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Stimulating private investment to accelerate economic growth	—	-33.9	-46.8	-71.9	-107.5	-152.9	-413.0
Stepping up efforts in innovation	—	-53.9	-73.0	-74.1	-36.8	-34.9	-272.7
Promoting business growth, digitization and exports	—	-21.4	-102.0	-53.3	-29.0	3.8	-201.9
TOTAL	—	-109.2	-221.8	-199.3	-173.3	-184.0	-887.6

2.1 Stimulating private investment to accelerate economic growth

Private investment is essential for business productivity gains and long-term economic growth. Québec's productivity is below that of Ontario, primarily due to a lower amount of non-residential investment.

In order to stimulate private investment to accelerate economic growth, the government is providing \$413.0 million over five years in Budget 2023-2024 for the following purposes:

- implementing the new tax holiday for large investment projects;
- developing industrial land for large-scale projects;
- optimizing the impacts of Québec's tax-advantaged funds.

TABLE B.10

Financial impact of the measures to stimulate private investment to accelerate economic growth (millions of dollars)

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Implementing the new tax holiday for large investment projects	—	-23.9	-34.8	-59.9	-101.5	-152.9	-373.0
Developing industrial land for large-scale projects ⁽¹⁾	—	-10.0	-12.0	-12.0	-6.0	—	-40.0
Optimizing the impacts of Québec's tax-advantaged funds	—	—	—	—	—	—	—
TOTAL	—	-33.9	-46.8	-71.9	-107.5	-152.9	-413.0

(1) The appropriations will be granted to the Ministère de l'Économie, de l'Innovation et de l'Énergie. The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

□ **Implementing the new tax holiday for large investment projects**

One of the main tools Québec has to stimulate business investment is the tax holiday for large investment projects, a tax measure that will expire on December 31, 2024.

To attract more investment to Québec and stimulate productivity gains, in Budget 2023-2024, the government is announcing the introduction of a new tax holiday for large investment projects.

This new tax holiday means that a company that carries out an investment project worth at least \$100 million in Québec will benefit from a tax holiday on revenue and employer contributions to the Health Services Fund.

Compared to the current measure, the new tax holiday will:

- reach a greater number of activity sectors, particularly the service sector;
- provide an enhanced incentive to carry out large investment projects in Québec, which could now represent up to 25% of eligible investments, depending on the location of the project in Québec;
- simplify its application and make the measure more attractive to businesses by allowing them to benefit from the assistance more quickly on their entire eligible tax expenses for a period of 10 years.

The new measure will take effect the day after the budget speech, and businesses will have until December 31, 2029, to submit their projects.

- It will replace the current tax holiday for large investment projects, for which it will no longer be possible to submit new projects.

■ Supporting the development of more sectors

The new tax holiday for large investment projects will target more activity sectors, thus encouraging the carrying out of a greater number of such projects in Québec.

- This is a significant enhancement compared to the current tax holiday, which only targets five activity sectors⁴ as well as projects to modernize businesses through digital transformation.

TABLE B.11

Major sectors of activity targeted by the new tax holiday for large investment projects

Agriculture and forestry
Extraction of critical and strategic minerals
Manufacturing
Wholesale and retail trade
Transportation and warehousing
Information and cultural industries
Professional, scientific and technical services
Arts, entertainment and recreation

Note: The list of excluded activity sectors is found in Section A of *Additional Information – March 2023*.

This enhancement will accelerate the expansion of activity sectors with growth potential that:

- have opportunities for significant productivity improvements, such as retail trade, logging and services to businesses;
- can have multiplier effects on the entire economy, such as artificial intelligence and information and communication technologies;
- promote the energy transition, such as critical and strategic mineral extraction and transportation.

⁴ The five sectors are manufacturing, wholesale trade, warehousing, data processing and hosting, and the development of eligible digital platforms.

■ Increased assistance for projects in the regions

The new tax holiday for large investment projects will provide basic assistance of up to 15% of eligible investments for a project in the Montréal and Québec City metropolitan communities.

To further encourage businesses to invest in the regions and to take into consideration the particular challenges some of the regions face, the new tax holiday for large investment projects will provide enhanced tax assistance of up to:

- 20% of eligible investments for projects outside the urban centres of Montréal and Québec City;
- 25% of eligible investments for projects in territories where the economic vitality index is among the 25% lowest in Québec.

■ A simplified application for a more attractive and predictable measure

The new tax holiday for large investment projects will provide businesses with more predictable tax assistance that is easier to claim. The assistance may be applied to all eligible tax expenses rather than just those arising from the investment project.

In addition, for the purposes of calculating the tax assistance, the eligible investment amount will be reduced by the value of any government assistance received for the project.

- Eligible investments that are taken into account to determine the tax assistance ceiling can be up to \$1.0 billion per project.

TABLE B.12

Principal parameters of the current and new tax holiday for large investment projects

	Current tax holiday	New tax holiday
Description	Holiday for eligible tax expenses	Holiday for eligible tax expenses
Eligible tax expenses	Corporate income tax and employer contribution to the Health Services Fund associated with the activities of the large investment project ⁽¹⁾	Corporate income tax and employer contribution to the Health Services Fund on all of the recipient corporation's activities
Maximum eligible investments per project	—	1.0 billion dollars
Tax assistance ceiling / Tax assistance rate	15% of eligible capital investments	Major urban centres: ⁽²⁾ 15% of eligible capital investments Other territories or regions: 20% of eligible capital investments Territories with low economic vitality: ⁽³⁾ 25% of eligible capital investments
Maximum period to benefit from the tax holiday	15 years	10 years
Annual tax assistance ceiling	—	Tax assistance ceiling divided into equal parts over a 10-year period
Eligible activity sectors	Manufacturing, wholesale trade, warehousing, data processing and hosting, development of eligible digital platforms, eligible digital transformation projects	Major economic activity sectors ⁽⁴⁾

(1) Following the 2023-2024 budget speech, an alternative to separate accounting will be introduced as part of the current tax holiday for large investment projects.

(2) Montréal and Québec City metropolitan communities.

(3) La Matanie, La Matapédia, La Mitis, Les Basques, Témiscouata, Le Domaine-du-Roy, Maria-Chapdelaine, Charlevoix-Est, La Tuque, Maskinongé, Mékinac, Shawinigan, Les Sources, La Vallée-de-la-Gatineau, Papineau, Pontiac, La Haute-Côte-Nord, Le Golfe-du-Saint-Laurent, Avignon, Bonaventure, La Haute-Gaspésie, Le Rocher-Percé, Les Etchemins, Matawinie, Antoine-Labellé and Argenteuil.

(4) The list of excluded activity sectors is found in Section A of *Additional Information – March 2023*.

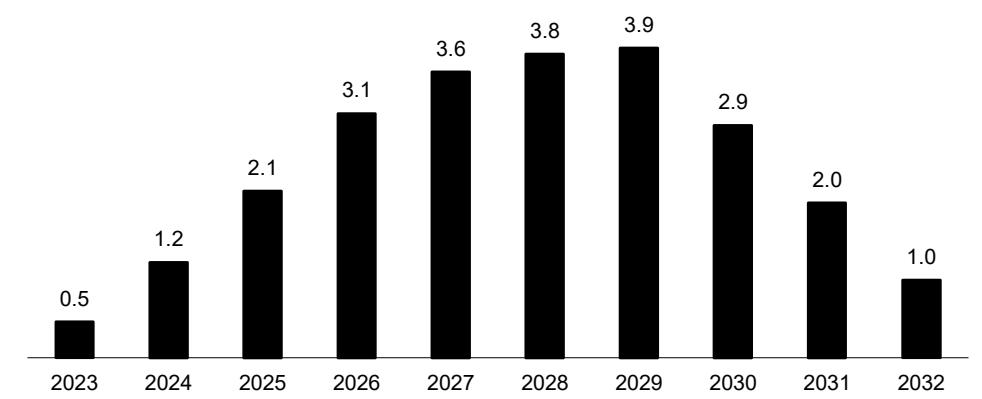
■ Positive effects on Québec's economy

The new tax holiday for large investment projects will provide \$373.0 million in financial support to businesses over the next five years.

It will support the implementation of nearly 100 new investment projects in Québec, ultimately generating investments totalling more than \$24 billion.

CHART B.2

Average annual investments supported by the new tax holiday for large investment projects (billions of dollars)



□ Developing industrial land for large-scale projects

To draw large-scale investment projects to Québec, particularly those in the battery sector, it is important to provide businesses with large industrial sites.

To help attract large-scale projects to Québec, the government is providing \$40.0 million over four years.

This amount will be used to carry out land characterization studies, engineering and pre-project work, and to ensure the sustainable development of industrial sites.

Furthermore, \$135.5 million has been earmarked in the 2023-2033 Québec Infrastructure Plan for the development of industrial land.

□ Optimizing the impacts of Québec's tax-advantaged funds

Québec has three tax-advantaged funds: the Fonds de solidarité FTQ, Fondaction and Capital régional et coopératif Desjardins (CRCD). Together, these funds play a major economic role in savings and investment in Québec.

To optimize the impacts of their actions while limiting their associated tax expenditures, the government is announcing initiatives in Budget 2023-2024 aimed at:

- modernizing the intervention framework of tax-advantaged funds;
- strengthening their savings role and refocusing tax assistance related to the acquisition of shares of these funds on Quebecers most in need of incentives to save.

The funds play a major economic role in Québec
<p>The main missions of the tax-advantaged funds are to invest in Québec SMBs and promote the development of sound savings habits among Quebecers.</p> <ul style="list-style-type: none">— In 2021, they invested nearly \$1.9 billion in the Québec economy and directly or indirectly supported over 5 200 Québec businesses.<ul style="list-style-type: none">▪ The funds play a major role in Québec's financing ecosystem by providing Québec businesses with access to unsecured capital, in addition to the traditional financing offered by financial institutions.— That same year, the funds had over 1 million shareholders and received contributions totalling over \$1.5 billion, representing, for Fonds de solidarité FTQ and Fondaction, nearly 12% of total RRSP deductions in Québec.

■ Modernizing the intervention framework of tax-advantaged funds

In order for the tax-advantaged funds to better meet the current needs of Québec businesses and savers, their intervention framework will be amended in order to:

- update their role through renewed investment functions;
- increase their impact in Québec via a simplified investment requirement;
- maximize the economic impact of their investments.

■ **Renewed functions**

The investment functions of the tax-advantaged funds were established at the time of their creation, in line with the economic challenges at that time, including creating and saving jobs.

With the digital transformation, labour shortages and climate change, Québec's economic challenges have changed considerably since then.

In response to these challenges, the functions of the tax-advantaged funds will be updated. In particular, these changes will ensure that their dealings:

- accelerate the development of Québec businesses by improving their productivity;
- help address labour-shortage issues faced by Québec businesses;
- promote a fair transition for workers, who are navigating a changing work environment, due in particular to the digitization of the economy and production process automation.

■ **Increasing the economic impact of tax-advantaged funds in Québec via a simplified investment requirement**

Tax-advantaged funds must comply with an investment requirement stipulating that a minimum of 65% of their net assets must be comprised of investments that meet certain pre-established conditions.

However, this requirement now includes a number of investment categories and subcategories, making it more complex for the funds to apply and for the competent authorities to monitor.

Against this backdrop, as part of Budget 2023-2024, the government is announcing a new simplified investment requirement with three investment categories that will be implemented as of 2024.

The investment requirement that eligible investments must represent at least 65% of the funds' net assets will be maintained.

The rollout of investments that are eligible under the requirement will be governed by an investment policy approved by the Minister of Finance.

TABLE B.13

Simplified requirement categories

Simplified requirement	Eligibility criteria
Category 1 – Québec businesses and head offices	Investments made in businesses that: <ul style="list-style-type: none"> – are Québec owned or have a main decision-making centre in Québec – are actively operated in Québec
Category 2 – Québec investment funds	Investment funds administered in Québec focusing on businesses that meet Category 1 criteria for an amount at least equivalent to the sums invested by the tax-advantaged fund
Category 3 – Other investments that benefit Québec	Investments in the real estate sector that are expected to provide societal benefits, particularly environmental, social or cultural benefits Investment funds administered outside Québec focusing on businesses that meet Category 1 criteria for an amount at least equivalent to the sums invested by the tax-advantaged fund Eligible investments in this category may represent a maximum of 10% of net assets

Note: Eligible investments in companies with more than \$200 million in assets or more than \$100 million in net worth may represent up to 30% of the net assets of the fund.

■ **Maximizing the economic impact of the funds' investments**

Currently, a shareholder of a labour-sponsored fund⁵ must hold their shares until retirement and must retain them for a minimum of two years.

In order to allow labour-sponsored funds to hold the capital to invest over a longer period of time, and thus maximize the economic impact of their investments, in Budget 2023-2024, the government is extending the minimum holding period for Fonds de solidarité FTQ and Fondaction shares from two to five years.

This change will be implemented gradually as of June 1, 2024 and will take full effect on June 1, 2026.

⁵ The term “labour-sponsored fund” refers to the Fonds de solidarité FTQ and Fondaction, while the term “tax-advantaged funds” refers to both labour-sponsored funds and CRCD.

- **Strengthening the savings role of labour-sponsored funds and refocusing tax assistance on Quebecers most in need of an incentive to save**

Since their inception, labour-sponsored funds have played a significant role in Quebecers' savings. However, the constituting acts of these funds do not set out any particular objective in this regard.

To strengthen their savings role, labour-sponsored funds will be given an enhanced mandate to include the objective of promoting sound savings habits among Quebecers, especially those with no employer-sponsored retirement plan.

- **Ensuring access to the tax credit for a labour-sponsored fund for Quebecers who need it the most**

To maintain a balanced business model, labour-sponsored funds have had to suspend their annual share issues in recent years.

Some savers, who rely on the tax credit associated with the purchase of these shares to help them save, were unable to access it.

To ensure that the tax credit for a labour-sponsored fund is available to the savers who need it the most, while containing its associated tax expenditure, as part of Budget 2023-2024, the government is providing that the tax credit will be accessible only to taxpayers whose taxable income is equal to or below the threshold of the top tax bracket (\$112 655 for the 2022 taxation year).

This change, which will apply beginning in the 2024 taxation year, will give access to the tax credit to approximately 60 000 savers with taxable incomes equal to or below the threshold of the top tax bracket.

Taxable income for the year preceding the most recently completed taxation year will determine whether savers can access the tax credit.

2.2 Stepping up efforts in innovation

Québec can increase its productivity by improving its performance with regard to research, innovation and commercialization, particularly by creating innovative businesses and accelerating their development.

In Budget 2023-2024, the government is planning initiatives totalling \$272.7 million over five years and aimed at:

- continuing to create innovation zones;
- promoting innovation in transportation;
- enhancing merit scholarships;
- supporting clean technologies and the circular economy;
- supporting the life sciences and medical technologies sector;
- supporting Finance Montréal's FinTech Station;
- renewing support for the Centre interuniversitaire de recherche en analyse des organisations and the Institut du Québec;
- promoting the adoption of emerging technologies and practices in the public service;
- enhancing the Institut de la statistique du Québec's research data access services.

TABLE B.14

Financial impact of the measures to step up efforts in innovation
(millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Continuing to create innovation zones ⁽¹⁾	—	-20.0	-20.0	-20.0	-20.0	-20.0	-100.0
Promoting innovation in transportation ^{(1),(2)}	—	-5.0	-25.0	-25.0	—	—	-55.0
Enhancing merit scholarships ^{(1),(2)}	—	-10.0	-10.0	-10.0	-10.0	-10.0	-50.0
Supporting clean technologies and the circular economy ^{(1),(2)}	—	-10.0	-10.0	-10.0	—	—	-30.0
Supporting the life sciences and medical technologies sector ^{(1),(2)}	—	-2.0	—	-4.0	-4.0	-2.0	-12.0
Supporting Finance Montréal's FinTech Station ⁽³⁾	—	-2.0	-2.1	-2.2	-2.3	-2.4	-11.0
Renewing support for the Centre interuniversitaire de recherche en analyse des organisations and the Institut du Québec ^{(2),(3)}	—	-2.4	-2.4	-2.4	—	—	-7.2
Promoting the adoption of emerging technologies and practices in the public service ^{(2),(4)}	—	-2.0	-3.0	—	—	—	-5.0
Enhancing the Institut de la statistique du Québec's research data access services ^{(2),(3)}	—	-0.5	-0.5	-0.5	-0.5	-0.5	-2.5
TOTAL	—	-53.9	-73.0	-74.1	-36.8	-34.9	-272.7

(1) The appropriations will be granted to the Ministère de l'Économie, de l'Innovation et de l'Énergie.

(2) The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

(3) The appropriations will be granted to the Ministère des Finances.

(4) The appropriations will be granted to the Ministère de la Cybersécurité et du Numérique.

Continuing to create innovation zones

As a central aspect of the government's economic vision, innovation zones promote the commercialization of innovations and export growth, local and foreign investment, and business productivity.

In February 2022, the government unveiled the first two Québec innovation zones:

- DistriQ, located in Sherbrooke, in the quantum sciences and technological applications sector, which will allow Québec to host a state-of-the-art IBM quantum computer, the first in Canada, in the coming months;
- Technum Québec, located in Bromont, in the digital technologies sector.

The government is providing \$100.0 million over five years to continue creating innovation zones.

These investments will position Québec as an international player in innovation and will facilitate talent attraction and retention.

Promoting innovation in transportation

For Québec to achieve its greenhouse gas emission reduction and energy transition objectives, actions in the transportation sector must be prioritized.

It is important to develop new technologies and support the design, development and commercialization of innovations to support the energy transition in the transportation sector.

The government is providing \$55.0 million over three years to support innovation in the transportation sector, particularly research and development partnerships and technology showcases.

Enhancing merit scholarships

The Fonds de recherche du Québec (FRQ) is mandated to support research and the next generation of researchers to fuel discovery and innovation.

The merit scholarships administered by the FRQ are a powerful tool for promoting research in Québec and attracting and retaining talent in all the areas they target.

To enhance the FRQ merit scholarships for the scientific community, in particular for graduate students, the government is providing \$50.0 million over the next five years in Budget 2023-2024.

Supporting clean technologies and the circular economy

Supporting clean technologies is essential to encourage innovation and the development of a greener economy. In particular, the emergence of these new technologies will allow Québec to remain a leader in the fight against climate change.

To support the green transition and decarbonization of the economy, the government is setting aside \$30.0 million over three years to support businesses that develop and commercialize clean technologies.

This funding will make it possible, in particular, to launch calls for projects aimed at encouraging the adoption of clean technologies and environmentally responsible practices, and to implement circular economy initiatives.

Supporting the life sciences and medical technologies sector

Businesses in the life sciences sector, particularly in the medical technology sector, need access to a continuous supply of financing, particularly in the accelerated expansion phase.

BioMed Propulsion aims to promote the commercialization of Québec discoveries in the life sciences industry, while driving participation by private and foreign investors.

The government is providing \$12.0 million over five years to continue financing businesses in the life sciences sector under BioMed Propulsion.

Supporting Finance Montréal's FinTech Station

Finance Montréal's FinTech Station, a centre of excellence in financial technologies, is mandated to catalyze initiatives to promote the development and raise the profile of the financial technology (fintech) ecosystem and its emerging businesses, as well as technological innovation by its members.

The FinTech Station provides fintech ecosystem startups with access to modern workspaces, while introducing them to a network of decision-makers with a view to accelerating their growth.

To support Finance Montréal's mission and thereby support emerging fintech startups, in Budget 2023-2024, the government is setting aside an additional investment of \$15.4 million over the next seven years, including \$11.0 million by 2027-2028.

Due to its success, the FinTech Station's rental spaces are approaching capacity. This additional support will allow FinTech Station to continue its mission and expand its office space to accommodate an additional 15 to 20 emerging companies.

Renewing support for the Centre interuniversitaire de recherche en analyse des organisations and the Institut du Québec

The government wishes to continue supporting research on public policies and the issues facing Québec in order to come up with potential ways to improve public finances and economic development.

In Budget 2023-2024, the government is providing \$6.3 million and \$0.9 million, respectively, over three years, to renew support to the Centre interuniversitaire de recherche en analyse des organisations (CIRANO) and to the Institut du Québec (IDQ).

Promoting the adoption of emerging technologies and practices in the public service

To respond to societal challenges, including labour shortages, population aging and climate change, the government must automate its processes, use innovative and emerging technologies to improve the efficiency of the public service and thereby provide the public with faster, more accessible services tailored to the new reality.

With this in mind, the government is investing \$5.0 million over two years to develop leading-edge expertise within the Ministère de la Cybersécurité et du Numérique by calling on scientists and experts in automation and artificial intelligence from universities and research centres. These investments represent the first step toward using such practices and technologies in the public service and leveraging their full potential.

Enhancing the Institut de la statistique du Québec's research data access services

Since June 17, 2019, the Institut de la statistique du Québec (ISQ) has made it easier for researchers working with public bodies to access data, particularly data held by the health care and education sectors, in a secure environment that ensures that they remain confidential. Data held by other public bodies will also soon be accessible.⁶

The government is setting aside \$2.5 million over five years to add Retraite Québec data to these services. Among other things, this initiative will help to better understand the circumstances of retirees, with a view to improving the public policies that they benefit from.

In addition, legislative amendments will be proposed to allow employees of public bodies to use the ISQ's research data access services in relation to the data from their organization. These changes will allow public bodies to better understand how the services they provide are used and to assess their outcomes.

⁶ Data from Revenu Québec, the Ministère de l'Emploi et de la Solidarité sociale, the Ministère du Travail and the Ministère de l'Immigration, de la Francisation et de l'Intégration.

New process for researchers to access data

A few years ago, researchers wishing to access data from different areas of government activity had to submit a separate request to each public agency holding the data, in addition to seeking authorization from the Commission d'accès à l'information du Québec (CAI), which resulted in long delays.

The new process allows researchers to submit a single data access request to the Institut de la statistique du Québec (ISQ) without having to obtain authorization from the CAI and the public agencies holding the data, thereby reducing delays by several weeks. For this to happen, the data held by public bodies must first have been designated by the government. Data can be paired according to the researchers' needs.

The designated data come from the following government departments and bodies: the Ministère de la Santé et des Services sociaux, the Ministère de l'Éducation, the Ministère de l'Enseignement supérieur and the Régie de l'assurance maladie du Québec.

Researchers can access de-identified data in secure facilities called CADRISQs.¹ Five CADRISQs are currently in operation, in particular in Québec universities. The first CADRISQ in a hospital setting, which pairs clinical data with administrative data, will be opened at the Centre hospitalier universitaire Sainte-Justine in spring 2023. The ISQ also allows researchers to consult data via secure remote access.

¹ Institut de la statistique du Québec's research data access centre.

2.3 Promoting business growth, digitization and exports

Digitizing our businesses and supporting their growth and export capabilities are key factors to growing Québec's wealth. Digitizing businesses and the government drives productivity gains, particularly amid labour shortages. Furthermore, given the limited size of Québec's local market, Québec businesses must increase their presence in export markets to accelerate their development.

In Budget 2023-2024, the government is planning initiatives totalling \$201.9 million over five years aimed at:

- supporting construction of the Contrecœur terminal;
- extending the cybersecurity enhancement program;
- continuing the digital shift offensive;
- ensuring the continuity of Québec's International Vision;
- increasing the funds available for the marketing and export support program;
- revitalizing Montréal East;
- increasing productivity in the construction industry;
- facilitating compliance with tax obligations for businesses and individuals.

TABLE B.15

**Financial impact of the measures to promote business growth,
digitization and exports**
(millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Supporting construction of the Contrecoeur terminal ^{(1),(2)}	—	-5.0	-20.0	-25.0	-20.0	-5.0	-75.0
Extending the cybersecurity enhancement program ⁽³⁾	—	—	-35.0	-25.0	-10.0	—	-70.0
Continuing the digital shift offensive ^{(1),(4)}	—	-10.0	-40.0	—	—	—	-50.0
Ensuring the continuity of Québec's International Vision ^{(1),(5)}	—	-7.0	-6.0	-6.0	-6.0	-6.0	-31.0
Increasing the funds available for the marketing and export support program ^{(1),(4)}	—	-15.0	-10.0	—	—	—	-25.0
Revitalizing Montréal East ^{(1),(6)}	—	-3.0	-10.0	-10.0	—	—	-23.0
Increasing productivity in the construction industry ^{(1),(7)}	—	-3.5	-3.6	-3.9	—	—	-11.0
Facilitating compliance with tax obligations for businesses and individuals	—	22.1	22.6	16.6	7.0	14.8	83.1
TOTAL	—	-21.4	-102.0	-53.3	-29.0	3.8	-201.9

(1) The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

(2) The appropriations will be granted to the Ministère des Transports et de la Mobilité durable.

(3) The appropriations will be granted to the Ministère de la Cybersécurité et du Numérique.

(4) The appropriations will be granted to the Ministère de l'Économie, de l'Innovation et de l'Énergie.

(5) The appropriations will be granted to the Ministère des Relations internationales et de la Francophonie.

(6) The appropriations will be granted to the Ministère des Affaires municipales et de l'Habitation.

(7) The appropriations will be granted to the Secrétariat du Conseil du trésor.

Supporting construction of the Contrecoeur terminal

In June 2021, the government unveiled its maritime vision, Advantage St. Lawrence, which includes, in particular, the development of modern, competitive port facilities along the St. Lawrence River corridor.

The Port of Montreal's Contrecoeur terminal is a strategic facility that positions Québec favourably in the transportation market and North American and global supply chains.

In Budget 2023-2024, the government is providing additional investments of \$75.0 million to enable the Montreal Port Authority to carry out its expansion project via the construction of the Contrecoeur terminal.

— In addition to improving Québec's competitiveness, this project will significantly reduce greenhouse gas emissions in North America, particularly by limiting the distances travelled by road carriers and by electrifying the terminal.

Extending the cybersecurity enhancement program

In Budget 2022-2023, the government announced the launch of the cybersecurity enhancement program (PRC), which represented an investment of \$100.0 million over two years, in order to ensure that information is protected and guarded against cyberthreats.

Additional mandatory protection measures need to be implemented to counter the ever-increasing number of cyberattacks. As such, the government is providing \$70.0 million over three years starting in 2024-2025 to extend the PRC and roll out cybersecurity projects across public bodies.

Continuing the digital shift offensive

In recent years, the pandemic has highlighted the need for businesses to step up their digitization efforts.

To meet this need, the government acted quickly by implementing the digital shift offensive, which has supported many organizations and businesses in various sectors of the Québec economy in their efforts to increase their productivity.

To date, the digital shift offensive has supported 25 initiatives that will support more than 15 000 companies in digital transformation projects.

To continue this initiative, the government is providing an additional \$50.0 million over two years.

Ensuring the continuity of Québec's International Vision

Québec's International Vision (QIV) was launched in 2019. In addition to promoting Québec's identity, interests and assets around the world, the QIV aims to strengthen Québec's economic action at the international level. In addition, it increases exports and promotes the recruitment of Francophone and Francotrope labour and talent, thus contributing to wealth creation.

The government wishes to sustain the investments it has made so far to ensure the achievement of Québec's ambitious objectives by continuing the activities implemented under this vision, including the deployment of its five major territorial strategies.

To maintain the economic shift achieved by the Ministère des Relations internationales et de la Francophonie and its network of Québec offices abroad, the government is providing for investments totalling \$31.0 million by 2027-2028 in Budget 2023-2024.

Increasing the funds available for the marketing and export support program

Québec has an open economy, and foreign trade is essential to its growth.

To promote the marketing of products and services outside Québec and the development of foreign markets for Québec SMBs, the government has set up the marketing and export support program.

This program supports the ambitions of Québec companies by helping them integrate global supply chains and increase their presence in foreign markets.

To support the growth of Québec's exporting businesses, the government is providing \$25.0 million over two years. This is in addition to the funds already available for this program.

Revitalizing Montréal East

In 2018, the Québec government and Ville de Montréal signed a declaration to revitalize Montréal East, with the particular aim of fostering sustainable integrated mobility and innovative economic development.

In addition to the declaration, the government is proposing a new financial assistance measure to support short-term projects that will contribute to the vitality of the Montréal East sector.

To implement this initiative, which will be under the responsibility of the Secrétariat à la région métropolitaine, together with Ville de Montréal and Ville de Montréal-Est, the government is providing \$23.0 million over three years.

Increasing productivity in the construction industry

To further the implementation of the action plan for the construction sector, the government is encouraging and providing support to businesses in the sector to implement building information modelling.

Building information modelling (BIM) is a process used to increase performance in terms of costs and timelines.

This digital shift will help increase the productivity of this sector of the economy.

To this end, the government is providing \$11.0 million over three years for the deployment of its BIM roadmap.

Facilitating compliance with tax obligations for businesses and individuals

In 2022-2023, Revenu Québec undertook project VISION, which aims to transform the delivery of services to individuals and businesses into a simplified, more efficient, digital tax administration model. This large-scale project will allow the gradual implementation of innovative solutions to benefit taxpayers. The rollout of project VISION will continue in 2023-2024 with initiatives aimed in particular at:

- improving services to businesses;
- supporting individuals and businesses;
- helping citizens benefit from the assistance measures to which they are entitled.

The transformation of service delivery at Revenu Québec makes use of the new opportunities provided by technological developments. This technology shift is part of a trend in the delivery of digital services by tax administrations.

As a result, the government will invest \$116.9 million over five years to make it easier for businesses and individuals to meet their tax obligations. These investments will generate \$200.0 million in revenue over five years.

A detailed description of initiatives implemented is presented in Section B of *Additional Information – March 2023*.

TABLE B.16

Financial impact of the measures to facilitate compliance with tax obligations for businesses and individuals
(millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Facilitating compliance with tax obligations for businesses and individuals	—	-12.9	-17.4	-23.4	-33.0	-30.2	-116.9
Revenue from compliance with tax obligations by businesses and individuals	—	35.0	40.0	40.0	40.0	45.0	200.0
TOTAL	—	22.1	22.6	16.6	7.0	14.8	83.1

3. CONTRIBUTING TO THE PROSPERITY OF THE REGIONS

Developing the economic potential of Québec's regions is essential to grow collective wealth.

To contribute to the prosperity of the regions, in Budget 2023-2024, the government is providing initiatives totalling over \$1.4 billion over five years and aimed at:

- supporting the growth of the bio-food sector;
- stimulating regional economic vitality;
- ensuring the development and promotion of our tourist attractions;
- fostering the development of the forestry sector;
- continuing the actions for better connectivity;
- harnessing the value of Québec's subsurface minerals.

TABLE B.17

Financial impact of the measures to contribute to the prosperity of the regions
(millions of dollars)

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Supporting the growth of the bio-food sector	—	-40.5	-46.5	-245.9	-245.9	-234.3	-813.1
Stimulating regional economic vitality	—	-55.6	-63.1	-61.1	-19.5	-18.0	-217.3
Ensuring the development and promotion of our tourist attractions	—	-39.6	-64.9	-45.4	-1.4	-1.8	-153.1
Fostering the development of the forestry sector	—	-40.0	-28.0	-20.0	-20.0	-20.0	-128.0
Continuing the actions for better connectivity	—	-38.8	-63.3	-2.8	-2.8	-1.0	-108.7
Harnessing the value of Québec's subsurface minerals	—	-5.0	-5.0	—	—	—	-10.0
TOTAL	—	-219.5	-270.8	-375.2	-289.6	-275.1	-1 430.2

3.1 Supporting the growth of the bio-food sector

The bio-food sector plays an essential role in Québec's economy and contributes to the enhancement of Québec's land and the development of the regions.

To support the growth of the bio-food sector, in Budget 2023-2024, the government is planning initiatives totalling \$813.1 million over five years and aimed at:

- continuing to fund the bio-food policy;
- increasing Québec's food autonomy;
- supporting sustainable agricultural investments;
- increasing efforts to ensure animal welfare.

TABLE B.18

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

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Continuing to fund the bio-food policy	—	—	—	-208.9	-208.9	-197.3	-615.1
Increasing Québec's food autonomy	—	-35.0	-35.0	-35.0	-35.0	-35.0	-175.0
Supporting sustainable agricultural investments ⁽¹⁾	—	-5.0	-10.0	—	—	—	-15.0
Increasing efforts to ensure animal welfare ⁽¹⁾	—	-0.5	-1.5	-2.0	-2.0	-2.0	-8.0
TOTAL	—	-40.5	-46.5	-245.9	-245.9	-234.3	-813.1

Note: The appropriations will be granted to the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation.

(1) The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

□ Continuing to fund the bio-food policy

The 2018-2025 bio-food policy entitled “Alimenter notre monde,” which ends in March 2025, is based on programs that make it possible to, among other things:

- finance projects to invest in food processing and agriculture;
- foster the sustainable development of the bio-food sector and markets;
- support research and innovation projects;
- support the development of fishing and aquaculture.

To continue funding the bio-food policy now, the government is providing \$615.1 million over three years in Budget 2023-2024, starting in 2025-2026.

□ Increasing Québec's food autonomy

To achieve greater food self-sufficiency, it is important to increase the industry's capacity to offer Quebecers fresh, healthy and diversified food.

To achieve this, the bio-food sector must increase its investments and productivity, through innovation and robotization in particular. For this purpose, the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (MAPAQ) offers various programs fostering business investment in food processing and agricultural production, such as:

- the food processing program regarding robotization and quality system;
- the program to support greenhouse business development;
- the plant productivity departmental initiative.

To increase Québec's food autonomy, the government is providing \$175.0 million over five years to increase the amounts available for MAPAQ's programs with the aim of increasing bio-food companies' investments and productivity.

Supporting sustainable agricultural investments

La Financière agricole du Québec's Sustainable Growth Investment Program (SGIP) supports sustainable, productive investment by agricultural businesses.

- It funds, in particular, projects with objectives related to increasing production volumes, adopting agri-environmental practices, profitability, performance or diversification of the company.

To continue offering funding to agricultural enterprises and fostering sustainable food autonomy, the government is providing \$15.0 million over two years to enhance the SGIP.

Increasing efforts to ensure animal welfare

The MAPAQ is responsible for enforcing the *Animal Welfare and Safety Act* and associated regulations.

To fulfil this responsibility, the MAPAQ must conduct inspections in all regions of Québec. However, the need for inspections is growing, and this trend is expected to continue in the coming years.

As a result, the government is providing \$8.0 million over five years to hire additional inspectors to increase efforts to ensure animal welfare.

3.2 Stimulating regional economic vitality

Regional economic development contributes to economic growth and the prosperity of all Quebecers.

To stimulate regional economic vitality, in Budget 2023-2024, the government is planning initiatives totalling \$217.3 million over five years and aimed at:

- pursuing the development of the area covered by the Plan Nord;
- continuing the restoration of northern areas;
- supporting regional economic development;
- ensuring energy supplies for certain regions;
- securing propane supplies in Québec.

TABLE B.19

Financial impact of the measures to stimulate regional economic vitality (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Pursuing the development of the area covered by the Plan Nord ⁽¹⁾	—	-18.0	-18.0	-18.0	-18.0	-18.0	-90.0
Continuing the restoration of northern areas ⁽²⁾	—	-5.0	—	—	—	—	-5.0
Supporting regional economic development ^{(3),(4)}	—	-18.6	-33.6	-33.6	—	—	-85.8
Ensuring energy supplies for certain regions ⁽³⁾	—	-14.0	-10.0	-8.0	—	—	-32.0
Securing propane supplies in Québec ⁽³⁾	—	—	-1.5	-1.5	-1.5	—	-4.5
TOTAL	—	-55.6	-63.1	-61.1	-19.5	-18.0	-217.3

Note: The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

(1) The amounts will be drawn from the Fonds du Plan Nord.

(2) The appropriations will be granted to the Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs.

(3) The appropriations will be granted to the Ministère de l'Économie, de l'Innovation et de l'Énergie.

(4) An envelope of \$25 million will also be provided to enhance the local investment funds and recapitalize the Chantier de l'économie sociale Trust.

Pursuing the development of the area covered by the Plan Nord

To meet the major challenges facing northern areas, the government is setting aside an additional \$90.0 million over five years in Budget 2023-2024 to support the mission of the Société du Plan Nord and to pursue the actions underway.

This amount will primarily be used for:

- improving access to northern areas;
- fostering the development of a strong, diversified economic fabric;
- promoting the distinct character, the cultural wealth and the identity of this area;
- protecting northern ecosystems and biodiversity.

The funds required to implement this plan will be drawn from the Fonds du Plan Nord and made available to the Société du Plan Nord.

- Considering the amounts already provided and Hydro-Québec's mandatory annual contributions to the Fonds du Plan Nord, the funds available to the Société du Plan Nord will total \$616.0 million over the next five years.

Continuing the restoration of northern areas

Since 2018, the government of Québec has been dismantling former hunting camps in order to rehabilitate northern areas.

This work, carried out in close collaboration with the Indigenous communities concerned, has made it possible to restore a large number of sites to their natural state.

To continue restoration efforts in northern areas, in Budget 2023-2024, the government is providing \$5.0 million in 2023-2024.

Supporting regional economic development

Despite an increase in the standard of living throughout Québec in recent decades, some regional disparities persist.

To boost their economic vitality, the government will increase the financial support offered to some of the most economically vulnerable regional county municipalities (RCMs).

Furthermore, in the aim of supporting economic development throughout Québec, additional support will be provided to:

- local investment funds (LIFs);
- niches and centres of excellence;
- the Chantier de l'économie sociale Trust (FCES).

To support these initiatives, the government is providing \$85.8 million over three years, in addition to an envelope of \$25.0 million to enhance LIFs and recapitalize the FCES.

Ensuring energy supplies for certain regions

Regions need energy supplies for their economic development. Moreover, the development of the clean fuel sector complements electrification efforts and fosters the attainment of Québec's decarbonization objectives.

In this context, the government is providing \$32.0 million over three years in Budget 2023-2024 to support biogas production projects and encourage the transition from more polluting petroleum products to liquefied natural gas.

This initiative is in addition to the funds available under the Québec Green Hydrogen and Bioenergy Strategy.

Securing propane supplies in Québec

Establishing a secure propane reserve for the Québec market by increasing storage capacities for use during peak periods will make it possible to handle possible propane supply disruptions and thereby support the economy and public security.

To secure propane supplies, which are essential to certain industries, notably agriculture, the government is providing \$4.5 million over three years starting in 2024-2025 to continue creating a propane reserve.

3.3 Ensuring the development and promotion of our tourist attractions

The tourism industry showcases Québec's appeal and contributes to the vitality and prosperity of the regions.

To ensure the development and promotion of our tourist attractions, in Budget 2023-2024, the government is providing initiatives totalling \$153.1 million over five years and aimed at:

- supporting the development of an innovative, evolving and sustainable tourism offering;
- maximizing the benefits of tourism throughout Québec;
- raising Québec's profile and appeal as a world-class tourist destination;
- renewing tourism hospitality in Québec;
- supporting the development of outdoor activities;
- investing in Société des établissements de plein air du Québec (Sépaq) establishments.

TABLE B.20

Financial impact of the measures to ensure the development and promotion of our tourist attractions (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Supporting the development of an innovative, evolving and sustainable tourism offering	—	-15.0	-45.0	-15.0	—	—	-75.0
Maximizing the benefits of tourism throughout Québec	—	-12.0	-12.0	-12.0	—	—	-36.0
Raising Québec's profile and appeal as a world-class tourist destination ^{(1),(2)}	—	-5.0	-5.0	-15.0	—	—	-25.0
Renewing tourism hospitality in Québec ^{(1),(2)}	—	-2.5	-2.5	-2.5	—	—	-7.5
Supporting the development of outdoor activities ^{(2),(3)}	—	-5.0	—	—	—	—	-5.0
Investing in Sépaq establishments ^{(2),(4),(5)}	—	-0.1	-0.4	-0.9	-1.4	-1.8	-4.6
TOTAL	—	-39.6	-64.9	-45.4	-1.4	-1.8	-153.1

(1) The appropriations will be granted to the Ministère du Tourisme.

(2) The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

(3) The appropriations will be granted to the Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs.

(4) The appropriations will be granted to the Ministère de l'Éducation.

(5) Investments of \$50.3 million are provided for in the 2023-2033 Québec Infrastructure Plan.

□ Supporting the development of an innovative, evolving and sustainable tourism offering

Growing and developing an innovative, evolving and sustainable tourism industry requires investment from tourism businesses in particular.

To support them in their investment projects, the government is proposing two financial tools that are tailored to their realities: the Program Supporting the Development of Tourist Attractions (PADAT) and the Tourism Industry Recovery Assistance Program (PARIT).

These programs constitute major levers for the industry.

- Since it was established in 2013, PADAT has generated investments of over \$867.0 million.
- The first two calls for projects under PARIT, issued in fall 2021 and 2022, have had major success with tourism businesses.⁷

To support investment in the tourism industry, in Budget 2023-2024, the government is providing \$75.0 million, namely:

- \$45.0 million over three years to extend PADAT;
- \$30.0 million in 2024-2025 to enhance PARIT.

TABLE B.21

Financial impact of the measures to support the development of an innovative, evolving and sustainable tourism offering (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Extending the Program Supporting the Development of Tourist Attractions ^{(1),(2)}	—	-15.0	-15.0	-15.0	—	—	-45.0
Enhancing the tourism industry recovery assistance program ^{(3),(4)}	—	—	-30.0	—	—	—	-30.0
TOTAL	—	-15.0	-45.0	-15.0	—	—	-75.0

(1) The appropriations will be granted to the Ministère de l'Économie, de l'Innovation et de l'Énergie.

(2) For 2023-2024, \$5.0 million will be drawn from the Contingency Fund.

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

(4) Investments of \$15.0 million are provided for in the 2023-2033 Québec Infrastructure Plan.

⁷ Under the first call for projects alone, nearly 60 projects received financial assistance totalling \$131 million for investments of over \$293 million.

Maximizing the benefits of tourism throughout Québec

To encourage Quebecers to vacation in Québec and to attract tourists from Canada and abroad, it is necessary to promote Québec's tourist attractions.

- For this purpose, the Alliance de l'industrie touristique du Québec (AITQ) has had the mandate, since 2017, for Québec's tourism promotion and marketing activities in the Québec, Canadian and international markets.

In addition, business tourism is a very lucrative market segment. It generates major economic benefits for the regions and for the tourism entry points of Montréal, Québec City and Gatineau, in addition to contributing to increased tourism traffic throughout the year.

To maximize the benefits of tourism throughout Québec, in Budget 2023-2024, the government is providing \$36.0 million over three years, namely:

- \$21.0 million to allow for the renewal of the agreement with the AITQ to promote and market Québec as a tourist destination;
- \$15.0 million to implement a business tourism strategy.

Details of the strategy will be announced by the Minister of Tourism at a later date.

TABLE B.22

Financial impact of the measures to maximize the benefits of tourism throughout Québec (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Allowing for the renewal of the agreement with the Alliance de l'industrie touristique du Québec	—	-7.0	-7.0	-7.0	—	—	-21.0
Implementing a business tourism strategy	—	-5.0	-5.0	-5.0	—	—	-15.0
TOTAL	—	-12.0	-12.0	-12.0	—	—	-36.0

Note: The appropriations will be granted to the Ministère du Tourisme. The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

Raising Québec's profile and appeal as a world-class tourist destination

Festivals and tourist events contribute to shaping Québec's image as a prime tourist destination, due to the wide variety of such events and their reputation.

- They are one of the main reasons why some tourists come to Québec or travel between regions.

Consequently, in Budget 2023-2024, the government is providing \$25.0 million over three years to support festivals and tourist events that help raise Québec's profile and appeal as a world-class tourist destination.

Renewing tourism hospitality in Québec

The public's adoption of digital technology is transforming the behaviour of customers and influencing tourism planning and offerings. In this context, the tourism industry must rethink the way it offers services to travellers.

In Budget 2023-2024, the government is providing \$7.5 million over three years to renew tourism hospitality in Québec.

- In particular, this initiative will focus on reviewing business processes and digitizing certain interactions.

Supporting the development of outdoor activities

Outdoor activities are an important vector for local and regional economic development. The network of controlled harvesting zones (zecs) and the Duchénier Wildlife Sanctuary located in the Les Basques and Rimouski-Neigette RCMs allow Quebecers to enjoy hunting, fishing and outdoor activities on public land.

To give Quebecers access to high-quality facilities, in Budget 2023-2024, the government is setting aside \$5.0 million in 2023-2024 in the aim of:

- supporting the operation and development of zecs;
- helping the Duchénier Wildlife Sanctuary to modernize its service offering.

Investing in Sépaq establishments

Sépaq operates and manages national parks, wildlife reserves and tourist establishments that contribute to the economy in all of Québec's regions.

The government is providing additional investments of \$50.3 million to support the replacement or renovation of aging accommodation units, trail and road maintenance, wastewater treatment system upgrades and improved employee housing.

In addition, the Parc national du Mont-Mégantic will be showcased by building a glass dome at an altitude of 1 000 metres and by making available electric bicycles for year-round access to the summit.

The financial impact of these investments will amount to \$4.6 million for the period from 2023-2024 to 2027-2028.

3.4 Fostering the development of the forestry sector

The harvesting and processing of Québec's forest resources is a major driver of the economy in Québec's regions. In addition, the forestry sector contributes to decarbonization, in particular by replacing other materials with a high carbon footprint.

To support the development of the forestry sector, in Budget 2023-2024, the government is planning initiatives totalling \$128.0 million over five years and aimed at:

- increasing investment in silviculture work;
- continuing efforts to protect forests from the spruce budworm;
- supporting the forest industry structure in the Outaouais and Laurentides regions.

TABLE B.23

Financial impact of the measures to foster the development of the forestry sector (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Increasing investment in silviculture work	—	-18.0	-20.0	-20.0	-20.0	-20.0	-98.0
Continuing efforts to protect forests from the spruce budworm	—	-12.0	-8.0	—	—	—	-20.0
Supporting the forest industry structure in the Outaouais and Laurentides regions	—	-10.0	—	—	—	—	-10.0
TOTAL	—	-40.0	-28.0	-20.0	-20.0	-20.0	-128.0

Note: The appropriations will be granted to the Ministère des Ressources naturelles et des Forêts. The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

Increasing investment in silviculture work

The forestry sector is a significant lever for economic development in several regions of Québec.

To support this sector, preserve Québec's forest heritage and contribute to efforts in fighting climate change, in Budget 2023-2024, the government is setting aside \$98.0 million over five years to increase investment in silviculture work. In particular, this investment will:

- carry out silviculture work;
- grant forestry companies access to targeted sectors via the construction of multi-use roads in public forests;
- strengthen the forest sapling production network in public nurseries.

Continuing efforts to protect forests from the spruce budworm

Since 2006, Québec has been grappling with a spruce budworm epidemic, which has caused widespread devastation in Québec's forests.

The Société de protection des forêts contre les insectes et maladies (SOPFIM) is working to limit the insect's progress through its aerial biological insecticide spraying program, among other things.

In this context, the government is providing \$20.0 million over two years to help SOPFIM continue its work to protect public forests from the spread of this species.

Supporting the forest industry structure in the Outaouais and Laurentides regions

The forest industry structure in the Outaouais and Laurentides regions was weakened by the closure of a major regional mill in October 2019.

In Budget 2023-2024, the government is providing \$10.0 million in 2023-2024 to secure an outlet for low-quality hardwood from harvests and to support the forestry sector in these regions.

3.5 Continuing the actions for better connectivity

Since 2018, the government has introduced several programs aimed at providing high-speed Internet services to all Quebecers, particularly with the launch of Operation High Speed (OHV) in 2021.

— These initiatives have resulted in a significant number of homes being reached to provide high-speed Internet access, an essential step toward guaranteeing much better connectivity throughout Québec.

In addition, Québec has set new, major long-term connectivity objectives, namely, providing all homes in Québec with access to a fibre-optic network and extending the 5G cellular network across all inhabited areas of Québec.

To pursue its connectivity objectives, in Budget 2023-2024, the government is taking a step further by providing \$108.7 million over five years in the aim of:

- continuing the commitments to achieve better Internet connectivity;
- rolling out cellular coverage initiatives.

TABLE B.24

Financial impact of the measures to continue the actions for better connectivity (millions of dollars)

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Continuing the commitments to achieve better Internet connectivity	—	-13.8	-13.3	-2.8	-2.8	-1.0	-33.7
Rolling out cellular coverage initiatives	—	-25.0	-50.0	—	—	—	-75.0
TOTAL	—	-38.8	-63.3	-2.8	-2.8	-1.0	-108.7

Note: The appropriations will be granted to the Ministère du Conseil exécutif. The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

□ Continuing the commitments to achieve better Internet connectivity

To offer better connectivity in remote regions and improve Internet infrastructure, the government will continue its commitments by providing funding of \$33.7 million, particularly:

- \$7.0 million to ensure the reliability of submarine optical cables between Gaspésie and Îles-de-la-Madeleine;
- \$26.5 million to extend access to high-speed satellite Internet to very remote communities not initially covered by OHV, in particular north of the 57th parallel.

Results of Operation High Speed

In 2018, Québec set the goal of making high-speed Internet available to all Québec homes by September 30, 2022.

To achieve this target, in Budget 2021-2022, the government announced the creation of the Secrétariat à l'Internet haute vitesse et aux projets spéciaux de connectivité and the rollout of Operation High Speed. To this end, the government announced \$1.3 billion in investments.

- It was estimated at the time that approximately 250 000 homes, or 6% of households, still had no access to high-speed Internet.

The governments of Québec and Canada invested over \$1 billion in the operation, which was carried out in four phases.

- Financial assistance was given to approximately 30 Internet service providers by means of 54 contractual agreements.

As at September 30, 2022, Québec had reached 100% of the targeted homes with a high-speed Internet solution using various technologies, in particular satellite Internet.

Efforts to finalize the rollout of the physical infrastructure are ongoing. As at December 31, 2022, there were 112 000 homes yet to be reached using a wireline solution. This is expected to be done by the end of 2023 for all of these homes.

□ Rolling out cellular coverage initiatives

In Budget 2023-2024, the government is doing more by setting aside \$75.0 million over the next two years with a view to:

- carrying out studies that are necessary to achieve government connectivity objectives;
- launching the first calls for projects to improve cellular coverage and convert the cellular network to 5G technology.

These calls for projects will be based on the mapping currently being done, for which the government had allocated \$50.0 million in Budget 2022-2023.

Better connectivity to benefit Quebecers and businesses

To allow all Quebecers and businesses to benefit from high-quality cellular access and a high-speed Internet network, the government has set other connectivity objectives, namely:

- completing cellular coverage throughout Québec;
- converting the majority of the cellular network to 5G technology;
- providing fibre-optic service to all Québec homes.

To achieve these objectives, the government must mobilize large amounts of private and public capital.

Attaining these objectives will require concerted, coordinated and structured efforts from the government and private sector telecommunications companies and institutional investors.

To this end, the government will continue discussions with industry stakeholders in 2023 to identify the best approach for achieving its new connectivity objectives.

3.6 Harnessing the value of Québec's subsurface minerals

Extracting and processing Québec's minerals promotes the wealth of Québec's subsoil for everyone's benefit. Critical and strategic minerals will play an important role in Québec's energy transition and decarbonizing the economy, particularly in the electrification of transportation.

To harness the value of Québec's subsurface minerals, in Budget 2023-2024, the government is planning initiatives totalling \$10.0 million over two years and aimed at:

- ensuring harmonious, responsible development of the critical and strategic minerals sector;
- renewing the mandate of the Société d'investissement dans la diversification de l'exploration.

TABLE B.25

Financial impact of the measures to harness the value of Québec's subsurface minerals (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Ensuring harmonious, responsible development of the critical and strategic minerals sector ⁽¹⁾	—	-5.0	-5.0	—	—	—	-10.0
Renewing the mandate of the Société d'investissement dans la diversification de l'exploration ⁽²⁾	—	—	—	—	—	—	—
TOTAL	—	-5.0	-5.0	—	—	—	-10.0

(1) The appropriations will be granted to the Ministère des Ressources naturelles et des Forêts. The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

(2) This measure has no financial impact since it is an investment with expected return.

Ensuring harmonious, responsible development of the critical and strategic minerals sector

With the goal of providing an additional financial lever to develop critical and strategic minerals (CSMs), the government is setting aside \$10.0 million over two years in Budget 2023-2024 to ensure harmonious, responsible development of the CSM industry.

To foster the social acceptability of mining projects, this envelope will allow the implementation of initiatives with the aim of:

- supporting productive dialogue between stakeholders in the mining industry;
- encouraging and supporting the participation of Indigenous and local communities in the development of mineral resources;
- maximizing spinoffs in host communities.

Renewing the mandate of the Société d'investissement dans la diversification de l'exploration

The Société d'investissement dans la diversification de l'exploration (SIDEX) is a limited partnership established in 2001 via a partnership between the Québec government and the Fonds de solidarité FTQ.

SIDEX has a mandate to invest in exploration companies that are active in Québec to foster the diversification of Québec's mineral base and the exploration of new territories, in particular.

For over 20 years, SIDEX has therefore played an important role in Québec's mining ecosystem. It actively promotes environmental, social and governance best practices and contributes to the economic development of Québec's regions.

To continue its support for mineral exploration companies that are active in Québec, the government, in partnership with the Fonds de solidarité FTQ, is renewing SIDEX's mandate until March 31, 2033.

4. ADDRESSING THE LABOUR SHORTAGE

In the context of an aging population and a labour shortage, supporting the integration of immigrants into the labour market and better matching workers' skills with employers' needs will stimulate economic growth.

To address the labour shortage, in Budget 2023-2024, the government is providing initiatives totalling \$615.2 million over six years and aimed at:

- supporting the socioeconomic integration of immigrants;
- supporting businesses in their search for workers.

TABLE B.26

Financial impact of the measures to address the labour shortage
(millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Supporting the socioeconomic integration of immigrants	—	-94.4	-118.9	-112.5	-97.4	-86.4	-509.6
Supporting businesses in their search for workers	-100.0	-1.0	-1.3	-1.3	-1.0	-1.0	-105.6
TOTAL	-100.0	-95.4	-120.2	-113.8	-98.4	-87.4	-615.2

Opération main-d'œuvre to combat the labour shortage in priority sectors

In the fall 2021 economic update, the government announced \$3.9 billion over five years to implement Opération main-d'œuvre.

The aim of this operation is to address the labour shortage in certain sectors that are considered priorities by granting:

- \$2.1 billion to the areas of health and social services, education and educational childcare services;
- \$1.8 billion to the areas of information technologies, engineering and construction.

The requalification and attraction of 170 000 additional workers in these fields are the focus of Opération main-d'œuvre, which uses four levers:

- increasing the graduation rate and supporting student retention, skills adaptation and requalification among workers;
- keeping workers employed;
- integrating people without jobs into the labour market;
- using targeted immigration to meet Québec's needs and ensuring that immigrants are integrated into the labour market.

4.1 Supporting the socioeconomic integration of immigrants

The integration of immigrants into Québec society and the labour market is beneficial for the development of the entire population. Concretely, targeted immigration makes it possible to mitigate the impact of the labour shortage and the effects of demographic changes in all regions of Québec.

Proficiency in French greatly facilitates the economic and cultural integration of immigrants and is essential to the preservation and advancement of the French language.

To assist the socioeconomic integration of immigrants, support the economic vitality of all regions of Québec and protect the French language, in Budget 2023-2024, the government is providing \$509.6 million over five years aimed at:

- increasing support for learning French through the rollout of Francisation Québec;
- expediting the recognition of immigrants' credentials;
- promoting immigration to the regions to meet labour market needs;
- fostering the attraction and retention of workers, in particular by expediting the processing of foreign worker applications;
- supporting the regionalization and labour-market integration of refugee protection claimants.

TABLE B.27

Financial impact of the measures to support the socioeconomic integration of immigrants
 (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Increasing support for learning French through the rollout of Francisation Québec ^{(1),(2)}	—	-42.7	-42.7	-42.7	-42.7	-42.7	-213.5
Expediting the recognition of immigrants' credentials ⁽¹⁾	—	-23.6	-43.5	-37.0	-35.5	-24.5	-164.1
Promoting immigration to the regions to meet labour market needs ⁽¹⁾	—	-14.6	-14.6	-14.6	-14.6	-14.6	-73.0
Fostering the attraction and retention of workers ^{(1),(3)}	—	-6.5	-8.6	-9.2	-4.6	-4.6	-33.5
Supporting the regionalization and labour-market integration of refugee protection claimants	—	-7.0	-9.5	-9.0	—	—	-25.5
TOTAL	—	-94.4	-118.9	-112.5	-97.4	-86.4	-509.6

(1) The appropriations will be granted to the Ministère de l'Immigration, de la Francisation et de l'Intégration.

(2) For 2023-2024, \$20.0 million will be drawn from the Contingency Fund.

(3) The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

Increasing support for learning French through the rollout of Francisation Québec

Proficiency in French is a major determinant of an immigrant's ability to integrate into Québec society and the labour market. In addition to promoting Québec's economic vitality, it helps protect the French language.

To facilitate access to francization services, the government has created Francisation Québec within the Ministère de l'Immigration, de la Francisation et de l'Intégration.

— Francisation Québec will be the sole government point of access for French language learning services for anyone who lives, works or is planning to settle in Québec.

To improve proficiency in French, particularly for immigrants, in Budget 2023-2024, the government is providing \$213.5 million over five years for initiatives aimed at, among other things:

- increasing the number of remote-learning courses and tutoring;
- offering French courses abroad to workers recruited during international recruitment activities;
- rolling out Francisation Québec and expanding the offer of francization services to new clienteles, in particular in the workplace and in early childhood.

Expediting the recognition of immigrants' credentials

Recognizing immigrants' credentials will make it possible to maximize their contribution to Québec's economy and address the shortage of specialized workers in certain sectors.

Therefore, in Budget 2023-2024, the government is providing \$164.1 million over five years with the goal of, among other things:

- identifying employment fields and professions to be prioritized;
- providing more refresher courses and internships for temporary foreign workers in regulated professions;
- providing financial support to immigrants who have submitted their credentials for recognition;
- offering free tuition to professionals who trained abroad for refresher courses that they must take to meet the requirements of Québec professional orders;
- supporting professional orders in order to expedite the recognition of credentials.

Promoting immigration to the regions to meet labour market needs

Some regions of Québec are facing particular demographic challenges, while the majority of new immigrants settle in urban centres. As a result, labour shortages are more prevalent in certain regions, hampering their economic performance.

In response to this issue, in Budget 2023-2024, the government is providing \$73.0 million over five years to implement initiatives aimed at increasing the proportion of immigrants who settle in regions that are more impacted by the labour shortage.

Fostering the attraction and retention of workers

In addition to offering high-quality welcoming, francization and integration services, it is essential to continue efforts to foster the attraction and retention of high-quality workers.

It is therefore important to continue carrying out international recruitment activities and ensuring that immigration applications are processed quickly in order to mitigate the effects of the labour shortage, which is affecting Québec's regions.

To achieve this, in Budget 2023-2024, the government is providing \$33.5 million, namely:

- \$13.2 million over three years to continue international recruitment activities, carried out in collaboration with Montréal International, Québec International and the Société de développement économique de Drummondville, which will enable Québec companies to hire more than 3 000 workers per year;
- \$20.3 million over five years to increase the number of resources dedicated to the analysis of temporary immigration applications for foreign workers and students to ensure timely and efficient processing.

□ Supporting the regionalization and labour-market integration of refugee protection claimants

In recent years, the number of refugee protection claimants has grown rapidly, particularly in the Montréal area, which receives the vast majority of them.

In addition, refugee protection claimants are not currently eligible for some of the Québec government's employment assistance measures. Yet, these measures could accelerate and facilitate their integration into the labour market.

In response to these issues, in Budget 2023-2024, the government is providing \$25.5 million over three years, namely:

- \$15.0 million to set up a pilot project aimed at helping refugee protection claimants settle outside the Communauté métropolitaine de Montréal, through the creation of a comprehensive service offering that will facilitate their welcome and integration;
- \$10.5 million to set up a pilot project aimed at making refugee protection claimants eligible for employment assistance measures and services in order to foster their integration into targeted sectors, in particular the tourism and health sectors and the battery industry.

These pilot projects are aimed at supporting the integration of refugee protection claimants into Québec society and the labour market simultaneously.

TABLE B.28

Financial impact of the measures to support the regionalization and labour-market integration of refugee protection claimants (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Setting up a pilot project for the regionalization of refugee protection claimants ⁽¹⁾	—	-3.0	-6.0	-6.0	—	—	-15.0
Fostering the integration of refugee protection claimants into jobs in targeted sectors ⁽²⁾	—	-4.0	-3.5	-3.0	—	—	-10.5
TOTAL	—	-7.0	-9.5	-9.0	—	—	-25.5

Note: The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

(1) The appropriations will be granted to the Ministère de l'Immigration, de la Francisation et de l'Intégration.

(2) The appropriations will be granted to the Ministère de l'Emploi et de la Solidarité sociale.

4.2 Supporting businesses in their search for workers

The number of vacant positions in Québec is a real challenge for businesses in several economic activity sectors throughout the regions.

To support businesses in their search for workers, in Budget 2023-2024, the government is providing initiatives totalling \$105.6 million over six years aimed at:

- supporting in-company training;
- offering a specialized support service focusing on productivity and labour;
- addressing labour challenges in the tourism industry.

TABLE B.29

Financial impact of the measures to support businesses in their search for workers (millions of dollars)

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Supporting in-company training ^{(1),(2)}	-100.0	—	—	—	—	—	-100.0
Offering a specialized support service focusing on productivity and labour ^{(1),(3)}	—	-0.5	-1.0	-1.0	-1.0	-1.0	-4.5
Addressing labour challenges in the tourism industry ^{(3),(4)}	—	-0.5	-0.3	-0.3	—	—	-1.1
TOTAL	-100.0	-1.0	-1.3	-1.3	-1.0	-1.0	-105.6

(1) The appropriations will be granted to the Ministère de l'Emploi et de la Solidarité sociale.

(2) The amounts provided for 2022-2023 will be drawn from the Contingency Fund.

(3) The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

(4) The appropriations will be granted to the Ministère du Tourisme.

□ Supporting in-company training

The short-term training program (COUD) for internships in priority professions offered by the Commission des partenaires du marché du travail (CPMT) is aimed at supporting businesses experiencing difficulties with recruitment.

With its alternating work-study formula, the COUD gives businesses the opportunity to train their staff in the workplace and to quickly improve workers' skills.

To continue the program, the government is providing \$100.0 million in 2022-2023 to renew the COUD's general component concerning requalification and skills upgrading.

- This amount will be deposited in the Workforce Skills Development and Recognition Fund, which is administered by the CPMT, and will provide funding for new training projects until 2027-2028.

Several initiatives rolled out to combat the labour shortage in IT and engineering

Since Budget 2020-2021, close to \$2.0 billion has been provided to implement initiatives to counter the labour shortage in information technology (IT) and engineering.

Of this amount, close to \$1.3 billion has been provided for the coming three years, namely:

- \$604.1 million for student scholarships;
- \$465.2 million to support colleges and universities in attracting and training students;
- \$144.4 million for worker training and requalification, including:
 - \$44.0 million for the Information and Communication Technology Requalification and Training Program (PRATIC),
 - \$42.0 million for the short-term training program (COUD) component dedicated specifically to these occupations;
- \$66.8 million to attract international talent.

Offering a specialized support service focusing on productivity and labour

Québec must increase its productivity to address the labour shortage and achieve its full economic potential. However, some businesses require specialized support to optimally balance their labour and investment needs.

In order for Investissement Québec, in partnership with the Ministère de l'Emploi et de la Solidarité sociale, to offer a new specialized support service focusing on productivity and labour, the government is providing \$4.5 million over five years.

This service will enable businesses with large investment projects, particularly those in the battery industry, to obtain support to meet their labour needs by prioritizing increased productivity.

Addressing labour challenges in the tourism industry

The tourism industry is not immune to the labour shortage facing many activity sectors. The very seasonal nature of tourist activity and the fact that some jobs are part-time accentuate recruitment difficulties in the industry.

To address the situation, the Ministère du Tourisme has partnered with the Conseil québécois des ressources humaines en tourisme and the MT Lab to develop a digital workforce-sharing platform for the tourism industry.

An initial six-month pilot phase, which began in January 2023, is being rolled out in several regions and tourism sectors to test the platform.

To address labour challenges in the tourism industry, in Budget 2023-2024, the government is providing \$1.1 million over three years to make the digital platform available to all businesses in the industry in Québec.

5. ADAPTING THE QUÉBEC PENSION PLAN TO THE NEW REALITIES OF QUEBECERS

In February 2023, the Québec government held a public consultation on the Québec Pension Plan (QPP) to consider ways to increase Quebecers' financial security in the short and medium term. The consultation made it clear that there is a broad consensus to the effect that:

- it is generally preferable for workers to delay receiving the QPP pension in order to achieve better financial security at retirement;
- raising the minimum pension eligibility age and adjustment factors for early retirement could penalize the most vulnerable individuals;
- workers aged 65 or over:
 - want to keep a larger portion of their wages when they already have retirement income,
 - do not want to be penalized with respect to their future retirement pension because they continue to work part-time;
- participants must be better informed of the benefits of delaying the start of their retirement pension;
- the QPP must better recognize special situations, in particular those of people with disabilities, families and informal and family caregivers.

Following up on the public consultation on the QPP

Following the public consultations on the QPP, the government considers that raising the minimum QPP eligibility age would constitute an advantageous solution to the risks of inflation, longevity and return faced by retirees.

- However, this change would have had a significant impact on the QPP's financial leeway, which would limit the improvements that could have been made to the plan.

To increase the financial security of Quebecers and to respond to the desire of many Quebecers close to retirement to continue working part-time, it is therefore preferable to use the QPP's available leeway in order to prioritize:

- encouraging job retention for workers aged 65 or over;
- helping workers improve their financial security at retirement without increasing the minimum age of eligibility for QPP retirement benefits.

5.1 Encouraging job retention for workers aged 65 or over

In this budget, the government is announcing changes to be made to the QPP that will come into effect on January 1, 2024 to encourage job retention for workers aged 65 or over, namely:

- the option to discontinue contributions to the QPP for people aged 65 or over who are receiving a retirement pension;
- the introduction of pension protection for workers aged 65 or over earning less than their career average earnings.

Making QPP contributions optional as of age 65

Workers must contribute to the QPP, even when they are receiving a pension. In 2023, the maximum contribution stands at:

- \$4 038.40 per year for employees;⁸
- \$8 076.80 per year for self-employed workers.

Contributions made to the QPP while receiving a retirement pension entitle contributors to the retirement pension supplement, which amounts to 0.66% of the earnings on which they contributed the previous year.

Although it is generally advantageous to continue contributing to the QPP after age 65, many workers want to stop contributing to the QPP in order to benefit from short-term cash flow rather than the retirement pension supplement.

In order to respect workers' individual choices, the QPP will be modified as of January 1, 2024 to give those aged 65 or over who are receiving a pension the option of ceasing their contributions.⁹

- The cease in contributions will apply to both the employee and the employer.

In addition, the QPP will also be amended, effective January 1, 2024, so that employee and employer contributions to the plan will cease to be paid at the end of the year in which the employee reaches age 72.

⁸ For employees, the employer contributes the same amount as the employee.

⁹ For more detailed information, see Section A of *Additional Information – March 2023*.

■ Job retention beyond age 65 will be even more beneficial

With the introduction of optional QPP contributions for pensioners aged 65 or over, after-tax employment income will be even higher.

For example, for a worker aged 65 with an annual employment income of \$15 000, the introduction of optional contributions will make it possible to grow their disposable income by \$606 and increase the retention rate of their employment income from 65.7% to 69.7%.

TABLE B.30

Illustration of additional employment income kept on retirement following the introduction of optional contributions – 2023 (dollars, unless otherwise indicated)

	Before	After	Difference
Retirement income ⁽¹⁾	38 429	38 429	—
Employment income	15 000	15 000	—
QPP contribution	-736	—	736
Other government withholdings and clawback	-6 179	-6 309	-130
Employment incentives ⁽²⁾	1 766	1 766	—
DISPOSABLE EMPLOYMENT INCOME	9 851	10 457	606
Retention rate of employment income⁽³⁾	65.7%	69.7%	4.0%

(1) The level of retirement income of a person receiving the Old Age Security pension with a pension income of \$20 000 and QPP income of \$10 000.

(2) Employment incentives include the tax credit for career extension, the deduction for workers and the Canada employment amount.

(3) The retention rate of employment income represents the portion of gross employment income that a taxpayer will keep. It is obtained by dividing the increase in disposable income following entry into the labour market by the additional employment income.

□ Protecting pension income for workers aged 65 or over

Calculation of the retirement pension for QPP contributors varies according to their average employment earnings. As a result, a person aged 65 who decides to remain in the labour market part-time could see a drop in their average employment earnings and therefore in the pension that they would receive.

The adoption of a mechanism to protect average earnings as of age 65 could have a positive effect on retirement income and job retention.

Indeed, some workers could delay their application for the QPP until after age 65, while continuing to work without worrying about any potential negative effect on the calculation of their retirement pension.

The government therefore plans to change the method of calculating the QPP's base plan as of January 1, 2024, to ensure that years where earnings were low starting at age 65 do not reduce the average earnings that are used to calculate the retirement pension.

This measure will protect the pensions of over 12 000 workers aged 65 or over.

Implementation of this initiative will require legislative and regulatory amendments.

5.2 Helping workers improve their financial security at retirement

The QPP retirement pension is a valuable tool for improving financial security at retirement. The retirement pension under the QPP, which is indexed annually, offers its full protection only when it begins at the age of 65.

- When a contributor applies for the pension after age 65, its amount increases by 0.7% per postponed month.

The benefits associated with postponing the application for a retirement pension under the QPP are not yet sufficiently known to workers. The government is therefore announcing various measures aimed at making it possible to postpone QPP retirement pension payments further and keeping future retirees better informed.

In order to help workers improve their financial security, the government is announcing:

- an increase in the maximum pension eligibility age from 70 to 72 starting January 1, 2024;
- its intention to review Retraite Québec's communications with its clientele in order to better inform QPP contributors of the benefits of delaying the start of the retirement pension;
- its intention to start working on better recognizing certain special situations under the QPP.

In addition, the government will specify the adjustment mechanism applicable to the QPP additional plan in the event of financial imbalance.

Raising the maximum pension eligibility age from 70 to 72

The government plans to raise the maximum age at which a contributor can apply for their retirement pension from 70 to 72 starting January 1, 2024.

This raise will have the impact of increasing retirees' financial security. A person who starts receiving their pension at age 72 will see a lifetime pension increase of up to \$2 634 per year.¹⁰

Implementation of these initiatives will require legislative and regulatory amendments.

¹⁰ The maximum amount is calculated on the basis of the pension paid in 2023.

□ Keeping future retirees better informed

To encourage delaying the start of the pension, Retraite Québec will raise its clientele's awareness of the implications of receiving pension payments before age 65 so that contributors can make the most appropriate and informed choice for their situation.

As a result, personalized communications sent to those under age 60 will be aimed at better informing future retirees about financial planning in preparation for retirement.

□ Broadening the role of Retraite Québec

The government wants to broaden the role of Retraite Québec by mandating it to conduct research on the financial situation of retirees and the retirement system as a whole.

Recognition of this role would enable Retraite Québec to enter into data-sharing agreements that will consolidate its role as a retirement adviser.

Implementing this initiative will require legislative amendments.

A pension plan that maintains a prudent level of financial leeway

Budget 2023-2024 proposes several changes to be made to the Québec Pension Plan that will increase the financial security of Québec retirees and make it easier to keep experienced workers in the labour market.

However, these measures generally have a cost to the plan, which is expressed as an increase in the steady-state contribution rate. Despite this, the QPP will maintain a prudent level of financial leeway.

Impact of the changes announced in Budget 2023-2024 on the Québec Pension Plan steady-state contribution rate (percentage points)

	Base plan	Additional plan
Financial margin as at December 31, 2021	0.26	0.15
Optional contributions as of age 65	-0.11	+0.01
Protecting the level of retirement pension after age 65	-0.02	—
Raising the maximum age to 72	—	—
Residual margin	0.13	0.16

5.3 Better recognizing special situations

The current measures in the QPP base plan allow certain periods of disability and periods of caring for a dependent child to be removed from the calculation of the pension amount. Therefore, these periods of low income have no negative effect on average employment earnings or eligibility for benefits.

Moreover, when the QPP was enhanced, no measures recognizing periods of disability or periods of caring for a dependent child were introduced into the additional plan.

Lastly, neither plan (base or additional) recognizes periods of assistance provided by informal and family caregivers.

The government is therefore announcing that work will begin to assess the opportunity to recognize special situations in the base plan and additional plan.

- Recognition by means of earned credits for periods of disability, childcare and periods of assistance provided by informal and family caregivers will be examined.

5.4 Adopting an automatic adjustment mechanism for the additional plan

To ensure the long-term financial sustainability of the QPP, it is important to implement an automatic adjustment mechanism to define the measures to be taken in the event of financial imbalance.

The QPP base plan already includes such an automatic adjustment mechanism if there is a financial imbalance, which has never been triggered.

- The adjustment mechanism for the base plan provides for an increase in the contribution rate until financial balance is reached.
- Therefore, no changes are required to the automatic adjustment mechanism of the base plan.

When the additional plan was introduced, no adjustment mechanism was adopted in the event of financial imbalance.

Although the additional plan is in good financial condition, an automatic adjustment mechanism must be provided to prevent future generations from bearing the burden of a potential financial imbalance.

- For this plan, additional benefits are based on the number of years of contributions starting in 2019. The full effect on benefits will be reached by 2060.

Thus, in Budget 2023-2024, the government plans to introduce an automatic adjustment mechanism for the QPP additional plan that will share the effort required to return to financial balance between workers, employers and retirees, following the example of the Canada Pension Plan.

In the event of a good financial situation, retirees could benefit from an indexation of their pension that is higher than inflation, depending on certain criteria.

Implementation of this initiative will require legislative amendments.

FINANCIAL IMPACT

TABLE B.31

Financial impact of the measures to grow Québec's wealth (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Improving Quebecers' disposable income							
Lowering taxes	-401.5	-1 657.1	-1 698.3	-1 749.5	-1 802.4	-1 856.9	-9 165.7
Subtotal – Improving Quebecers' disposable income							
	-401.5	-1 657.1	-1 698.3	-1 749.5	-1 802.4	-1 856.9	-9 165.7
Increasing the productivity of Québec's economy							
Stimulating private investment to accelerate economic growth							
– Implementing the new tax holiday for large investment projects	—	-23.9	-34.8	-59.9	-101.5	-152.9	-373.0
– Developing industrial land for large-scale projects	—	-10.0	-12.0	-12.0	-6.0	—	-40.0
– Optimizing the impacts of Québec's tax-advantaged funds	—	—	—	—	—	—	—
Subtotal – Stimulating private investment to accelerate economic growth							
	—	-33.9	-46.8	-71.9	-107.5	-152.9	-413.0
Stepping up efforts in innovation							
– Continuing to create innovation zones	—	-20.0	-20.0	-20.0	-20.0	-20.0	-100.0
– Promoting innovation in transportation	—	-5.0	-25.0	-25.0	—	—	-55.0
– Enhancing merit scholarships	—	-10.0	-10.0	-10.0	-10.0	-10.0	-50.0
– Supporting clean technologies and the circular economy	—	-10.0	-10.0	-10.0	—	—	-30.0
– Supporting the life sciences and medical technologies sector	—	-2.0	—	-4.0	-4.0	-2.0	-12.0

TABLE B.31

Financial impact of the measures to grow Québec's wealth (cont.)
(millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Increasing the productivity of Québec's economy (cont.)							
Stepping up efforts in innovation (cont.)							
– Supporting Finance Montréal's FinTech Station	—	-2.0	-2.1	-2.2	-2.3	-2.4	-11.0
– Renewing support for the Centre interuniversitaire de recherche en analyse des organisations and the Institut du Québec	—	-2.4	-2.4	-2.4	—	—	-7.2
– Promoting the adoption of emerging technologies and practices in the public service	—	-2.0	-3.0	—	—	—	-5.0
– Enhancing the Institut de la statistique du Québec's research data access services	—	-0.5	-0.5	-0.5	-0.5	-0.5	-2.5
Subtotal – Stepping up efforts in innovation	—	-53.9	-73.0	-74.1	-36.8	-34.9	-272.7
Promoting business growth, digitization and exports							
– Supporting construction of the Contrecoeur terminal	—	-5.0	-20.0	-25.0	-20.0	-5.0	-75.0
– Extending the cybersecurity enhancement program	—	—	-35.0	-25.0	-10.0	—	-70.0
– Continuing the digital shift offensive	—	-10.0	-40.0	—	—	—	-50.0
– Ensuring the continuity of Québec's International Vision	—	-7.0	-6.0	-6.0	-6.0	-6.0	-31.0
– Increasing the funds available for the marketing and export support program	—	-15.0	-10.0	—	—	—	-25.0
– Revitalizing Montréal East	—	-3.0	-10.0	-10.0	—	—	-23.0
– Increasing productivity in the construction industry	—	-3.5	-3.6	-3.9	—	—	-11.0

TABLE B.31

Financial impact of the measures to grow Québec's wealth (cont.)
(millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Increasing the productivity of Québec's economy (cont.)							
Promoting business growth, digitization and exports (cont.)							
– Facilitating compliance with tax obligations for businesses and individuals							
▪ Facilitating compliance with tax obligations for businesses and individuals	—	-12.9	-17.4	-23.4	-33.0	-30.2	-116.9
▪ Revenue from compliance with tax obligations by businesses and individuals	—	35.0	40.0	40.0	40.0	45.0	200.0
Subtotal – Promoting business growth, digitization and exports	—	-21.4	-102.0	-53.3	-29.0	3.8	-201.9
Subtotal – Increasing the productivity of Québec's economy	—	-109.2	-221.8	-199.3	-173.3	-184.0	-887.6
Contributing to the prosperity of the regions							
Supporting the growth of the bio-food sector							
– Continuing to fund the bio-food policy	—	—	—	-208.9	-208.9	-197.3	-615.1
– Increasing Québec's food autonomy	—	-35.0	-35.0	-35.0	-35.0	-35.0	-175.0
– Supporting sustainable agricultural investments	—	-5.0	-10.0	—	—	—	-15.0
– Increasing efforts to ensure animal welfare	—	-0.5	-1.5	-2.0	-2.0	-2.0	-8.0
Subtotal – Supporting the growth of the bio-food sector	—	-40.5	-46.5	-245.9	-245.9	-234.3	-813.1

TABLE B.31

Financial impact of the measures to grow Québec's wealth (cont.)
(millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Contributing to the prosperity of the regions (cont.)							
Stimulating regional economic vitality							
– Pursuing the development of the area covered by the Plan Nord	—	-18.0	-18.0	-18.0	-18.0	-18.0	-90.0
– Continuing the restoration of northern areas	—	-5.0	—	—	—	—	-5.0
– Supporting regional economic development	—	-18.6	-33.6	-33.6	—	—	-85.8
– Ensuring energy supplies for certain regions	—	-14.0	-10.0	-8.0	—	—	-32.0
– Securing propane supplies in Québec	—	—	-1.5	-1.5	-1.5	—	-4.5
Subtotal – Stimulating regional economic vitality	—	-55.6	-63.1	-61.1	-19.5	-18.0	-217.3
Ensuring the development and promotion of our tourist attractions							
– Supporting the development of an innovative, evolving and sustainable tourism offering							
▪ Extending the Program Supporting the Development of Tourist Attractions	—	-15.0	-15.0	-15.0	—	—	-45.0
▪ Enhancing the tourism industry recovery assistance program	—	—	-30.0	—	—	—	-30.0
– Maximizing the benefits of tourism throughout Québec							
▪ Allowing for the renewal of the agreement with the Alliance de l'industrie touristique du Québec	—	-7.0	-7.0	-7.0	—	—	-21.0
▪ Implementing a business tourism strategy	—	-5.0	-5.0	-5.0	—	—	-15.0

TABLE B.31

Financial impact of the measures to grow Québec's wealth (cont.)
(millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Contributing to the prosperity of the regions (cont.)							
Ensuring the development and promotion of our tourist attractions (cont.)							
– Raising Québec's profile and appeal as a world-class tourist destination	—	-5.0	-5.0	-15.0	—	—	-25.0
– Renewing tourism hospitality in Québec	—	-2.5	-2.5	-2.5	—	—	-7.5
– Supporting the development of outdoor activities	—	-5.0	—	—	—	—	-5.0
– Investing in Sépaq establishments	—	-0.1	-0.4	-0.9	-1.4	-1.8	-4.6
Subtotal – Ensuring the development and promotion of our tourist attractions	—	-39.6	-64.9	-45.4	-1.4	-1.8	-153.1
Fostering the development of the forestry sector							
– Increasing investment in silviculture work	—	-18.0	-20.0	-20.0	-20.0	-20.0	-98.0
– Continuing efforts to protect forests from the spruce budworm	—	-12.0	-8.0	—	—	—	-20.0
– Supporting the forest industry structure in the Outaouais and Laurentides regions	—	-10.0	—	—	—	—	-10.0
Subtotal – Fostering the development of the forestry sector	—	-40.0	-28.0	-20.0	-20.0	-20.0	-128.0

TABLE B.31

Financial impact of the measures to grow Québec's wealth (cont.)
(millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Contributing to the prosperity of the regions (cont.)							
Continuing the actions for better connectivity							
– Continuing the commitments to achieve better Internet connectivity	—	-13.8	-13.3	-2.8	-2.8	-1.0	-33.7
– Rolling out cellular coverage initiatives	—	-25.0	-50.0	—	—	—	-75.0
Subtotal – Continuing the actions for better connectivity	—	-38.8	-63.3	-2.8	-2.8	-1.0	-108.7
Harnessing the value of Québec's subsurface minerals							
– Ensuring harmonious, responsible development of the critical and strategic minerals sector	—	-5.0	-5.0	—	—	—	-10.0
– Renewing the mandate of the Société d'investissement dans la diversification de l'exploration	—	—	—	—	—	—	—
Subtotal – Harnessing the value of Québec's subsurface minerals	—	-5.0	-5.0	—	—	—	-10.0
Subtotal – Contributing to the prosperity of the regions	—	-219.5	-270.8	-375.2	-289.6	-275.1	-1 430.2

TABLE B.31

Financial impact of the measures to grow Québec's wealth (cont.)
(millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Addressing the labour shortage							
Supporting the socioeconomic integration of immigrants							
– Increasing support for learning French through the rollout of Francisation Québec	—	-42.7	-42.7	-42.7	-42.7	-42.7	-213.5
– Expediting the recognition of immigrants' credentials	—	-23.6	-43.5	-37.0	-35.5	-24.5	-164.1
– Promoting immigration to the regions to meet labour market needs	—	-14.6	-14.6	-14.6	-14.6	-14.6	-73.0
– Fostering the attraction and retention of workers	—	-6.5	-8.6	-9.2	-4.6	-4.6	-33.5
– Supporting the regionalization and labour-market integration of refugee protection claimants							
▪ Setting up a pilot project for the regionalization of refugee protection claimants	—	-3.0	-6.0	-6.0	—	—	-15.0
▪ Fostering the integration of refugee protection claimants into jobs in targeted sectors	—	-4.0	-3.5	-3.0	—	—	-10.5
Subtotal – Supporting the socioeconomic integration of immigrants	—	-94.4	-118.9	-112.5	-97.4	-86.4	-509.6

TABLE B.31

Financial impact of the measures to grow Québec's wealth (cont.)
 (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Addressing the labour shortage (cont.)							
Supporting businesses in their search for workers							
– Supporting in-company training	-100.0	—	—	—	—	—	-100.0
– Offering a specialized support service focusing on productivity and labour	—	-0.5	-1.0	-1.0	-1.0	-1.0	-4.5
– Addressing labour challenges in the tourism industry	—	-0.5	-0.3	-0.3	—	—	-1.1
Subtotal – Supporting businesses in their search for workers	-100.0	-1.0	-1.3	-1.3	-1.0	-1.0	-105.6
Subtotal – Addressing the labour shortage	-100.0	-95.4	-120.2	-113.8	-98.4	-87.4	-615.2
Adapting the Québec Pension Plan to the new realities of Quebecers							
TOTAL	-501.5	-2 081.2	-2 311.1	-2 437.8	-2 363.7	-2 403.4	-12 098.7

Section C

DEVELOPING THE POTENTIAL OF YOUTH

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SUMMARY

Education has been, and continues to be, the cornerstone of our society's development. The government is making education its top priority. In recent years, major efforts have been made to increase student success and retention, promote the practice of recreation and sports, and foster access and graduation rates in higher education.

Education and the development of the potential of youth remain the priority for the government. High-quality education services ensure collective prosperity.

The government's action is centred on key policy directions to increase educational success, including:

- enhancing the teaching of French, reading and mathematics;
- offering more special projects and making them more accessible;
- investing in vocational training;
- supporting teachers;
- improving higher education graduation rates.

Budget 2023-2024 is providing investments of \$2.3 billion by 2027-2028 to develop the potential of youth:

- \$1.5 billion to help youth succeed;
- \$88 million to get Quebecers moving;
- \$717 million to foster student access, retention and graduation rates in higher education.

TABLE C.1

Financial impact of the measures to develop the potential of youth
(millions of dollars)

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Helping youth succeed	—	-231	-334	-330	-305	-305	-1 505
Getting Quebecers moving	—	-13	-20	-21	-19	-17	-88
Fostering student access, retention and graduation rates in higher education	-34	-101	-146	-146	-146	-146	-717
TOTAL	-34	-345	-499	-496	-470	-467	-2 311

1. HELPING YOUTH SUCCEED

Since fall 2018, a number of initiatives totalling nearly \$7.2 billion have been put in place to support student success and retention.

- These initiatives have increased education spending by an average of 6.4% per year since 2019-2020.

The government is now aiming to achieve the highest international standards in education by increasing the proportion of students who obtain a first diploma or first secondary school qualification to 90%.¹

It is also boosting its efforts to motivate youth to learn and develop their independence to support their success. Thus, in Budget 2023-2024, the government is providing additional funding of nearly \$1.5 billion by 2027-2028, including \$231 million in 2023-2024, for the purpose of:

- improving student retention and success;
- improving the performance of the school network;
- making vocational training more attractive and addressing the labour shortage;
- accelerating maintenance of the school building inventory.

TABLE C.2

Financial impact of the measures to help youth succeed (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Improving student retention and success	—	-113.8	-180.1	-176.3	-162.4	-156.7	-789.3
Improving the performance of the school network	—	-44.6	-51.9	-54.1	-45.3	-44.3	-240.2
Making vocational training more attractive and addressing the labour shortage	—	-40.9	-60.9	-57.1	-54.3	-54.3	-267.5
Accelerating maintenance of the school building inventory	—	-31.7	-41.1	-42.5	-43.0	-49.7	-208.0
TOTAL	—	-231.0	-334.0	-330.0	-305.0	-305.0	-1 505.0

¹ This indicator refers to the secondary school graduation and qualification rate after seven years. For 2021-2022, this rate is 84%.

Educational success: improving graduation rates by leveraging all school stakeholders

The scientific literature has shown that success is multidimensional and influenced by several determinants or factors. To increase the performance of the education system and reach the 90% graduation and qualification target, the focus must be placed on the interaction of three factors:

- students and educational success;
- classroom delivery or the teacher effect;
- student support or the school/school organization effect.

Students and educational success

Students have their own personal characteristics (temperament, cognitive skills, motivational resources, etc.) along with family, sociodemographic and cultural characteristics that may influence their educational success. In this regard, it should be noted that the family context is the most important determinant of a child's success and perseverance in school, beginning in kindergarten. To be able to succeed and advance in the classroom, the child must have a home environment that meets their basic needs, values education, and supports their learning.

- Educational success encompasses academic success, but goes beyond graduation and qualification. It is based on the individual's full potential in their intellectual, cognitive, affective, social and physical dimensions, from a very young age.

Classroom delivery or the teacher effect

The “teacher effect” refers to the influence a teacher has on student learning, development, and achievement through teacher-related factors, such as teaching practices, relationships with students, and actions.

- When a teacher's practices are effective, there is a significant improvement in the academic performance of their students that overcomes even students' socioeconomic conditions and the effects of resource rationalization.

Student support or the school/school organization effect

The “school/school organization effect” refers to the influence of the school environment on students' educational success.

- The scientific literature shows that effective schools and school organizations are those with strong teaching leadership by school management and high expectations of educational success for both students and staff.
- Research has also shown that the leadership of the school management, and that of school service centre or school board director generals, plays a key role in the adoption of teaching practices that foster students' educational success. These practices create collaborative conditions within the school and encourage continuing education for school staff.

1.1 Improving student retention and success

Students' literacy and numeracy skills are fundamental for Québec society to be able to develop and innovate to achieve the highest international educational standards.

The government's goal is to provide every student with the tools required to support their learning, development and growth.

The new investments planned to promote educational success and equal opportunity will allow the means to support students who need it the most to be implemented, in particular those with special needs or in vulnerable situations.

They will also enable more youth to enroll in sports, arts and science programs to strengthen their motivation and help them succeed in school.

In Budget 2023-2024, investments of \$789.3 million by 2027-2028 are provided for the purpose of:

- improving youth literacy and numeracy;
- supporting students with special needs;
- supporting student success and well-being;
- fostering access to special educational projects and promoting culture and citizenship in Québec.

TABLE C.3

Financial impact of the measures to improve student retention and success (millions of dollars)

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Improving youth literacy and numeracy	—	-50.5	-95.0	-101.6	-101.2	-100.2	-448.5
Supporting students with special needs	—	-12.0	-12.0	-14.5	-15.0	-12.8	-66.3
Supporting student success and well-being	—	-18.2	-30.9	-22.8	-16.5	-18.0	-106.4
Fostering access to special educational projects and promoting culture and citizenship in Québec	—	-33.1	-42.2	-37.4	-29.7	-25.7	-168.1
TOTAL	—	-113.8	-180.1	-176.3	-162.4	-156.7	-789.3

Note: The appropriations will be granted to the Ministère de l'Éducation. The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

Improving youth literacy and numeracy

The negative effects of the pandemic have led to a decline in skills, mainly in youth literacy. Learning French is a lifelong asset for students. It is a learning vehicle for all disciplines and therefore a springboard to graduation.

- The skills developed in French enable students to structure their thoughts, express themselves clearly, and communicate effectively, both orally and in writing, in a variety of contexts.
- Moreover, proficiency in French contributes to the affirmation and development of personal, social and cultural identity, as well as to active participation in society.

The government is therefore implementing measures to boost students' skills in these areas by:

- supporting students who have difficulties in French by setting up a tutoring platform;
- adding educational advisers who will provide support to elementary and secondary teachers;
- adding works of literature in schools, in particular through the purchase of Québec books by teachers;
- providing financial support to help students develop a love for reading.

Investments of \$448.5 million by 2027-2028 are therefore provided in Budget 2023-2024 to improve youth literacy and numeracy.

Supporting students with special needs

Students with special needs must have access to educational services to support their learning and success. The government believes that maintaining these specialized services is critical.

Investments are provided to improve and enhance existing services for these students, in particular by:

- hiring new specialized resources;
- rolling out kindergartens for 4-year-olds for children with disabilities;
- developing a complementary online educational service offering for students with difficulties and their parents;
- supporting private schools that take in students with disabilities or with adaptation or learning difficulties.

To meet its commitment to students with special needs, the government is investing an additional \$66.3 million by 2027-2028.

Supporting student success and well-being

The labour shortage has exacerbated the risk of school dropout as young people have easier access to the job market. There are many opportunities for ever-younger workers. This trend must be mitigated, and young people must be encouraged to balance school and work.

To this end, the government supports school retention projects implemented by regional consultation bodies in collaboration with various partners.

In addition, it undertakes to strengthen the link with families from disadvantaged backgrounds through the presence of support agents in elementary and secondary schools located in these areas. Local initiatives that aim to increase the well-being of students and school staff will also be supported.

— With this initiative, the government is maintaining the presence of the 72 support agents working in school organizations.

Lastly, the government wishes to provide support to elementary school teachers by making greater use of existing support staff through additional hours of work. The goal is to maximize teachers' teaching time.

— This initiative will continue the elementary classroom assistants pilot project and double the number of schools piloting this project from 100 to 200, which is equivalent to two additional resources per school.

Budget 2023-2024 provides investments of \$106.4 million by 2027-2028 to support student success and well-being.

Fostering access to special educational projects and promoting culture and citizenship in Québec

Having youth participate in special educational projects, such as in the arts, science or sports, increases their academic motivation and enhances their feeling of belonging to their school. The government wants all public secondary schools to offer at least one special educational project.

To do this, the government will ensure the development of new accessible projects, starting in fall 2023. In addition, it will increase financial support to parents from \$200 to \$300, thereby reducing their annual contribution.

- These measures will promote, among other things, the educational success of students since they will be able to choose an educational project that meets their fields of interest.

Furthermore, the government will gradually replace the *Ethics and Religious Culture* program with the *Culture and Citizenship in Québec* curriculum as of the start of the 2023-2024 school year. Funding for this program includes amounts for teacher training.

- Acquiring knowledge about Québec society is necessary in order to participate in democratic dialogue in a relevant and nuanced way. The *Culture and Citizenship in Québec* program aims to prepare students to exercise their Québec citizenship, recognize themselves and others and work for the common good.
- The government also wants secondary school students to become more familiar with Québec's history, its institutions and parliamentary democracy, in particular by visiting the National Assembly.

In Budget 2023-2024, \$168.1 million is provided by 2027-2028 to foster access to special educational projects and promote culture and citizenship in Québec.

1.2 Improving the performance of the school network

Improving the performance of Québec's education system as a whole requires making use of data for learning and the potential offered by digital technology. It is important to leverage all the possibilities for the benefit of student success and better management of the Québec education system.

The latter must also be based on an efficient school network that promotes the sharing of resources and the consolidation of services, as well as on agile school governance, which results in an effective network and department.

In Budget 2023-2024, the government is earmarking \$240.2 million by 2027-2028 for the purpose of:

- supporting data access and digital transformation;
- increasing the efficiency of the network and of the Ministère de l'Éducation.

TABLE C.4

Financial impact of the measures to improve the performance of the school network (millions of dollars)

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Supporting data access and digital transformation	—	-32.9	-32.1	-40.3	-34.7	-33.7	-173.7
Increasing the efficiency of the network and of the Ministère de l'Éducation	—	-11.7	-19.8	-13.8	-10.6	-10.6	-66.5
TOTAL	—	-44.6	-51.9	-54.1	-45.3	-44.3	-240.2

Note: The appropriations will be granted to the Ministère de l'Éducation. The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

Supporting data access and digital transformation

The government wants to harness data in education to enable all stakeholders to make better-informed decisions and strengthen the leadership of the department and network in data use.

Moreover, the continuing digital shift in schools gives youth new ways to learn, communicate, share, create and collaborate.

In parallel, investments will be made in digital network management. These investments will make it possible to migrate the network to the cloud and bolster its cybersecurity posture.

In addition, the department will work on implementing a new management model focused on tracking education system outcomes.

In Budget 2023-2024, \$173.7 million is provided for by 2027-2028 to support data access and digital transformation in the education network.

Increasing the efficiency of the network and of the Ministère de l'Éducation

In order to increase the efficiency of the network, investments are provided to promote the pooling of resources and services in school organizations. This will help to meet labour shortage challenges.

These pooling initiatives could include, for example:

- conducting local, regional and provincial organizational diagnostics;
- producing continuous improvement feasibility studies and pilot projects;
- developing tools, webinars, training and guides;
- implementing local education projects and communities of practice.

Funding is also provided to support the department in rolling out and implementing a new school governance model.

The government is providing an additional \$66.5 million by 2027-2028 to increase the efficiency of the network and of the Ministère de l'Éducation.

1.3 Making vocational training more attractive and addressing the labour shortage

The education sector must adapt to the acceleration of technological changes and transformations in work organization.

Knowledge acquired in vocational training programs must meet the needs of the labour market in several key sectors of the Québec economy.

The government is therefore investing to modernize and make vocational training more attractive. It will update the program offerings, improve access, and make it more attractive to obtain a diploma of vocational studies.

In addition, in the context of the labour shortage that is also affecting the education sector, the government recognizes the importance of attracting, recruiting and retaining school staff and is implementing promising solutions to provide students with better educational services.

For this purpose, the government's initiatives in Budget 2023-2024 will total \$267.5 million by 2027-2028 for the purpose of:

- modernizing vocational training to make it more attractive and encourage success;
- addressing the labour shortage in education.

TABLE C.5

Financial impact of the measures to make vocational training more attractive and to address the labour shortage (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Modernizing vocational training to make it more attractive and encourage success	—	-29.0	-38.0	-43.0	-45.0	-45.0	-200.0
Addressing the labour shortage in education	—	-11.9	-22.9	-14.1	-9.3	-9.3	-67.5
TOTAL	—	-40.9	-60.9	-57.1	-54.3	-54.3	-267.5

Note: The appropriations will be granted to the Ministère de l'Éducation. The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

Modernizing vocational training to make it more attractive and encourage success

The modernization of vocational training is crucial to help fill the need for qualified workers in several key sectors of the Québec economy. Investments will therefore be made to ensure that:

- vocational training centres have access to technological equipment in line with advances in tools used in the labour market;
- part-time vocational training be expanded and free of charge;
- accelerated training opportunities be enhanced and that bursaries be offered in the coveted programs.

In Budget 2023-2024, investments of \$200 million by 2027-2028 are provided for the modernization of vocational training to make it more attractive and help 30 000 more students graduate.

Addressing the labour shortage in education

The labour shortage is affecting several sectors of activity in Québec, and the education sector is no exception. Thus, various initiatives are planned to promote the value of professions in the field of education and thus help address the labour shortage, in particular:

- attract and retain experienced staff in the education system;
- recognize the work of school staff and raise awareness of the critical role they play in student success;
- support training for non-legally qualified teachers and school childcare staff.

In Budget 2023-2024, investments of \$67.5 million are provided over five years to address the labour shortage in education.

1.4 Accelerating maintenance of the school building inventory

Many schools are aging. There is a need to increase the amount of money spent on maintaining the school building inventory by continuing the efforts in this regard.

The government will provide additional financial support to school service centres and school boards to carry out maintenance work on their facilities and thus prevent their deterioration.

In Budget 2023-2024, \$208 million by 2027-2028 is provided for the purpose of:

- integrating the infrastructure management tool into practices;
- maintaining schools.

TABLE C.6

Financial impact of the measures to accelerate maintenance of the school building inventory (millions of dollars)

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Integrating the infrastructure management tool into practices	—	-5.6	-2.4	—	—	—	-8.0
Maintaining schools	—	-26.1	-38.7	-42.5	-43.0	-49.7	-200.0
TOTAL	—	-31.7	-41.1	-42.5	-43.0	-49.7	-208.0

Note: The appropriations will be granted to the Ministère de l'Éducation. The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

Integrating the infrastructure management tool into practices

To achieve its goals of upgrading school infrastructure and maintaining it in satisfactory condition, the government wishes to continue the development of the school infrastructure management tool throughout the network.

This tool will provide a clearer picture of the state of the school building inventory and better guide the investment strategy to maintain and improve infrastructure.

In this regard, an investment of \$8 million is provided over two years to integrate the infrastructure management tool into practices.

Maintaining schools

Quality infrastructure facilitates better teaching and contributes to the educational success of students. It is therefore a priority for the government to provide students with schools that are in good condition.

Rigorous maintenance of school buildings prevents the school building inventory from deteriorating, reduces the number and extent of repairs, and makes repairs less urgent to carry out. Accordingly, associated asset maintenance investments are reduced.

In Budget 2023-2024, \$200 million is provided by 2027-2028 to improve the school building inventory.

— This is in addition to the \$267 million announced in Budget 2022-2023 to maintain and repair school buildings to delay or prevent their premature deterioration.

Investments in education sector infrastructure

The investments allocated to the education sector under the Québec Infrastructure Plan (QIP) have more than doubled in recent years, from close to \$9 billion in the 2018-2028 QIP to \$22.2 billion in the 2023-2033 QIP.

Moreover, the majority of the investments provided for in the 2023-2033 QIP are allocated to infrastructure maintenance in a proportion of 65.1%.

— These investments are in addition to those already made for the maintenance of the school building inventory.

Several initiatives have been deployed to accelerate the completion of school infrastructure projects, such as steps to facilitate the acquisition of land from municipalities and the new pre-project study measure aimed at providing better assessments of future work.

2. GETTING QUEBECERS MOVING

Physical activity, sports, recreation and outdoor activities are beneficial to everyone's physical and psychological health, and especially for the learning and educational success of young people.

To this end, the government is providing opportunities for all Quebecers to participate in physical, recreation and outdoor activities in order to adopt a more active lifestyle.

Furthermore, the government is reaffirming the importance of providing the entire population with safe and attractive infrastructure and sites that encourage regular physical activity.

To achieve this, in Budget 2023-2024 the government is providing \$88.4 million by 2027-2028 with the aim of:

- improving access to and increasing participation in recreational, sports and physical activities;
- strengthening the protection of integrity in sports and recreation;
- continuing to develop the National Trail in Québec.

TABLE C.7

Financial impact of the measures to get Quebecers moving
(millions of dollars)

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Improving access to and increasing participation in recreational, sports and physical activities	—	-7.7	-16.9	-17.8	-16.3	-14.0	-72.7
Strengthening the protection of integrity in sports and recreation	—	-2.2	-2.7	-2.7	-2.7	-2.7	-13.0
Continuing to develop the National Trail in Québec	—	-2.7	—	—	—	—	-2.7
TOTAL	—	-12.6	-19.6	-20.5	-19.0	-16.7	-88.4

Note: The appropriations will be granted to the Ministère de l'Éducation. The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

Improving access to and increasing participation in recreational, sports and physical activities

To encourage participation in physical activities and sports, investments are planned to promote their benefits and support local physical activity initiatives.

The government also wishes to remedy the lack of coaches by supporting recreation organizations in the implementation of an onboarding, support and training strategy for coaches and parent volunteers working with youth.

In Budget 2023-2024, investments of \$72.7 million by 2027-2028 are provided to improve access to and increase participation in recreational, sports and physical activities.

Strengthening the protection of integrity in sports and recreation

It is essential to promote a healthy, safe and harmonious sports environment for young people in Québec and to provide support services to sports community stakeholders, at both the elite and recreational levels.

Therefore, in order to fulfill its commitment to safety and protecting the integrity of individuals participating in recreational and sports activities, the government is continuing its actions and undertakes to make the necessary efforts to prevent abuse, harassment, negligence and physical, sexual or psychological violence.

Additional investments of \$13 million by 2027-2028 are provided in Budget 2023-2024 to strengthen the protection of integrity in sports and recreation.

Continuing to develop the National Trail in Québec

Hiking is becoming increasingly popular in Québec. It is one of the most accessible activities for people of all ages and incomes.

Knowing that increased contact with nature contributes to the well-being of citizens and their physical and mental health, the government is financially supporting the development and maintenance of the National Trail in Québec.

— The National Trail in Québec is a linear hiking trail over 1 600 kilometres long that crosses nine Québec regions.

In this budget, investments of \$2.7 million in 2023-2024 are provided to continue maintaining and developing the National Trail in Québec.

Sports and recreational infrastructure programs

For new sports, recreational and outdoor infrastructure

Some existing infrastructure is aging and outdated. To keep providing the public with infrastructure in good condition, the government wishes to continue the development of attractive sports, recreational and outdoor infrastructure in all Québec regions and ensure that everyone has access to this infrastructure.

To this end, investments of \$300 million are provided in the 2023-2033 Québec Infrastructure Plan (QIP) to fund the development and maintenance of sports, recreational and outdoor infrastructure.

The terms and conditions for the launch of the new calls for projects will be announced shortly by the Minister Responsible for Sports, Recreation and the Outdoors.

Financial support for the completion of sports and recreational infrastructure projects

In recent years, a number of programs to support sports and recreational facilities have provided project funding for the construction, development, upgrading or renovation of such facilities, as well as trails and outdoor activity sites.

These infrastructure programs help ensure that all Quebecers have access to more modern, accessible and safe sports and recreation infrastructure.

Between 2020-2021 and 2022-2023, for example, 192 recreational and sports infrastructure projects were authorized for a total of more than \$353 million under the financial assistance program for recreational and sports infrastructure, in line with the Investing in Canada infrastructure program for which the Integrated Bilateral Agreement (IBA) was concluded between the governments of Québec and Canada in summer 2018.

However, some projects targeted under these infrastructure programs are currently experiencing major delays due to challenges in the construction sector.

Thus, to allow the completion of projects already announced, the government is providing \$110 million in investments in the 2023-2033 QIP, which will essentially be used to finance this measure.

Project eligibility criteria will be specified at a later date by the Minister Responsible for Sports, Recreation and the Outdoors.

3. FOSTERING STUDENT ACCESS, RETENTION AND GRADUATION RATES IN HIGHER EDUCATION

Since 2018, the government has made substantial investments to promote student access and success in higher education. The acquisition of knowledge and skills remains at the heart of its priorities in order to promote Québec's socioeconomic development.

Against this backdrop, additional investments of \$717.4 million are provided by 2027-2028 with the aim of:

- financially supporting students;
- improving higher education graduation rates;
- enhancing the culture of innovation in higher education and supporting the adoption of technological advances.

TABLE C.8

Financial impact of the measures to foster student access, retention and graduation rates in higher education
(millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Financially supporting students	—	-48.4	-75.6	-75.6	-75.6	-75.6	-350.8
Improving higher education graduation rates	-33.6	-42.0	-50.0	-50.0	-50.0	-50.0	-275.6
Enhancing the culture of innovation in higher education and supporting the adoption of technological advances	—	-11.0	-20.0	-20.0	-20.0	-20.0	-91.0
TOTAL	-33.6	-101.4	-145.6	-145.6	-145.6	-145.6	-717.4

3.1 Financially supporting students

Various initiatives have been put in place in recent years to financially support students and improve access to higher education.

- One of these, the temporary increase in living expenses for the Loans and Bursaries Program, was scheduled to end at the end of 2022-2023. However, the rising cost of living, especially for housing, requires that it be maintained.

The government is therefore making permanent the increase in living expenses considered in the calculation of student loans and bursaries. This amount, in addition to allowable expenses, is:

- \$96 per month for students who live with their parents;
- \$205 per month for students who do not live with their parents.

This renewal represents an additional \$350.8 million in financial support over five years for approximately 80 000 students.

TABLE C.9

Financial impact of the measure to financially support students (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Permanently increasing living expenses	—	-48.4	-75.6	-75.6	-75.6	-75.6	-350.8

Note: The appropriations will be granted to the Ministère de l'Enseignement supérieur.

3.2 Improving higher education graduation rates

Improving higher education graduation rates is essential for meeting the current and future needs of the Québec labour market.

The government is therefore continuing its efforts to increase the graduation rate of students by facilitating educational pathways through the recognition of prior learning, promoting the regionalization of higher education, attracting more international students, and providing educational institutions with additional space.

Investments of \$275.6 million by 2027-2028 are provided in Budget 2023-2024 to increase higher education graduation rates.

TABLE C.10

Financial impact of the measures to improve higher education graduation rates
(millions of dollars)

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Improving the recognition of prior learning and acquired competencies	—	-5.3	-7.8	-7.8	-7.8	-7.8	-36.5
Fostering success and proficiency in French	—	-2.7	-3.2	-3.2	-3.2	-3.2	-15.5
Increasing the size of cohorts in medicine for the next few years	-33.6	—	—	—	—	—	-33.6
Meeting the need for additional space by leasing property	—	-20.0	-20.0	-20.0	-20.0	-20.0	-100.0
Welcoming more international students in French-language programs	—	-10.0	-15.0	-15.0	-15.0	-15.0	-70.0
Improving training and services in the regions	—	-4.0	-4.0	-4.0	-4.0	-4.0	-20.0
TOTAL	-33.6	-42.0	-50.0	-50.0	-50.0	-50.0	-275.6

Note: The appropriations will be granted to the Ministère de l'Enseignement supérieur. The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

Improving the recognition of prior learning and acquired competencies

The recognition of students' prior learning and acquired competencies (RAC) accelerates their academic career, while taking into account the specifics of their pathways and needs. Such services most often allow them to reduce the length of their studies and more quickly obtain their college diploma or university degree.

The government therefore wishes to improve the recognition of prior learning and acquired competencies, develop RAC management systems and recognize the value of students' extracurricular learning.

Investments of \$36.5 million by 2027-2028 are provided in Budget 2023-2024 to improve the recognition of prior learning and acquired competencies at the college and university levels.

Fostering success and proficiency in French

The government wishes to develop support services for learning French in English-language colleges or colleges providing training in English. This will increase students' proficiency in the official language of Québec.

Investments are being allocated to universities with a faculty of education so that they can better support students with difficulties in French at the outset of their undergraduate program.

In Budget 2023-2024, the government is providing \$15.5 million over five years to foster success and proficiency in French in higher education.

Increasing the size of cohorts in medicine for the next few years

The needs of the Québec population in terms of health services are growing, in particular because of the aging of the population and the prevalence of chronic diseases.

In order to provide Quebecers with an adequate level of health care and services, the government wishes to recruit and train 660 new medical students by 2026.

To achieve this, it is committed to significantly increasing the size of cohorts in medicine and thus increase the number of students in Québec's four medical faculties. These historic increases require major investments in both infrastructure and professional resources.

Funding of \$33.6 million is therefore provided in 2022-2023 to enable the four medical schools to increase cohort sizes in the coming years.

Meeting the need for additional space by leasing property

In an effort to meet educational institutions' most pressing short-term space needs, the government relied on leasing property as a temporary solution in Budget 2022-2023.

It is increasing its financial support to enable higher education institutions to sign leases. This will make it possible to add the required spaces in the short term and broaden access to education. As a result, universities will be able to increase student numbers, particularly in programs targeted by Opération main-d'œuvre² and in medical schools.

Investments of \$100 million by 2027-2028 for this purpose are included in this budget.

Welcoming more international students in French-language programs

The granting of additional tuition exemptions allows international students selected by higher education institutions to pay the same fees as Québec students. These exemptions are an excellent pull factor for higher education institutions and allow Québec to attract more Francophone and Francotrope students from international pools.

The government will add new exemptions in order to attract more international students to French-language study programs.

Upon graduation, these beneficiaries will be able to contribute to the prosperity of all Québec regions by settling there permanently.

In Budget 2023-2024, the government is earmarking \$70 million over five years to welcome more international students in French-language programs.

² For more details, see the "Addressing the labour shortage" subsection in Section B, "Growing Québec's Wealth."

Improving training and services in the regions

The regionalization of higher education promotes accessibility to school and helps address the labour shortage in communities far from major centres.

This initiative aims, among other things, to support new projects that rely on the mobilization of local and regional players and to improve college and university educational services, particularly in the Côte-Nord region.

In addition, the government is pursuing the development of higher education hubs to encourage cooperation and the sharing of resources between educational institutions and their regional partners from the labour market or public administration.

Budget 2023-2024 provides investments of \$20 million by 2027-2028 to improve higher-education training and services in the regions.

3.3 Enhancing the culture of innovation in higher education and supporting the adoption of technological advances

Higher education institutions must continuously adapt to the various technological advances in order to maintain the quality of the education and services provided to students.

Educational institutions generate efficiency gains for themselves by consolidating their information resources and migrating to cloud computing.

The government continues to promote the culture of innovation and research by enhancing support measures and creating new research chairs in Québec studies.

For this purpose, Budget 2023-2024 includes investments of \$91 million by 2027-2028 to enhance the culture of innovation in higher education and support the adoption of technological advances.

TABLE C.11

Financial impact of the measures to enhance the culture of innovation in higher education and support the adoption of technological advances (millions of dollars)

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Enhancing the culture of innovation and research	—	-6.0	-10.0	-10.0	-10.0	-10.0	-46.0
Supporting the transition of information resources to cloud computing	—	-5.0	-10.0	-10.0	-10.0	-10.0	-45.0
TOTAL	—	-11.0	-20.0	-20.0	-20.0	-20.0	-91.0

Note: The appropriations will be granted to the Ministère de l'Enseignement supérieur. The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

Enhancing the culture of innovation and research

The government is continuing its efforts to enhance the culture of innovation and research in higher education. To do so, it will:

- support university initiatives that require the rapid integration of training, research and innovation;
- establish sustainable processes that encourage university collaboration with the research and business communities, the development of high-potential transfer activities and the establishment of a culture of innovation;
- support the development of graduate students' entrepreneurial skills;
- cover the indirect costs of college research, such as the administrative management of research projects or infrastructure operating costs;
- create research chairs in Québec studies, in the areas of language, culture, history, geography and politics.

Budget 2023-2024 includes investments of \$46 million by 2027-2028 to enhance the culture of innovation and research in colleges and universities.

- These investments are in addition to the increases in Québec Research Fund merit scholarships, which are designed to stimulate innovation by supporting research.³

Supporting the transition of information resources to cloud computing

Through its data centre consolidation program, launched in 2019, the government aims to consolidate these centres and optimize the processing and storage of government data through priority use of the external cloud.

- It is against this backdrop that public organizations in the education and higher education network are required to complete their migration to cloud computing by December 31, 2025.

This initiative is primarily intended to support colleges that need to migrate all of their data processing centres to the cloud.

This budget provides investments of \$45 million by 2027-2028 to support the transition of educational institutions' information resource activities to cloud computing.

³ For more details, see the subsection "Stepping up efforts in innovation" in Section B, "Growing Québec's Wealth."

FINANCIAL IMPACT

TABLE C.12

Financial impact of the measures to develop the potential of youth (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Helping youth succeed							
Improving student retention and success							
– Improving youth literacy and numeracy	—	-50.5	-95.0	-101.6	-101.2	-100.2	-448.5
– Supporting students with special needs	—	-12.0	-12.0	-14.5	-15.0	-12.8	-66.3
– Supporting student success and well-being	—	-18.2	-30.9	-22.8	-16.5	-18.0	-106.4
– Fostering access to special educational projects and promoting culture and citizenship in Québec	—	-33.1	-42.2	-37.4	-29.7	-25.7	-168.1
Subtotal – Improving student retention and success	—	-113.8	-180.1	-176.3	-162.4	-156.7	-789.3
Improving the performance of the school network							
– Supporting data access and digital transformation	—	-32.9	-32.1	-40.3	-34.7	-33.7	-173.7
– Increasing the efficiency of the network and of the Ministère de l'Éducation	—	-11.7	-19.8	-13.8	-10.6	-10.6	-66.5
Subtotal – Improving the performance of the school network	—	-44.6	-51.9	-54.1	-45.3	-44.3	-240.2
Making vocational training more attractive and addressing the labour shortage							
– Modernizing vocational training to make it more attractive and encourage success	—	-29.0	-38.0	-43.0	-45.0	-45.0	-200.0
– Addressing the labour shortage in education	—	-11.9	-22.9	-14.1	-9.3	-9.3	-67.5
Subtotal – Making vocational training more attractive and addressing the labour shortage	—	-40.9	-60.9	-57.1	-54.3	-54.3	-267.5
Accelerating maintenance of the school building inventory							
– Integrating the infrastructure management tool into practices	—	-5.6	-2.4	—	—	—	-8.0
– Maintaining schools	—	-26.1	-38.7	-42.5	-43.0	-49.7	-200.0
Subtotal – Accelerating maintenance of the school building inventory	—	-31.7	-41.1	-42.5	-43.0	-49.7	-208.0
Subtotal – Helping youth succeed	—	-231.0	-334.0	-330.0	-305.0	-305.0	-1 505.0

TABLE C.12

Financial impact of the measures to develop the potential of youth (cont.)
(millions of dollars)

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Getting Quebecers moving							
– Improving access to and increasing participation in recreational, sports and physical activities	—	-7.7	-16.9	-17.8	-16.3	-14.0	-72.7
– Strengthening the protection of integrity in sports and recreation	—	-2.2	-2.7	-2.7	-2.7	-2.7	-13.0
– Continuing to develop the National Trail in Québec	—	-2.7	—	—	—	—	-2.7
Subtotal – Getting Quebecers moving	—	-12.6	-19.6	-20.5	-19.0	-16.7	-88.4
Fostering student access, retention and graduation rates in higher education							
Financially supporting students							
– Permanently increasing living expenses	—	-48.4	-75.6	-75.6	-75.6	-75.6	-350.8
Improving higher education graduation rates							
– Improving the recognition of prior learning and acquired competencies	—	-5.3	-7.8	-7.8	-7.8	-7.8	-36.5
– Fostering success and proficiency in French	—	-2.7	-3.2	-3.2	-3.2	-3.2	-15.5
– Increasing the size of cohorts in medicine for the next few years	-33.6	—	—	—	—	—	-33.6
– Meeting the need for additional space by leasing property	—	-20.0	-20.0	-20.0	-20.0	-20.0	-100.0
– Welcoming more international students in French-language programs	—	-10.0	-15.0	-15.0	-15.0	-15.0	-70.0
– Improving training and services in the regions	—	-4.0	-4.0	-4.0	-4.0	-4.0	-20.0
Subtotal – Improving higher education graduation rates	-33.6	-42.0	-50.0	-50.0	-50.0	-50.0	-275.6
Enhancing the culture of innovation in higher education and supporting the adoption of technological advances							
– Enhancing the culture of innovation and research	—	-6.0	-10.0	-10.0	-10.0	-10.0	-46.0
– Supporting the transition of information resources to cloud computing	—	-5.0	-10.0	-10.0	-10.0	-10.0	-45.0
Subtotal – Enhancing the culture of innovation in higher education and supporting the adoption of technological advances	—	-11.0	-20.0	-20.0	-20.0	-20.0	-91.0
Subtotal – Fostering student access, retention and graduation rates in higher education	-33.6	-101.4	-145.6	-145.6	-145.6	-145.6	-717.4
TOTAL	-33.6	-345.0	-499.2	-496.1	-469.6	-467.3	-2 310.8

Section D

MAKING THE HEALTH CARE SYSTEM MORE EFFECTIVE AND MORE HUMANE

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APPENDIX: Health and social services expenditures of \$59 billion in 2023-2024	D.41

SUMMARY

The health and social services network has been under great strain in recent years during the pandemic. In March 2022, the plan to reform health care initiated a major shift in health care and services in Québec to address the many challenges that remain. The investments planned in Budget 2023-2024 are in line with this plan.

The government is investing close to \$5.6 billion to make the health care system more accessible, more efficient and more flexible for the public, to care for seniors and informal or family caregivers, and to support the most vulnerable.

The measures to make the health care system more effective and more humane thus total almost \$5.6 billion over the next five years:

- \$3.0 billion to make the health care system more efficient and more flexible for the public;
- \$2.0 billion to care for seniors and informal or family caregivers;
- \$565.4 million to support the most vulnerable.

TABLE D.1

Financial impact of the measures to make the health care system more effective and more humane
(millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Making the health care system more efficient and more flexible for the public	-612.5	-623.1	-623.4	-589.9	-563.9	-3 012.8
Caring for seniors and informal or family caregivers	-316.4	-400.8	-401.2	-434.1	-443.3	-1 995.8
Supporting the most vulnerable	-105.2	-110.8	-110.8	-110.8	-127.8	-565.4
TOTAL	-1 034.1	-1 134.7	-1 135.4	-1 134.8	-1 135.0	-5 574.0

Note: Totals may not add due to rounding.

Plan to reform health care

The plan to reform health care was released in March 2022. It is based on a clear vision: to offer all Quebecers a patient experience based on accessibility and quality of care and services.

A number of initiatives have been implemented over the past year, in particular:

- the collective registration of nearly 500 000 people in a family medicine group;
- the connection of all Québec regions to the Primary Care Access Point, since fall 2022, which allows those without a family doctor to be readily directed to a medical appointment or health service nearby;
- the rollout of accelerated training and scholarships to increase cohorts in health fields, particularly for nurses;
- access to a mobile schedule self-management application as part of a pilot project for nurses of the Centre intégré universitaire de santé et de services sociaux (CIUSSS) de la Capitale-Nationale who answer patients through the Info-Santé 811 line;
- the opening of six specialized nurse practitioner clinics, allowing for the effective management of common, acute or chronic health problems;
- the creation of a crisis cell in fall 2022 to improve the situation in emergency departments;
 - Many of the solutions recommended by the crisis cell have been implemented. An example is the “One Call, One Service” initiative, whose goal is to provide better access to front-line services, particularly for young people aged 0 to 17, by improving the Info-Santé 811 line.
- a \$120-million investment to implement the measures of the government health prevention policy action plan 2022-2025;
- the introduction of Bill 3, *An Act respecting health and social services information and amending various legislative provisions*, which essentially aims to promote a more fluid and secure flow of health and social services information based on well-established guidelines;
- the introduction of Bill 10, *An Act limiting the use of personnel placement agencies' services and independent labour in the health and social services sector*, whereby the government wishes to better oversee the use of private agencies and, in the long term, to reduce the need to turn to them for health care staff;
- the launch of the electronic health record pilot project at the CIUSSS du Nord-de-l'Île-de-Montréal and Mauricie-et-du-Centre-du-Québec.
 - With this transformation, data will be tied to patients, not to the site where the service was provided. In addition to facilitating patients' journey within the network, electronic health records will improve the work of professionals, who will have access to the complete records.

1. MAKING THE HEALTH CARE SYSTEM MORE EFFICIENT AND MORE FLEXIBLE FOR THE PUBLIC

The government's health care plan marked a major shift in the organization of health care to improve network performance.

Today, the government is planning new initiatives totalling more than \$3.0 billion over five years to make the health care system more efficient and more flexible for the public:

- \$2.2 billion to adapt the health sector to post-pandemic realities;
- \$710.3 million to improve health care and services through lasting structural changes;
- \$60.0 million to improve the network's efficiency and create Santé Québec.

TABLE D.2

Financial impact of the measures to make the health care system more efficient and more flexible for the public (millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Adapting the health care sector to post-pandemic realities	-503.0	-479.8	-450.9	-451.0	-357.8	-2 242.5
Improving health care and services through lasting structural changes	-89.5	-103.3	-172.5	-138.9	-206.1	-710.3
Improving the network's efficiency and creating Santé Québec	-20.0	-40.0	—	—	—	-60.0
TOTAL	-612.5	-623.1	-623.4	-589.9	-563.9	-3 012.8

Note: Totals may not add due to rounding.

1.1 Adapting the health care sector to post-pandemic realities

The pandemic required rapid adaptation of the health care sector. Maintaining many of the innovative solutions implemented during the emergency will have a positive and lasting impact on Quebecers' health and on the efficiency of the health care sector.

Access to vaccination and testing for COVID-19 has been a major success for the health and social services network, for the benefit of all Quebecers.

- For instance, nearly 23 million doses of COVID-19 vaccine have been administered in Québec and more than 20 million screening tests have been performed.

Building on this success, the government intends to continue to improve the fluidity, accessibility and quality of care and services by making the vaccination and screening centres set up during the pandemic permanent, and by extending their scope to incorporate preventive activities and other front-line services so as to relieve the hospital system.

In addition, to support the reorganization of mechanisms to respond to exceptional events such as the pandemic, the government plans to update its emergency preparedness plan, together with logistics and supplies, in order to maintain a strategic reserve of personal protective equipment (PPE) and medications.

Furthermore, offloading caused by the various waves of the pandemic has resulted in longer wait times for surgeries and clinical activities. This is why the strategy put in place to increase surgical activity in 2021 will be intensified and extended, with the same objective of significantly reducing the list of patients waiting for surgery.

- As at December 31, 2022, a total of 20 649 patients had been waiting for surgery for more than a year. The goal remains to reduce this number as quickly as possible to pre-pandemic levels, which means fewer than 3 000 patients waiting for surgery in 2024.

In Budget 2023-2024, the government is providing more than \$2.2 billion over five years to adapt the health care sector to post-pandemic realities:

- \$1.4 billion to sustain the new approach developed for vaccination and testing, expanding its reach to other front-line services;
- \$521.5 million to update the emergency preparedness plan and PPE procurement;
- \$361.0 million to reduce the waiting list for surgeries.¹

TABLE D.3

Financial impact of the measures to adapt the health sector to post-pandemic realities
(millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Sustaining the new approach developed for vaccination and testing, expanding its reach to other front-line services	-272.0	-272.0	-272.0	-272.0	-272.0	-1 360.0
Updating the emergency preparedness plan and PPE procurement	-148.0	-113.8	-86.9	-87.0	-85.8	-521.5
Reducing the waiting list for surgeries ⁽¹⁾	-83.0	-94.0	-92.0	-92.0	—	-361.0
TOTAL	-503.0	-479.8	-450.9	-451.0	-357.8	-2 242.5

Note: Totals may not add due to rounding.

(1) Budget 2023-2024 plans to invest more than \$700 million over four years to reduce the waiting list for surgeries. Approximately \$350 million from the Institut de la pertinence des actes médicaux (IPAM) will help to implement a clinical wait list reduction plan. This funding is put in place as part of the agreement reached between the government and the Fédération des médecins spécialistes du Québec in 2019.

¹ The amounts provided to reduce the waiting list for surgeries are in addition to the envelope of regular expenditures for surgical activities. This envelope totals \$1.5 billion in 2022-2023, and will allow almost 400 000 procedures to take place.

Surgery: continuing the transition to a patient-based funding model

The government has undertaken a major reform of health services by initiating the transition to a patient-based funding model (PBF). PBF is a way of allocating resources that directly links patients, their care and services pathways, access, the quality of services they receive and funding provided to facilities.

Over the past five years, PBF has been introduced in several health and social service sectors. Since then, there have been significant productivity gains and an improvement in the quality of care and services through the continuous monitoring of clinical performance and of resource use data.

- For instance, in radiation oncology, where PBF has been implemented since 2015-2016, performance indicators reveal an increase in financial efficiency, with a 7% decrease in the average cost of procedures compared to 2014-2015 data, resulting in \$15 million in recurring savings for the network. Productivity also increased by more than 26% in relation to 2014-2015.
- In imaging, the introduction of this method of funding since 2017-2018 has been an important lever for improving the patient care pathway. The number of procedures in magnetic resonance imaging (MRI) technical units increased by more than 22% over 2015-2016 data. At the same time, the unit cost of procedures fell by 4%.
- Deployed in 2018-2019 in the colonoscopy/digestive endoscopy sector, PBF led to an approximately 18% increase in the volume of examinations compared to data available in 2016-2017. During the same period, there was a 31% decrease in the case backlog. In addition, the productivity gain is 14%.

As part of the plan to reform health care, the Ministère de la Santé et des Services sociaux is expanding PBF to the surgical sectors starting April 1, 2023, to help improve performance and reduce wait times. As a result, the share of activities funded on the basis of the performance of care and services offered to patients will now represent more than \$2.6 billion per year, or about 25% of the care and services offered in physical health in Québec hospitals. The goal is to reach 100% by 2027-2028, which will represent more than \$10 billion annually.

With the expansion of PBF, the government is making an important part of its vision for the health care system a reality by fostering innovation and the dissemination of best practices in care and services.

1.2 Improving health care and services through lasting structural changes

In Budget 2023-2024, additional investments are provided to improve health care and services. The resulting changes will be structural and lasting.

To this end, \$710.3 million is provided over five years:

- \$395.0 million to open new front-line-access clinics and add specialized nurse practitioners and other front-line professionals;
- \$146.2 million to develop the “Votre Santé” platform to facilitate appointment booking;
- \$125.0 million to establish a helicopter medical transportation service;
- \$44.1 million to improve the management of patients suffering from rare or chronic diseases.

TABLE D.4

Financial impact of the measures to improve health care and services through lasting structural changes (millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Opening new front-line-access clinics and adding specialized nurse practitioners and other front-line professionals	-50.0	-50.0	-109.0	-61.0	-125.0	-395.0
Developing the “Votre Santé” platform to facilitate appointment booking	-26.2	-30.0	-30.0	-30.0	-30.0	-146.2
Establishing a helicopter medical transportation service	-5.0	-15.0	-25.0	-40.0	-40.0	-125.0
Improving the management of patients suffering from rare or chronic diseases ⁽¹⁾	-8.3	-8.3	-8.5	-7.9	-11.1	-44.1
TOTAL	-89.5	-103.3	-172.5	-138.9	-206.1	-710.3

Note: Totals may not add due to rounding.

(1) Including an amount of \$11.4 million provided in the appropriation envelope set aside for the Ministère de la Santé et des Services sociaux, the amounts for action on rare and chronic diseases total \$55.5 million over five years.

Opening new front-line-access clinics and adding specialized nurse practitioners and other front-line professionals

Since 2021, specialized nurse practitioners have gained more responsibility and autonomy in their practice. They can make more diagnoses, prescribe examinations, medication and treatment plans, and monitor pregnancies independently.

The opening of front-line-access clinics forms part of the measures identified to overcome the crisis currently plaguing emergency departments. Already, six clinics are up and running.

- In these front-line-access clinics, patients are managed by a team of specialized nurse practitioners, clinical nurses, nursing assistants and other professionals. These clinics are intended for users who are redirected by the Primary Care Access Point from the emergency department or the Info-Santé 811 pediatric line.

The deployment of front-line-access clinics thus allows patients with minor, acute or chronic health issues to be dealt with rapidly, thereby freeing up emergency departments.

Building on this initiative, in Budget 2023-2024 the government is providing \$395.0 million over five years to open 23 new front-line-access clinics and add specialized nurse practitioners and other front-line professionals.

Starting in 2023-2024, 12 clinics, 6 more than currently, will be offering their services to the public.

Developing the “Votre Santé” platform to facilitate appointment booking

In November 2021, the government tabled in the National Assembly Bill 11, *An Act to increase the supply of primary care services by general practitioners and to improve the management of that supply*.

This bill, assented to in June 2022, paves the way for the deployment of an appointment-management platform that will build on the success of the appointment scheduling approach developed for COVID-19 screening and vaccination.

The new platform will make it easier for Quebecers to obtain an in-person or telemedicine consultation with a physician or health care professional and ultimately will allow users to consult the information in their medical record.²

In Budget 2023-2024, the government is thus setting aside an amount of \$146.2 million over five years to develop the “Votre Santé” platform and facilitate the booking of an appointment with a doctor or health professional.

² For those who are less comfortable with technology, a telephone number will be available at all times.

□ Establishing a helicopter medical transportation service

People who live in areas far from major centres – between 75 and 275 kilometres away – may face additional travel time in emergency situations to obtain care available only in the largest hospitals.

Not only do these delays bring risks for the health of the patient being treated, but they also monopolize ambulance transportation that would otherwise be available for the rest of the population, sometimes for many hours.

To improve the service and the response time in these regions, medical transportation by helicopter will be gradually implemented between sending hospitals in more remote regions and receiving hospitals in Montréal and the city of Québec.

This service will complement the Québec aeromedical evacuation (EVAQ) program, which allows patients over 275 kilometres away to be transported to a specialized facility:

- by hospital-plane when their health condition requires it;
- using the multi-patient medical shuttle service for previously stabilized semi-urgent cases in regions.

In Budget 2023-2024, the government is therefore setting aside \$125.0 million over five years to establish a helicopter medical transportation service.

ILLUSTRATION D.1

Medical transportation



Note: A tertiary centre is an emergency department with all the specialities involved in traumatology (neurosurgery, thoracic surgery, etc.).

Source: Ministère de la Santé et des Services sociaux.

Improving the management of patients suffering from rare or chronic diseases

A rare disease is defined as a disease that affects no more than one person in every 2 000. More than 7 000 rare diseases have been identified worldwide. In Québec, it is estimated that nearly one person in 20 has or carries a rare disease, which represents close to 500 000 Quebecers.³

To better understand the impact of these diseases on Quebecers, in June 2022 the government unveiled the first Québec policy on rare diseases.

- Implementation of the resulting action plan will make Québec a leader in Canada. This will be a significant step in supporting those affected, whose cases are currently not managed systematically.

Furthermore, the growing prevalence of chronic diseases such as diabetes and high blood pressure is having an effect on the number of patients in need of renal replacement treatments. With the growing demand for renal replacement treatments, the government is creating new dialysis centres.

In addition, since cardiovascular diseases are the second-biggest cause of death in Québec and one of the main causes of hospitalization, the government is launching a secondary prevention and cardiac rehabilitation program.

In Budget 2023-2024, the government is thus setting aside \$44.1 million over five years to improve the management of patients suffering from rare or chronic diseases.

³ Source: Regroupement québécois des maladies orphelines.

1.3 Improving the network's efficiency and creating Santé Québec

Based on the recommendations of the Savoie report, entitled *Une gouvernance renouvelée du réseau de la santé et des services sociaux – Constats et recommandations* and published in June 2022, the government plans to create Santé Québec.

The creation of Santé Québec is part of the plan to decentralize the health and social services network, the aim being to make it more efficient and accountable for its results and to ensure organizational stability.

In addition, the government will propose proximity management, aimed at bringing decisions on care and services closer to the patient and optimizing operational decision-making by decentralizing the supervision and governance of clinical and medical activities.

Santé Québec will be established through the tabling of a bill, with a view to coming into force by 2024. The government is accordingly providing \$60.0 million in Budget 2023-2024 to create Santé Québec during the two-year transition period.

Renewed governance of the health and social services network

The creation of Santé Québec will lead to a review of roles between the Ministère de la Santé et des Services sociaux and institutions in the network, which carry the primary responsibility for delivery of the service offering.

Distribution of roles and responsibilities in the health and social services network

Ministère de la Santé et des Services sociaux	Santé Québec	Institutions
<ul style="list-style-type: none"> - Drawing up the policies, budget, strategies and policy directions in accordance with government priorities - Determining targets, objectives and results to be achieved - Reporting on target achievement, results and performance assessment to central authorities - Maintaining relationships with government and inter-government partners - Providing a legislative and regulatory framework 	<ul style="list-style-type: none"> - Coordinating network operations and optimizing budget resources - Ensuring that Santé Québec is an employer of choice through proximity management and flexible work organization - Managing certain cross-cutting functions such as major IT and clinical projects - Establishing indicators and determining a method for measuring the patient and human resource experience for all institutions 	<ul style="list-style-type: none"> - Providing and organizing high-quality, accessible health services and social services - Ensuring budgetary follow-up of operations and overseeing cost control in accordance with government policy directions - Reporting on the achievement of results in relation to set objectives under their responsibility

2. CARING FOR SENIORS AND INFORMAL OR FAMILY CAREGIVERS

The number of persons aged 65 and over is continually increasing. In Québec, it will rise from 1.8 million in 2021 to nearly 2.5 million in 2041, representing 26% of the population. The aging of the population in Québec puts upward pressure on health and social services needs, especially those associated with diminishing autonomy.

In Budget 2023-2024, the government is investing once again to take care of seniors and informal or family caregivers. To this end, an additional amount of \$2.0 billion will be provided over five years, namely:

- \$963.5 million to increase the supply of home-support services;
- \$705.0 million to offer housing adapted to the needs of seniors for a high-quality living environment;
- \$202.7 million to continue government initiatives for seniors and informal or family caregivers;
- \$124.6 million to provide free vaccination against shingles.

TABLE D.5

Financial impact of the measures to care for seniors and informal or family caregivers (millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Increasing the supply of home-support services	-102.7	-152.7	-202.7	-252.7	-252.7	-963.5
Offering housing adapted to the needs of seniors for a high-quality living environment	-164.1	-168.6	-124.1	-124.1	-124.1	-705.0
Continuing government initiatives for seniors and informal or family caregivers	-49.6	-42.8	-37.7	-36.3	-36.3	-202.7
Providing free vaccination against shingles ⁽¹⁾	—	-36.7	-36.7	-21.0	-30.2	-124.6
TOTAL	-316.4	-400.8	-401.2	-434.1	-443.3	-1 995.8

Note: Totals may not add due to rounding.

(1) Including an amount of \$30.0 million drawn from the envelope of the Ministère de la Santé et des Services sociaux in 2023-2024, the total amount for providing free vaccination against shingles comes to \$154.6 million over five years.

2.1 Increasing the supply of home-support services

Conscious of the importance of providing home-support services and meeting the desires of seniors and handicapped persons or persons with disabilities, the government wants them to be able to preserve their independence and remain in their homes for as long as possible.

The government's major shift in recent years led to a 45% increase in the number of hours of home-support services offered, from 19 500 000 hours in 2018-2019 to 28 300 000 hours in 2021-2022. Nevertheless, challenges remain, particularly with regard to service accessibility.

- As at December 31, 2022, 18 918 people were still waiting for their first home-support service.

To enable all Quebecers who wish to live and grow old in their homes as long as they so desire and are able to, the government is setting aside \$963.5 million over five years in Budget 2023-2024 to increase the supply of home-support services.

- In particular, this investment will:

- provide services to an additional 34 000 people (increasing from nearly 383 000 as at March 31, 2023 to 417 000 as at March 31, 2028);
- increase the annual provision of home-support services by approximately 13 800 000 hours (from 29 800 000 as at March 31, 2023 to 43 600 000 as at March 31, 2028);
- reduce the number of people waiting for their first home-support service by almost 9 000 (from 19 000 as at March 31, 2023 to fewer than 10 000 as at March 31, 2028).

TABLE D.6

Annual supply of home-support services (in units)

	March 31, 2019	March 31, 2023 ^P	March 31, 2028 ^P
Number of people having received care or services in the reference year	360 000	383 000	417 000
Number of hours of care and services provided	19 500 000	29 800 000	43 600 000
Number of people waiting for their initial treatment or service	10 500	19 000	10 000

P: Projection.

The supply of home-support services in brief

The range of home-support services comprises four types of services, whose objective is to enable users to remain in their homes, taking into account their needs and those of their loved ones. The four types are:

- home-support services (including in particular personal assistance and help with household chores, such as housework, meal preparation and personal hygiene);
- professional care and services (for example, nursing care, occupational therapy and psychosocial services);
- services for informal and family caregivers (for example, respite);
- technical support (for example, adjustable beds, transfer benches).

In Budget 2023-2024, the government is providing an additional \$963.5 million by 2027-2028 for this purpose. Thus, since 2018-2019, additional investments announced for home support total nearly \$6.5 billion.

Additional investments announced for home care and services in the 2019-2020 to 2023-2024 budgets

(millions of dollars)

	2018-2019 to 2023-2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Budget 2019-2020						
Boosting home care and services	1 480.0	280.0	280.0	280.0	280.0	2 600.0
Budget 2020-2021						
Continuing to improve home care ⁽¹⁾	400.0	100.0	100.0	100.0	100.0	800.0
Budget 2021-2022						
Increasing public home-support services	450.0	150.0	150.0	150.0	150.0	1 050.0
Budget 2022-2023						
Boosting home care and services	245.0	145.0	145.0	250.0	250.0	1 035.0
Budget 2023-2024						
Increasing the supply of home-support services	102.7	152.7	202.7	252.7	252.7	963.5
TOTAL	2 677.7	827.7	877.7	1 032.7	1 032.7	6 448.5

(1) The amounts announced in Budget 2020-2021 were \$100 million in 2020-2021 and 2021-2022, \$64 million in 2022-2023, \$61 million in 2023-2024 and \$59 million in 2024-2025 and 2025-2026. However, in a press release on November 15, 2020, the government announced that the annual amount of \$100 million would be recurrent.

2.2 Offering housing adapted to the needs of seniors for a high-quality living environment

Budget 2023-2024 is setting aside \$705.0 million over five years to offer housing adapted to the needs of our seniors for a high-quality and safe living environment, namely:

- \$405.0 million to ensure the sustainability of services in private seniors' residences (PSRs);
- \$200.0 million to continue creating seniors' homes and alternative homes;
- \$100.0 million to continue the harmonization of public and private CHSLDs.

TABLE D.7

Financial impact of the measures to offer housing adapted to the needs of seniors for a high-quality living environment (millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Ensuring the sustainability of services in PSRs	-104.1	-108.6	-64.1	-64.1	-64.1	-405.0
Continuing to create seniors' homes and alternative homes	-40.0	-40.0	-40.0	-40.0	-40.0	-200.0
Continuing the harmonization of public and private CHSLDs	-20.0	-20.0	-20.0	-20.0	-20.0	-100.0
TOTAL	-164.1	-168.6	-124.1	-124.1	-124.1	-705.0

Note: Totals may not add due to rounding.

□ Ensuring the sustainability of services in private seniors' residences

PSRs of all sizes are an essential partner of the public health care network when it comes to home-support services for seniors.

As a result of the pandemic, the government has already taken action to ensure the sustainability of services and care provided in PSRs. However, residences continue to close down because of ballooning operational costs such as those associated with labour, insurance, inflation and certification.

To ensure the sustainability of services and care in PSRs, in Budget 2023-2024 the government is investing \$405.0 million over five years:

- \$316.0 million to maintain services for seniors, including improvements to the direct allocation mechanism for clients with diminishing autonomy in PSRs;
- \$89.0 million to extend the financial assistance program for installing sprinklers in PSRs.

In addition, the program to reduce the impact of insurance premium increases on PSRs and other private entities will be extended by one year.

TABLE D.8

Financial impact of the measures to ensure the sustainability of services in private seniors' residences (millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Maintaining services offered to seniors in PSRs	-59.6	-64.1	-64.1	-64.1	-64.1	-316.0
Extending the financial assistance program for installing sprinklers in PSRs	-44.5	-44.5	—	—	—	-89.0
TOTAL	-104.1	-108.6	-64.1	-64.1	-64.1	-405.0

Note: Totals may not add due to rounding.

Budget 2021-2022: over \$782 million in investments to ensure the sustainability of services in private seniors' residences

In Budget 2021-2022, the government announced measures representing a total investment of \$782 million to ensure the sustainability of services in private seniors' residences (PSRs), in response to the financial pressure exerted by the pandemic, namely:

- \$335.8 million over five years for the salary transition program for PSR staff, in order to maintain the services offered;
- \$52.0 million over five years for renovation work in small PSRs in order to improve their insurability;
- \$394.2 million over five years to progressively increase the refundable tax credit for home-support services for seniors from 35% in 2021 to 40% in 2026.

Furthermore, two years of temporary financial assistance was offered to cover a portion of the increase in insurance premiums for PSRs.

Lastly, in line with the commitment made in Budget 2021-2022, the government tabled a draft regulation in winter 2023 to review the criteria for setting the price of rent for PSRs so that they can better reflect the changes in the costs of the services offered.

In keeping with this regulatory change, three other steps were taken to better protect seniors in PSRs:

- the prepublication of a draft lease specifically for tenants of PSRs in the *Gazette officielle du Québec*;
- new obligations for PSRs to inform seniors of annual changes in the prices of the services they offer;
- a five-year extension of the “CAAP on the lease” program aimed at supporting seniors living in PSRs in the event of a dispute. This measure was included in Budget 2022-2023.

■ Maintaining services offered in private seniors' residences

To ensure that seniors living in PSRs continue to obtain the services they need, the government is announcing \$316.0 million in investments over five years:

- \$200.0 million to improve the direct allocation mechanism for clients with diminishing autonomy in PSRs;
- \$94.7 million to update the intervention framework for small residences;
- \$21.3 million to expand the salary transition program for PSR caregiving staff.

- **Improving the direct allocation mechanism for clients with diminishing autonomy in private seniors' residences**

A public health institution may, through the direct allocation mechanism for PSRs, enter into an agreement with a PSR to provide home-support services to a resident with diminishing autonomy.

The services offered are determined by the public institution after assessing the person's level of autonomy.

- The entire cost of the services is borne by the public health network.

To support PSRs in their home-support activities for seniors, the government wishes to improve the direct allocation mechanism for PSRs.

The government plans to make the existing mechanism systematic and to harmonize the way it functions across the various regions of Québec. These improvements will provide PSRs with a stable and predictable source of income for the delivery of services to seniors.

This improvement in the allowance to residents with diminishing autonomy will fund more than one million hours of services per year in PSRs for residents with diminishing autonomy.

The government will invest \$200.0 million to this end over the next five years.

- **Updating the intervention framework for small residences**

The closure of PSRs or their conversion into apartment buildings causes service disruptions for the seniors with diminishing autonomy who live there.

Of the 100 or so PSRs closed in 2020, less than 5% could be converted to intermediate resources to continue providing care and services.

To avoid a break in the continuum of services provided to seniors with diminishing autonomy, the government wishes to promote the process for voluntarily converting small PSRs into intermediate resources.

— Intermediate resources offer support or assistance services to users who are referred to them by public institutions.

In Budget 2023-2024, the government will invest \$94.7 million over five years to simplify the voluntary conversion of PSRs into intermediate resources.

Intermediate resources

Intermediate resources are a type of housing in the public health and social services network that function under an agreement with a private partner that provides accommodation and the support and assistance services required depending on the level of autonomy of the residents.

— Seniors eligible for intermediate resources have less advanced loss of autonomy than those admitted to a long-term care centre.

The costs of the support and assistance services are borne by the health care network. However, in 2023, the maximum financial contribution charged to a senior for room and board is \$1 374.40 per month.

As at March 31, 2020, the Ministère de la Santé et des Services sociaux had 1 826 intermediate resources serving a total of 19 816 users.

- **Expanding the salary transition program for caregiving staff**

During the public health emergency, a subsidy was granted to PSRs to increase the pay of patient-care attendants, nurses and other employees.

To mitigate the impact on the price of services paid by senior clients and to maintain the care available to them, the government had announced that the subsidy granted to PSRs for their caregiving staff would be gradually withdrawn.

The program was enhanced in spring 2022 for the first year of implementation, by means of financial assistance equal to 100% of the bonuses paid, which was available to all PSRs with caregiving staff.⁴

In addition to the amounts already provided in the salary transition program for caregiving staff, the government announced an enhancement to this program on December 14, 2022, to:

- provide assistance equivalent to 100% of the bonuses paid until December 31, 2023, which will be reduced progressively and discontinued on December 31, 2026;
- increase the level of assistance available and cover caregiving staff working in residences of 250 units or more.

This enhancement of the salary transition program for PSR caregiving staff represents a total of \$21.3 million over five years.

⁴ A bonus of \$4 per hour worked for patient-care attendants and 8% per hour worked for nurses.

■ **Extending financial assistance for installing sprinklers**

In 2018, the government announced that PSRs would be required to have a sprinkler system. To support PSRs in this, it also set up financial assistance to reimburse a significant portion of the cost of this work.⁵

The deadline for PSRs to install sprinklers was extended from December 2, 2022 to December 2, 2024.

On December 14, 2022, the government announced the extension and enhancement of the financial assistance program for the installation of sprinklers in PSRs.

- The maximum amount of financial assistance was increased from \$5 000 to \$7 000 per housing unit.
- PSR owners who have already received grants under this program can receive this additional amount retroactively.

The extension of the financial assistance program for sprinkler installation represents an investment of \$89.0 million over two years.

■ **One-year extension of the financial assistance program to reduce the impact of insurance premium increases**

In Budget 2021-2022, the government announced the establishment, for a two-year period, of the assistance program for private seniors' residences and other related private entities⁶ to reduce the impact of insurance premium increases.

The program reduces the impact of insurance premium increases⁷ which affect seniors' rents, thereby avoiding jeopardizing the financial viability of PSRs and other related private entities.

This assistance, adapted to the size of the entities concerned, covers a portion of the insurance premium increase for the current year relative to the amount of insurance premiums paid in the reference year.

The program was scheduled to end on March 31, 2023. However, since the significant increase in insurance costs is still an issue for these entities, the government is announcing that it is extending the program for an additional year until March 31, 2024.

⁵ As at December 5, 2022, 252 residences representing 20 516 housing units have benefited from the program.

⁶ In addition to PSRs, other entities concerned include private funded and unfunded residential CHSLDs, home-support social-economy enterprises, intermediate resources (IRs) housing seniors with diminishing autonomy and private rehabilitation centres.

⁷ Eligible insurance premiums are related to property insurance, general civil or professional liability insurance, and directors' and officers' liability insurance for performing the duties of eligible entities.

Continuing to create seniors' homes and alternative homes

With the creation of seniors' homes and alternative homes, the government of Québec has embarked on a major transformation in the way infrastructure is designed and care and services are delivered, in particular by moving from a task-based approach to a person-centred approach.

These homes will accommodate seniors with diminishing autonomy and handicapped persons or persons with disabilities resulting in specific needs. They will focus on the quality of the living environment. The care and services will be adapted to individuals and their physical or mental health. The people who live there and their loved ones will collaborate with stakeholders in the decisions that affect them at each stage of their lives and in the planning of care and services.

In addition, seniors' homes and alternative homes will foster relationships with the community by means of facilities that will allow for partnership with community, school or recreational organizations as well as childcare centres.

While construction work is under way for several institutions and the very first home was inaugurated in Sherbrooke in the fall of 2022, the full deployment of the first phase will continue through to 2025-2026.

In this regard, the government is providing \$200.0 million over five years in Budget 2023-2024 to continue establishing seniors' homes and alternative homes.

Harmonizing private and public residential and long-term care centres

The government's desire to harmonize the provision of care and services in public and private CHSLDs is the basis of the project to fund private institutions.

The aim of this approach is to ensure that seniors receive the same quality of care and services regardless of the status of the living environment where they reside.

To date, work has enabled significant progress to be made with 16 institutions, and funding agreements for three CHSLDs to be completed.

The second phase of the funding of institutions that meet the eligibility criteria will begin in 2023-2024, allowing the finalization of the various stages leading to funding.

The government has earmarked \$100.0 million over five years in Budget 2023-2024 to continue harmonizing public and private CHSLDs.

2.3 Continuing government initiatives for seniors and informal or family caregivers

Since 2018, the government has adopted action plans setting out its actions in support of seniors and informal or family caregivers, including:

- *A Québec for all ages*, the 2018-2023 action plan designed to promote active aging, released in 2018;
- the first government action plan for caregivers (2021-2026) – *Reconnaitre pour mieux soutenir*, presented in 2021, following the tabling of the national policy for caregivers;
- the 2022-2027 action plan to combat elder abuse – *Reconnaitre et agir ensemble*, published in 2022.

In Budget 2023-2024, the government is allocating additional investments of \$202.7 million over five years to continue its action:

- \$106.0 million to consolidate measures to promote the active aging of seniors in collaboration with community stakeholders;
- \$75.5 million to strengthen the fight against elder abuse and promote the well-treatment of seniors so as to complete the funding for the action plan and meet new needs;
- \$21.2 million to increase support for informal and family caregivers, which will complement the funding of the action plan and support new initiatives.

TABLE D.9

Financial impact of the measures to continue government initiatives for seniors and informal or family caregivers (millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Strengthening measures to support active aging	-21.2	-21.2	-21.2	-21.2	-21.2	-106.0
Strengthening the fight against elder abuse and promoting the well-treatment of seniors	-15.1	-15.1	-15.1	-15.1	-15.1	-75.5
Enhancing support for informal or family caregivers	-13.3	-6.5	-1.4	—	—	-21.2
TOTAL	-49.6	-42.8	-37.7	-36.3	-36.3	-202.7

2.4 Implementing free access to vaccination against shingles

Shingles is a viral infection that causes a painful rash for affected people. Anyone who has had chickenpox may develop shingles at any age. However, older adults or those who are immunocompromised are more likely to develop it.

A shingles infection can be very serious. It can lead to complications such as loss of vision or severe nerve pain that can be disabling for those afflicted. In addition, the severity of shingles and its complications increase with age.

Therefore, in Budget 2023-2024, the government is setting aside \$124.6 million over five years to implement free access to vaccination against shingles.

— The amounts invested will be used to vaccinate 800 000 individuals over this period.

3. SUPPORTING THE MOST VULNERABLE

In recent years, significant investments have been made to enhance mental health and social services. In Budget 2023-2024, the government continues its efforts to strengthen support for the most vulnerable Quebecers.

To this end, \$565.4 million is provided over five years, as follows:

- \$194.0 million to strengthen support to community organizations in the health and social services sector;
- \$211.2 million to increase mental health, homelessness and addiction services;
- \$50.0 million to create new places for respite care for parents of children with disabilities;
- \$110.2 million to strengthen care and services for youth in difficulty, in line with the recommendations of the Special Commission on the Rights of the Child and Youth Protection.

TABLE D.10

Financial impact of the measures to support the most vulnerable (millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Enhancing support for community organizations	-36.0	-36.0	-36.0	-36.0	-50.0	-194.0
Increasing mental health, homelessness and addiction services	-40.2	-42.0	-42.0	-42.0	-45.0	-211.2
Creating new places for respite care for parents of children with disabilities	-10.0	-10.0	-10.0	-10.0	-10.0	-50.0
Strengthening care and services for youth in difficulty	-19.0	-22.8	-22.8	-22.8	-22.8	-110.2
TOTAL	-105.2	-110.8	-110.8	-110.8	-127.8	-565.4

Note: Totals may not add due to rounding.

3.1 Enhancing support for community organizations

Community organizations in the health and social services sector are front-line players that provide essential direct services to the entire Québec population. They offer assistance and services that complement government action and play a key role in maintaining the social safety net through their ability to respond in an agile manner to the changing needs of the population.

- To help organizations meet increased demand, the government invested \$395.4 million over five years in Budget 2022-2023 to increase support for the overall mission of organizations funded through the support program for community organizations.

To provide stable and predictable funding to support the overall mission of these community organizations, in Budget 2023-2024, the government is setting aside an additional investment of \$194.0 million over five years.

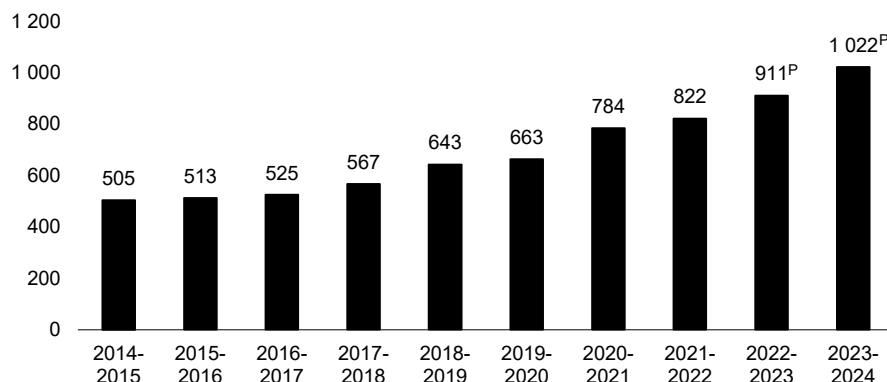
Considering the total amount invested for 2023-2024, government funding for the support program for community organizations will increase by 12% compared to 2022-2023.

Significant financial support for community organizations working in health and social services

The support program for community organizations is the Ministère de la Santé et des Services sociaux's financing program for community organizations working in health and social services.

Considering the past few budgets' investments and the indexing of the program, total funding for the support program for community organizations in 2023-2024 is more than \$1 billion, or a 54% increase from 2019-2020.

Evolution of financial support for the support program for community organizations from 2014-2015 to 2023-2024 (millions of dollars)



P: Projection.

Note: The amounts include the indexing of the program and three types of financing, including support for the overall mission.

3.2 Increasing mental health, homelessness and addiction services

Several initiatives have been implemented recently to address the significant increase in demand for mental health services. Significant investments were quickly announced when the first wave of the pandemic hit to increase these services.

Despite these efforts, the government recognizes that issues associated with mental health and the fight against homelessness remain a key concern and that additional resources must be made available to assist those who are experiencing difficulties.

To this end, it is providing \$211.2 million in funding in Budget 2023-2024, as follows:

- \$139.3 million to implement initiatives to address mental health issues;
- \$71.9 million for additional resources more directly related to the fight against homelessness and psychoactive substance addiction.

TABLE D.11

Financial impact of the measures to increase mental health, homelessness and addiction services (millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Addressing mental health issues						
— Implementing measures to improve access to care and services	-15.1	-15.3	-15.3	-15.3	-15.3	-76.3
— Increasing funding for crisis centres ⁽¹⁾	-5.0	-5.0	-5.0	-5.0	-5.0	-25.0
— Caring for the mental health of new parents	-5.0	-5.0	-5.0	-5.0	-5.0	-25.0
— Conducting information campaigns on mental health services and social services	-2.0	-2.0	-2.0	-2.0	-5.0	-13.0
Subtotal	-27.1	-27.3	-27.3	-27.3	-30.3	-139.3
Combatting homelessness and addiction						
— Preventing overdoses ⁽¹⁾	-6.1	-7.7	-7.7	-7.7	-7.7	-36.9
— Increasing the number of emergency shelter spaces ⁽¹⁾	-7.0	-7.0	-7.0	-7.0	-7.0	-35.0
Subtotal	-13.1	-14.7	-14.7	-14.7	-14.7	-71.9
TOTAL	-40.2	-42.0	-42.0	-42.0	-45.0	-211.2

(1) Funding will be drawn from the Fund to Combat Addiction.

Addressing mental health issues

Mental health needs are high and, to this day, many people are still waiting for services. In Budget 2023-2024, the government is providing \$139.3 million over five years for initiatives to support the mental health of Quebecers:

- \$76.3 million to introduce innovative measures, which will improve the effectiveness of interventions and access to care and services for youth in difficulty, for persons with a physical disability and for those with special mental health needs;
- \$25.0 million to increase the funding and accessibility of crisis centres, which provide specialized psychosocial services or temporary accommodation to people in crisis;
- \$25.0 million to enable the implementation of measures that will help parents cope with perinatal challenges, in an effort to care for the mental health of new parents;
- \$13.0 million for information campaigns to promote the availability of mental health and social services, in order to help Quebecers know which resources to turn to for help.

As at December 31, 2022, approximately 20 000 people were waiting for mental health services. While the number of people waiting increased by 4% in 2021-2022, the number of distinct users who received service actually increased by 7% over this period, showing that the sums invested have had a positive impact on service accessibility.

With this additional investment, the government aims to meet emerging needs and reduce the number of people waiting for a service.

Combatting homelessness and psychoactive substance addiction

The government is extremely sensitive to the problems faced by people experiencing homelessness. Québec is also concerned about the opioid crisis that has impacted Canada and the rest of the world.

As a result, in Budget 2023-2024, the government is setting aside \$71.9 million to strengthen the fight against homelessness and addiction. Of this amount:

- \$36.9 million will help increase resources for the national substance overdose prevention strategy, namely, to expedite the implementation of measures to prevent and reduce the harmful effects associated with drug use;
- \$35.0 million will address the growing problem of homelessness by supporting existing emergency shelters and promoting the creation of new shelters across Québec.

Continuing tobacco control efforts

In Québec, 13 000 people die each year because of tobacco and the health costs related to smoking are estimated at \$3.8 billion per year.

- With a smoking rate in 2021 estimated by Statistics Canada at 13.3%,¹ Québec ranks fourth among the ten provinces for tobacco consumption.

On February 8, 2023, the government announced a specific tobacco tax increase of \$8 per carton of 200 cigarettes to continue its tobacco control efforts, in keeping with its public health objective.

- Accordingly, this tax rose from \$29.80 to \$37.80 per carton of 200 cigarettes.

This increase is expected to help reduce the number of tobacco users in Québec, particularly among young people. It is also expected to contribute to the government's health prevention policy aimed at reducing smoking prevalence to 10% by 2025.

In addition, the government has put in place, in recent years, various measures to counter the harmful effects of smoking.

In fall 2022, the government also stressed its interest in participating in the coordinated approach to the taxation of vaping products proposed by the federal government. This will help combat the sharp increase in the use of these products by young people.

In addition, other measures are in place in Québec to help reduce smoking, including:

- different types of pharmacological smoking cessation aids that are covered by the Public Prescription Drug Insurance Plan;
- the Quit to Win challenge, which encourages Quebecers to quit smoking and offers them a chance to win prizes;
- a Québec-based smoking cessation service: a telephone line (1-866-527-7383), a website (www.tobaccofreequebec.ca/iquitnow), smoking cessation centres (www.tobaccofreequebec.ca/iquitnow/person-help) and Short Messages Against Tobacco (www.smat.ca).

¹ According to the Canadian Community Health Survey.

3.3 Creating new places for respite care for parents of children with disabilities

Loved ones of people with disabilities shoulder a heavy workload and dedicate themselves to caring for them on a daily basis. In order to catch their breath, families can use respite services, particularly designed to provide temporary accommodation for a child or adult with a disability.

Since 2018, the government has taken important steps to recognize the essential role that caregivers play in supporting their loved ones, in particular through the adoption of the 2021-2026 government action plan for caregivers and the introduction of the refundable tax credit for caregivers.

In Budget 2023-2024, a further \$50.0 million over five years is announced to provide additional respite services. This amount will fund new spaces for people with disabilities, both minors and adults.

3.4 Strengthening care and services for youth in difficulty

To ensure that every young person develops in a safe environment and receives the services they need, Budget 2023-2024 is setting aside \$110.2 million over five years for initiatives specifically aimed at helping vulnerable youth, as follows:

- \$30.0 million to enable the implementation of efforts associated with the second phase of the Special Commission on the Rights of the Child and Youth Protection;
- \$25.0 million to implement new projects that will alleviate overcrowding in rehabilitation centres for youth in difficulty, such as those with adjustment difficulties or with physical or intellectual disabilities;
- \$25.0 million to support organizations that provide assistance to men in highly vulnerable situations, in particular fathers;
- \$20.2 million to implement projects to improve the management and follow-up of youth protection reports, in line with the recommendations of the Special Commission on the Rights of the Child and Youth Protection;
- \$10.0 million to optimize centre-based services for youth with adjustment difficulties.

TABLE D.12

Financial impact of the measures to strengthen care and services for youth in difficulty (millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Completing the second phase of the Special Commission on the Rights of the Child and Youth Protection	-6.0	-6.0	-6.0	-6.0	-6.0	-30.0
Implementing new projects to help accommodate youth in difficulty	-5.0	-5.0	-5.0	-5.0	-5.0	-25.0
Improving services for men in highly vulnerable situations	-5.0	-5.0	-5.0	-5.0	-5.0	-25.0
Optimizing management and follow-up in youth protection	-3.0	-4.3	-4.3	-4.3	-4.3	-20.2
Providing centre-based services at all times for youth with adjustment difficulties	—	-2.5	-2.5	-2.5	-2.5	-10.0
TOTAL	-19.0	-22.8	-22.8	-22.8	-22.8	-110.2

FINANCIAL IMPACT

TABLE D.13

Financial impact of the measures to make the health care system more effective and more humane (millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Making the health care system more efficient and more flexible for the public						
Adapting the health care sector to post-pandemic realities						
– Sustaining the new approach developed for vaccination and testing, expanding its reach to other front-line services	-272.0	-272.0	-272.0	-272.0	-272.0	-1 360.0
– Updating the emergency preparedness plan and PPE procurement	-148.0	-113.8	-86.9	-87.0	-85.8	-521.5
– Reducing the waiting list for surgeries	-83.0	-94.0	-92.0	-92.0	—	-361.0
Subtotal – Adapting the health care sector to post-pandemic realities	-503.0	-479.8	-450.9	-451.0	-357.8	-2 242.5
Improving health care and services through lasting structural changes						
– Opening new front-line-access clinics and adding specialized nurse practitioners and other front-line professionals	-50.0	-50.0	-109.0	-61.0	-125.0	-395.0
– Developing the “Votre Santé” platform to facilitate appointment booking	-26.2	-30.0	-30.0	-30.0	-30.0	-146.2
– Establishing a helicopter medical transportation service	-5.0	-15.0	-25.0	-40.0	-40.0	-125.0
– Improving the management of patients suffering from rare or chronic diseases	-8.3	-8.3	-8.5	-7.9	-11.1	-44.1
Subtotal – Improving health care and services through lasting structural changes	-89.5	-103.3	-172.5	-138.9	-206.1	-710.3
Improving the network's efficiency and creating Santé Québec	-20.0	-40.0	—	—	—	-60.0
Subtotal – Making the health care system more efficient and more flexible for the public	-612.5	-623.1	-623.4	-589.9	-563.9	-3 012.8

TABLE D.13

Financial impact of the measures to make the health care system more effective and more humane (cont.)
 (millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Caring for seniors and informal or family caregivers						
Increasing the supply of home-support services	-102.7	-152.7	-202.7	-252.7	-252.7	-963.5
Offering housing adapted to the needs of seniors for a high-quality living environment						
– Ensuring the sustainability of services in PSRs	-104.1	-108.6	-64.1	-64.1	-64.1	-405.0
– Continuing to create seniors' homes and alternative homes	-40.0	-40.0	-40.0	-40.0	-40.0	-200.0
– Continuing the harmonization of public and private CHSLDs	-20.0	-20.0	-20.0	-20.0	-20.0	-100.0
Subtotal – Offering housing adapted to the needs of seniors for a high-quality living environment	-164.1	-168.6	-124.1	-124.1	-124.1	-705.0
Continuing government initiatives for seniors and informal or family caregivers						
– Strengthening measures to promote active aging	-21.2	-21.2	-21.2	-21.2	-21.2	-106.0
– Strengthening the fight against elder abuse and promoting the well-treatment of seniors	-15.1	-15.1	-15.1	-15.1	-15.1	-75.5
– Enhancing support for informal or family caregivers	-13.3	-6.5	-1.4	—	—	-21.2
Subtotal – Continuing government initiatives for seniors and informal or family caregivers	-49.6	-42.8	-37.7	-36.3	-36.3	-202.7
Implementing free access to vaccination against shingles	—	-36.7	-36.7	-21.0	-30.2	-124.6
Subtotal – Caring for seniors and informal or family caregivers	-316.4	-400.8	-401.2	-434.1	-443.3	-1 995.8

TABLE D.13

Financial impact of the measures to make the health care system more effective and more humane (cont.)
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Supporting the most vulnerable						
Enhancing support for community organizations	-36.0	-36.0	-36.0	-36.0	-50.0	-194.0
Increasing mental health, homelessness and addiction services						
– Addressing mental health issues	-27.1	-27.3	-27.3	-27.3	-30.3	-139.3
– Combatting homelessness and addiction	-13.1	-14.7	-14.7	-14.7	-14.7	-71.9
Subtotal – Increasing mental health, homelessness and addiction services	-40.2	-42.0	-42.0	-42.0	-45.0	-211.2
Creating new places for respite care for parents of children with disabilities	-10.0	-10.0	-10.0	-10.0	-10.0	-50.0
Strengthening care and services for youth in difficulty						
– Completing the second phase of the Special Commission on the Rights of the Child and Youth Protection	-6.0	-6.0	-6.0	-6.0	-6.0	-30.0
– Implementing new projects to help accommodate youth in difficulty	-5.0	-5.0	-5.0	-5.0	-5.0	-25.0
– Improving services for men in highly vulnerable situations	-5.0	-5.0	-5.0	-5.0	-5.0	-25.0
– Optimizing management and follow-up in youth protection	-3.0	-4.3	-4.3	-4.3	-4.3	-20.2
– Providing centre-based services at all times for youth with adjustment difficulties	—	-2.5	-2.5	-2.5	-2.5	-10.0
Subtotal – Strengthening care and services for youth in difficulty	-19.0	-22.8	-22.8	-22.8	-22.8	-110.2
Subtotal – Supporting the most vulnerable	-105.2	-110.8	-110.8	-110.8	-127.8	-565.4
TOTAL⁽¹⁾	-1 034.1	-1 134.7	-1 135.4	-1 134.8	-1 135.0	-5 574.0

(1) Taking into account the impact of the measure to improve services provided by shelters for women who are victims of violence (see Section E, "Supporting Quebecers"), the total financial impact is \$5 584 million.

APPENDIX: HEALTH AND SOCIAL SERVICES EXPENDITURES OF \$59 BILLION IN 2023-2024

Health and social services expenditures now total \$59.0 billion in 2023-2024. They are divided into three main areas of intervention:

- services provided to the population through direct service or support programs;
- programs administered by the Régie de l'assurance maladie du Québec (RAMQ);
- financing of infrastructure and various related activities.

The financing of health and social services expenditures comes largely from income tax and general taxes, but also from external contributions, particularly from the federal government and users.

These expenditures are made through transfers to service providers or directly to beneficiaries through the tax system.

ILLUSTRATION D.2

Breakdown of total expenditures on health and social services (millions of dollars and percentage of total expenditures)

		Public health (\$972M – 1.6%)									
		General services – Clinical and assistance activities (\$1 291M – 2.2%)									
PROGRAMS	SERVICES	Support for the autonomy of seniors (\$11 754M – 19.9%)		Physical disability (\$806M – 1.4%)		Intellectual disability and ASD (\$1 338M – 2.3%)					
		Youth in difficulty (\$2 063M – 3.5%)	Administration (\$1 591M – 2.7%)	Addiction (\$193M – 0.3%)	Mental health (\$1 857M – 3.1%)	Physical health (\$13 907M – 23.6%)	Building and equipment management (\$1 706M – 2.9%)				
RAMQ	SUPPORT	Administration (\$1 591M – 2.7%)		Support for services (\$1 235M – 2.1%)		Building and equipment management (\$1 706M – 2.9%)					
		Health professional remuneration (\$9 004M – 15.3%)									
OTHERS		Drugs (\$4 419M – 7.5%)									
		Infrastructure funding (\$1 470M – 2.5%)									
		Community organizations and other bodies (\$1 055M – 1.8%)									
		Other related activities (\$4 353M – 7.3%)									

Source: Ministère des Finances du Québec calculations based on 2023-2024 Expenditure Budget data.

Section E

SUPPORTING QUEBECERS

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SUMMARY

The Québec government is committed to improving the quality of life of all Quebecers.

Citizens have faced significant challenges over the past few months. Difficulties in accessing housing, childcare services or the justice system complicate their daily lives. Although Québec has a low crime rate, the number of crimes involving firearms is on the rise in some regions. In addition, the French language has been declining for several years in Québec.

In light of these observations, the government intends to step up its efforts to offer Quebecers across the province a quality of life that meets their expectations.

To achieve this, it is relying on major investments in sectors that are critical to the population's well-being, such as culture, housing, childcare services, transportation and public safety. The government continues to support community organizations, people in vulnerable situations as well as First Nations and Inuit people.

In Budget 2023-2024, the government is stepping up its support for Quebecers across the province.

The Québec government is investing nearly \$3.6 billion over six years to support Quebecers.

Thanks to these funds, Quebecers will be able to count on more affordable housing, as well as better access to childcare services and the justice system. They will also benefit from safer and more inclusive living environments.

These investments will also contribute to the promotion of culture and the French language.

TABLE E.1

Financial impact of the actions to support Quebecers
 (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Promoting culture and the French language	—	-139.6	-146.0	-126.3	-118.0	-119.4	-649.3
Improving housing affordability	-236.5	-173.4	-127.2	-189.4	-168.3	-106.0	-1 000.8
Supporting families	—	-36.2	-101.0	-106.8	-107.5	-88.1	-439.6
Strengthening the accessibility and efficiency of transportation networks	-200.0	-244.0	-235.5	-33.0	-7.5	-2.0	-722.0
Supporting Quebecers' quality of life	-45.5	-109.3	-114.0	-104.0	-83.3	-77.0	-533.1
Continuing to support First Nations and Inuit people	-15.7	-32.6	-33.6	-15.9	-11.5	-11.7	-121.0
Modernizing architectural and land-use practices	-16.0	-4.8	-16.1	-16.7	-19.2	-15.1	-87.9
TOTAL	-513.7	-739.9	-773.4	-592.1	-515.3	-419.3	-3 553.7

1. PROMOTING CULTURE AND THE FRENCH LANGUAGE

Culture contributes to promoting, enriching and shaping Québec's identity. In addition to representing a major economic sector, cultural industries promote Québec here and abroad.

The French language is intimately linked to Québec culture and is central to Québec's identity. The government is therefore committed to protecting, preserving and promoting our common language in Québec.

Budget 2023-2024 earmarks \$649.3 million over five years to promote culture and the French language:

- \$561.4 million to promote Québec culture;
- \$87.9 million to promote the French language.

TABLE E.2

Financial impact of the measures to promote culture and the French language
(millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Promoting Québec culture	-127.5	-128.0	-106.5	-99.0	-100.4	-561.4
Promoting the French language	-12.1	-18.0	-19.8	-19.0	-19.0	-87.9
TOTAL	-139.6	-146.0	-126.3	-118.0	-119.4	-649.3

1.1 Promoting Québec culture

Québec culture is expressed in many forms, making it an invaluable asset for Québec.

In order to promote Québec culture, the government is earmarking \$561.4 million over five years in Budget 2023-2024 for initiatives aimed at:

- giving new impetus to cultural development;
- deploying creativity and promoting Québec cultural content in the digital realm;
- promoting Québec culture and increasing its dissemination and accessibility.

TABLE E.3

Financial impact of the measures to promote Québec culture (millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Giving new impetus to cultural development	-80.7	-81.9	-83.0	-84.3	-85.5	-415.4
Deploying creativity and promoting Québec cultural content in the digital realm	-26.6	-30.5	-16.4	-10.7	-10.8	-95.0
Promoting Québec culture and increasing its dissemination and accessibility	-20.2	-15.6	-7.1	-4.0	-4.1	-51.0
TOTAL	-127.5	-128.0	-106.5	-99.0	-100.4	-561.4

□ Giving new impetus to cultural development

Québec's cultural community relies on many partners. Their initiatives provide considerable support to foster the development and promotion of the cultural offering.

To provide new impetus to cultural development, the government is earmarking \$415.4 million over five years in Budget 2023-2024 for:

- reaffirming the role of Télé-Québec in youth and cultural programming;
- investing in the next generation of musical artists;
- capitalizing the Société de développement des entreprises culturelles (SODEC);
- continuing and adapting the government culture action plan.

TABLE E.4

Financial impact of the measures to give new impetus to cultural development

(millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Reaffirming the role of Télé-Québec in youth and cultural programming ^{(1),(2)}	-20.1	-20.2	-20.2	-20.3	-20.3	-101.1
Investing in the next generation of musical artists ⁽¹⁾	-1.1	-2.2	-3.3	-4.5	-5.7	-16.8
Capitalizing SODEC ⁽³⁾	—	—	—	—	—	—
Continuing and adapting the government culture action plan ⁽¹⁾	-59.5	-59.5	-59.5	-59.5	-59.5	-297.5
TOTAL	-80.7	-81.9	-83.0	-84.3	-85.5	-415.4

(1) The appropriations will be granted to the Ministère de la Culture et des Communications.

(2) Investments of \$1.6 million are provided for in the 2023-2033 Québec Infrastructure Plan.

(3) Up to \$200 million will be made available to the Société de développement des entreprises culturelles (SODEC) through an advance from the Minister of Finance.

■ Reaffirming the role of Télé-Québec in youth and cultural programming

For more than 50 years, Télé-Québec has been providing Quebecers with quality French-language content. Today, this content is available on many dissemination platforms, including digital ones.

The government is investing \$101.1 million over five years in Budget 2023-2024 to allow Télé-Québec to reaffirm its role in youth programming and enhance its service offering available on its different platforms, in particular to provide an original and renewed offering.

■ **Investing in the next generation of musical artists**

The Conservatoire de musique et d'art dramatique du Québec offers a unique and integrated training program of high quality for emerging artists in Québec.

Since its inception, it has trained many artists of national and international renown.

To ensure that more students can benefit from the training offered by the Conservatoire, the government is earmarking \$16.8 million over five years in Budget 2023-2024.

- With these new amounts, the Conservatoire will eventually be able to accommodate 1 000 music students per year.

■ **Capitalizing SODEC**

The SODEC and its investment bank provide various financing tools to meet the needs of cultural businesses.

In order to make SODEC the gateway for meeting all the financial needs of businesses in the cultural sector, the government is announcing in Budget 2023-2024 that:

- SODEC's role will be enhanced to fully support cultural businesses in their development;
- new financial instruments will be made available to enrich its financing offer, particularly in the form of private placements.

An envelope of up to \$200 million will be made available to SODEC to allow it to fully play its new role.

Details of SODEC's new and expanded role will be announced at a later date by the Minister of Culture and Communications.

■ **Continuing and adapting the government culture action plan**

The 2018-2023 government culture action plan laid the groundwork for the Québec cultural policy *Partout, la culture*, adopted in 2018.

In order to consolidate the gains made, the government is earmarking \$297.5 million in Budget 2023-2024 to continue the government culture action plan for the next five years.

□ Deploying creativity and promoting Québec cultural content in the digital realm

The growth of Québec's creativity and cultural content now depends on its increased presence in the digital realm.

To increase this presence, the government is providing \$95 million in Budget 2023-2024 to foster the deployment of creativity and promote Québec cultural content in the digital realm. These new amounts will be used for:

- establishing an online presence for Québec's cultural content, with the help of a new digital action plan for culture;
- supporting businesses in the digital creativity sector;
- continuing to support the news media sector through a media assistance strategy;
- promoting Québec culture on foreign markets.

The Minister of Culture and Communications will announce the details of these initiatives at a later date.

TABLE E.5

Financial impact of the measures to deploy creativity and promote Québec cultural content in the digital realm (millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Establishing an online presence for Québec cultural content ⁽¹⁾	-13.2	-13.7	-9.1	-9.4	-9.4	-54.8
Supporting businesses in the digital creativity sector ⁽²⁾	-10.2	-10.5	-1.0	-1.3	-1.4	-24.4
Continuing to support the news media sector ⁽¹⁾	-0.7	-6.3	-6.3	—	—	-13.3
Promoting Québec culture on foreign markets ⁽¹⁾	-2.5	—	—	—	—	-2.5
TOTAL	-26.6	-30.5	-16.4	-10.7	-10.8	-95.0

(1) The appropriations will be granted to the Ministère de la Culture et des Communications.

(2) Appropriations of \$20 million will be granted to the Ministère de la Culture et des Communications.

■ Supporting businesses in the digital creativity sector

For the past few years, businesses in the digital creativity sector, which combines the arts, culture and technology, have been distinguishing themselves on a global scale.

Québec artists and creators in this sector are supported by the tax credit for the production of events or multimedia environments staged outside Québec, which provides 35% assistance for labour costs for certain functions in a production.

In order to further support businesses in the digital creativity sector, the government is providing, in Budget 2023-2024:

- \$20.0 million to implement a strategy for the development of Québec's cultural techno-creativity;
- improvements to the tax credit for the production of events or multimedia environments staged outside Québec for the purpose of:
 - expanding the scope of the definition of qualified labour so it applies to all services rendered in Québec, as part of an eligible project, as is the case with other cultural tax credits,
 - increasing the cap on labour expenditures from 50% to 60% to take into account the increase in labour costs in the industry.

These actions will provide an additional \$24.4 million over five years to support projects of businesses in the digital creativity sector.

TABLE E.6

Main parameters of the tax credit for the production of events or multimedia environments staged outside Québec – After Budget 2023-2024

Qualified corporation	Québec-controlled enterprise with an establishment in Québec that operates an event or multimedia environment production business
Eligible production	An event or multimedia environment offering an educational or cultural experience and staged, over a three-year period beginning with its first public performance, in an entertainment venue located outside Québec
Qualified expenditures	Labour expenditures directly attributable to services rendered in Québec for the production of a qualified project
Rate of the tax credit	35% of qualified expenditures
Maximum expenditure	Qualified expenditures limited to 60% of the production costs

Promoting Québec culture and increasing its dissemination and accessibility

The development, promotion and accessibility of Québec's cultural works are essential to encourage their discovery and consumption, particularly in a world where cultural offerings are constantly growing and globalized.

In order to promote Québec culture and increase its dissemination and accessibility, the government is earmarking \$51 million in Budget 2023-2024 for:

- promoting the consumption of cultural works and the influence of Québec culture through:
 - an increase in the envelope for the call for projects program for increasing the visibility of Québec culture and supporting its promotion,
 - the continuation and adaptation of support for the dissemination of performances in different contexts;
- developing a cultural passport for youth;
- encouraging the book industry in Québec.

TABLE E.7

Financial impact of the measures to promote Québec culture and increase its dissemination and accessibility

(millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Promoting the consumption of cultural works and the influence of Québec culture ^{(1),(2)}	-17.8	-12.7	-5.8	-2.5	-2.5	-41.3
Developing a cultural passport for youth ⁽¹⁾	-2.1	-2.1	—	—	—	-4.2
Encouraging the book industry in Québec	-0.3	-0.8	-1.3	-1.5	-1.6	-5.5
TOTAL	-20.2	-15.6	-7.1	-4.0	-4.1	-51.0

Note: In addition to these amounts, \$197.2 million was allocated to support the priority needs of state-owned enterprises under the responsibility of the Minister of Culture and Communications. This amount has no impact on the financial framework.

(1) The appropriations will be granted to the Ministère de la Culture et des Communications.

(2) For 2023-2024, \$3.9 million will be drawn from the Contingency Fund.

■ **Developing a cultural passport for youth**

The cultural and artistic spheres of Québec must be easily accessible to young people so they can develop their interest and become the audience of tomorrow for Québec culture.

In an effort to increase the exposure of young people to Québec's cultural offering, the government is providing \$4.2 million over two years in Budget 2023-2024 to develop a digital cultural passport for youth.

— Once implemented, this passport will allow them to access Québec cultural goods and services at a lower cost and to be more in touch with Québec culture.

■ **Encouraging the book industry in Québec**

The tax credit for book publishing helps encourage the publication of Québec authors and the development of foreign markets for the works of Québec publishing houses.

However, the Québec book industry is facing a roughly 30% increase in its production costs, due in particular to higher labour and printing costs.

To ensure that Québec publishing houses remain competitive and can continue to offer a variety of books published and printed in Québec at prices that are accessible to the public, in Budget 2023-2024, the government is providing the following enhancements to this tax credit:

— an increase in the cap on labour expenditures from 50% to 65% for preparatory and digital publishing costs;

— an increase in the rate of the tax credit from 27% to 35% for printing costs.

These changes will represent additional assistance of \$5.5 million over five years, spread across more than 90 publishing houses producing some 2 000 books annually in Québec.

TABLE E.8

Key parameters of the book publishing tax credit – After Budget 2023-2024

Qualified corporation	A Québec-controlled enterprise with an establishment in Québec, operating a book publishing business in Québec and being a publishing house recognized by the Société de développement des entreprises culturelles (SODEC)
Qualified work	A work or group of works that has been certified by SODEC, indicating that it is the work of a Québec author, that it is published for commercial purposes and that at least 75% of the production costs were paid in Québec
Qualified expenditures	Labour expenditures directly attributable to preparatory and digital publishing costs as well as to printing costs for a qualified work
Rate of the tax credit	35% of qualified expenditures
Maximum expenditure	Qualified expenditures limited to: <ul style="list-style-type: none"> – 65% of the preparatory and digital publishing costs – 33 1/3% of printing costs

1.2 Promoting the French language

The defence, promotion and advancement of the French language are priorities for the government. In recent years, several actions have been taken to reverse the decline of French in Québec, including the coming into force of *An Act respecting French, the official and common language of Québec*, in June 2022.

Today, the government continues to take action. In this regard, Budget 2023-2024 is setting aside \$87.9 million over five years, that is:

- \$52.9 million to ensure the implementation of *An Act respecting French, the official and common language of Québec*;
- \$27.5 million to establish a government dashboard of indicators on the language situation in Québec and monitor the linguistic characteristics of the population on a yearly basis;
- \$7.5 million to support the national campaign for the defence, promotion and advancement of the French language in Québec.

This amount is a continuation of the initiatives already announced concerning the promotion of the French language in recent years.

TABLE E.9

Financial impact of the measures to promote the French language (millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Ensuring the implementation of <i>An Act respecting French, the official and common language of Québec</i>	-4.1	-10.0	-11.8	-13.5	-13.5	-52.9
Establishing a government dashboard of indicators on the language situation in Québec and monitoring the linguistic characteristics of the population on a yearly basis	-5.5	-5.5	-5.5	-5.5	-5.5	-27.5
Supporting the national campaign for the defence, promotion and advancement of the French language in Québec	-2.5	-2.5	-2.5	—	—	-7.5
TOTAL	-12.1	-18.0	-19.8	-19.0	-19.0	-87.9

Note: The appropriations will be granted to the Ministère de la Langue française. In 2023-2024, an amount of \$6.5 million will be drawn from the appropriation envelope set aside for the Ministère de la Langue française. The balance of the amounts provided for 2023-2024 will be drawn from the Contingency Fund.

Ensuring the implementation of *An Act respecting French, the official and common language of Québec*

In connection with the implementation of *An Act respecting French, the official and common language of Québec*, the Ministère de la Langue française has a mandate to offer support services to government departments and bodies, as well as to more than 1 100 municipalities, mainly to ensure linguistic excellence in the exercise of their role and that their practices comply with the Charter of the French language.

— In addition, the Ministère de la Langue française is piloting a vast government project aimed at reversing the decline of French in all spheres of Québec society.

The Office québécois de la langue française also plays a support role, but this time for enterprises. Enterprises registered with the Office are supported as part of a francization approach, which aims to generalize the use of French in their environment. At the end of this process, the enterprise obtains a certificate as evidence of compliance with its obligations under the Charter.

Over the next three years, the Office will have to deal with an increase of more than 20 000 registered enterprises.

— Due to the new francization requirements applicable to enterprises employing 25 to 49 people, the number of registered enterprises is expected to reach 30 000 between now and June 1, 2025, that is, more than triple the current number.

The government is thus setting aside an amount of \$52.9 million over five years to ensure the implementation of *An Act respecting French, the official and common language of Québec* by providing the necessary resources for the efficient and sustainable implementation of the new legislative obligations.

Establishing a government dashboard of indicators on the language situation in Québec and monitoring the linguistic characteristics of the population on a yearly basis

The government has committed to compiling and making public a government dashboard of indicators on the linguistic situation in Québec, as well as monitoring the linguistic characteristics of the population on a yearly basis.

Currently, the language situation is mainly subject to monitoring every five years, that is, when Statistics Canada publishes the census results.

To obtain more frequent data in addition to those drawn from census results, the Ministère de la Langue française will collaborate with the Institut de la statistique du Québec to develop linguistic indicators, as well as collect, analyze and produce data, to support its work and that of the Office québécois de la langue française.

In Budget 2023-2024, the government is therefore setting aside \$27.5 million over five years to establish a government dashboard of indicators on the language situation in Québec and to monitor the linguistic characteristics of the population on a yearly basis.

An Act respecting French, the official and common language of Québec

An Act respecting French, the official and common language of Québec, introduced at the National Assembly in May 2021, was assented to in June 2022.

The Act introduces several changes that mark the launch of a campaign to promote Québec's official and common language. It makes multiple amendments to the Charter of the French language, which came into effect in 1977, and to various other acts. In particular, it provides for:

- new fundamental language rights, including the right to French language learning services;
- the development of a language policy of the State, whereby the government has a duty to use French in an exemplary manner and exclusively;
- the obligations applicable to employers to ensure that the workers' right to carry on their activities in French is respected;
- the strengthening of the provisions relating to the use of French as the language of commerce and business, in particular as concerns signs and posters, the drafting of certain documents, such as contracts relating to certain sales of immovable property, and when offering goods or services to consumers;
- various provisions to provide a framework for the development of college-level educational institutions;
- measures to extend francization to enterprises employing 25 or more persons;
- the creation, within the Ministère de l'Immigration, de la Francisation et de l'Intégration, of Francisation Québec, whose mission is to be the sole government point of access for persons wishing to receive French language learning services;
- the creation of the Ministère de la Langue française and sets out the functions and powers of the Minister of the French Language;
- the strengthening of the functions and powers of the Office québécois de la langue française, in particular those concerning complaints, disclosures, inspections and investigations, and grants it the power to issue orders;
- the appointment of a French Language Commissioner, whose functions include monitoring the progression of the language situation in Québec;
- the addition of provisions to the *Constitution Act, 1867*, concerning the constitution of Québec.

2. IMPROVING HOUSING AFFORDABILITY

The Québec government recognizes how important it is for households to live in quality housing that suits their financial capacity. However, recent years have seen a sharp rise in rental costs, making it hard for certain households to meet this need. Lower-income households are particularly impacted by this situation.

One of the preferred solutions for reducing this upward pressure on rental costs is to increase the supply of affordable rental housing and provide further support to help low-income households pay their rent.

To improve housing affordability, Budget 2023-2024 is therefore providing an investment of \$1 billion over six years. This amount will be used for:

- increasing and maintaining the social and affordable housing stock, in particular by developing more than 5 250 social and affordable housing units;
- helping Quebecers cope with rising housing costs.

TABLE E.10

Financial impact of the measures to improve housing affordability
(millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Increasing and maintaining the social and affordable housing stock	-236.5	-119.5	-58.5	-115.5	-92.3	-27.8	-650.1
Helping Quebecers cope with rising housing costs	—	-53.9	-68.7	-73.9	-76.0	-78.2	-350.7
TOTAL	-236.5	-173.4	-127.2	-189.4	-168.3	-106.0	-1 000.8

2.1 Increasing and maintaining the social and affordable housing stock

Québec's housing market is characterized by low vacancy rates and a sharp rise in rental costs. Social and affordable housing needs still remain high, despite substantial investments in recent years.

To even further increase the supply of social and affordable housing, Budget 2023-2024 is providing \$650.1 million over six years. This investment will allow for the construction of more than 5 250 housing units and ensure that the existing stock is maintained. More specifically, this amount will be used for:

- building 1 500 new affordable housing units, including 500 units in collaboration with the private sector;
- supporting the construction of 450 housing units funded under the Rapid Housing Initiative;
- accelerating the construction of approximately 3 300 AccèsLogis units already announced;
- implementing a pilot project for the purchase and installation of modular housing that meets the needs of the health care community;
- renovating low-rental housing stock.

TABLE E.11

Financial impact of the measures to increase and maintain the social and affordable housing stock (millions of dollars)

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Building 1 500 new affordable housing units	—	-9.5	-58.5	-115.5	-92.3	-27.8	-303.6
Supporting the construction of 450 housing units funded under the Rapid Housing Initiative	-45.0	—	—	—	—	—	-45.0
Accelerating the construction of 3 300 AccèsLogis units	-191.5	—	—	—	—	—	-191.5
Implementing a pilot project for the installation of modular housing that meets the needs of the health care community	—	-5.0	—	—	—	—	-5.0
Renovating low-rental housing stock	—	-105.0	—	—	—	—	-105.0
TOTAL	-236.5	-119.5	-58.5	-115.5	-92.3	-27.8	-650.1

Note: The appropriations will be granted to the Ministère des Affaires municipales et de l'Habitation. The amounts provided for 2022-2023 and 2023-2024 will be drawn from the Contingency Fund. However, of the amounts for 2022-2023, \$166.5 million will be drawn from the budgetary resources of the Société d'habitation du Québec and \$6 million will be drawn from the budgetary resources of the Ministère des Affaires municipales et de l'Habitation.

□ Building 1 500 new affordable housing units

The shortage of affordable housing continues to be an important issue. In addition, the government must give itself the means to ensure that all housing stakeholders, including the private sector, participate in the solutions to address the shortage of affordable rental housing.

In this context, Budget 2023-2024 is providing \$303.6 million over five years for the construction of 1 500 new housing units through the new Québec affordable housing program, namely:

- \$202.3 million to build 1 000 new affordable units;
- \$101.3 million to build 500 additional affordable housing units in partnership with the private sector.

TABLE E.12

Financial impact of the measures to build new affordable housing units (millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Building 1 000 affordable housing units	-6.3	-39.0	-77.0	-61.5	-18.5	-202.3
Building 500 affordable housing units in collaboration with the private sector	-3.2	-19.5	-38.5	-30.8	-9.3	-101.3
TOTAL	-9.5	-58.5	-115.5	-92.3	-27.8	-303.6

□ Supporting the construction of 450 housing units funded under the Rapid Housing Initiative

To meet the housing demand, the Québec government supports the federal government's Rapid Housing Initiative (RHI). The goal of the initiative is to fund projects submitted by provinces, territories, municipalities, Indigenous governing bodies and organizations, and non-profit organizations.

Since 2021, Québec has benefited from funding totalling \$517 million to support the construction of close to 3 000 housing units.

To ensure the rapid start of the construction of 450 new affordable housing units funded under this initiative, Budget 2023-2024 is providing an investment of \$45 million in 2022-2023.

More than 6 650 new affordable housing units announced for the next few years

The Québec affordable housing program aims to increase the supply of affordable housing for low- and moderate-income households throughout Québec. To date, more than 1 700 units are currently being built under the Québec affordable housing program.

Considering the addition of 1 500 units provided for in Budget 2023-2024, the Québec government will have invested \$559.5 million under this program.¹ This investment will allow for the construction of approximately 3 200 affordable housing units by 2027-2028.

- In addition, considering the 3 000 units to be built in partnership with tax-advantaged funds and Desjardins, as well as the 450 housing units under the Rapid Housing Initiative, more than 6 650 affordable housing units will be built over the next few years.²

¹ In addition to this amount, there is a federal contribution of \$41.1 million through the Canada-Québec Housing Agreement.

² The construction of 3 000 social and affordable housing units in partnership with the Fonds de solidarité FTQ, Desjardins and Fondaction was announced in the December 2022 *Update on Québec's Economic and Financial Situation*.

□ Accelerating the construction of about 3 300 AccèsLogis units

In recent years, there have been several enhancements to the AccèsLogis programs for the construction of social and affordable housing.

While multiple projects are under construction, certain others have seen their funding needs increase, due in particular to recent interest rate hikes and labour shortages. These additional needs have had the effect of slowing the completion of about 3 300 AccèsLogis units, including 1 297 in Montréal.

- A timely completion of these units is needed given the current context of low vacancy rates on the private rental markets, which makes it difficult to find affordable housing.

In this context, Budget 2023-2024 is providing an investment of \$191.5 million in 2022-2023. This investment will allow for the construction of the AccèsLogis units to be completed.

Investments totalling nearly \$1.1 billion for the AccèsLogis program since Budget 2019-2020

Taking into account the investments of \$907 million announced since Budget 2019-2020, a total of nearly \$1.1 billion will now have been invested to complete AccèsLogis housing.

As at September 30, 2018, the number of housing units that had been announced but not built was more than 15 000. As at December 31, 2022, excluding the units already under construction and taking into account the 500 new units announced in Budget 2021-2022, this number stood at slightly more than 6 600 units.

The remaining units are adequately funded, particularly in light of the investments announced in this budget.

Implementing a pilot project for the installation of modular housing that meets the needs of the health care community

The government wants to promote the increase and retention the number of health care workers in remote regions. However, the rental markets in many of the municipalities concerned currently have few places available to house these workers and allow them to stay for longer periods.

For the purpose of finding new solutions to improve the housing supply in a timely manner, in particular for these workers, the government will implement a pilot project for the purchase and installation of modular housing.

In this regard, Budget 2023-2024 provides an investment of \$5 million in 2023-2024, as part of this pilot project, for the purchase and installation of 20 modular units.

Renovating low-rental housing stock

Before 1997, social housing was built mainly under a Low-Rental Housing Program. The low-income housing stock of approximately 74 500 units is occupied by low-income households.

As this housing stock is aging, substantial renovations are needed to ensure its preservation and thereby maintain at an acceptable level the living conditions for the households occupying them. To accelerate these renovations, the government is providing \$105 million in 2023-2024.

In addition, this amount will be fully matched by the federal government, as provided for under the Canada-Québec Housing Agreement.

2.2 Helping Quebecers cope with rising housing costs

The addition of social and affordable housing units is one of the preferred solutions for responding to the current lack of housing. However, a certain amount of time is needed before the impact of these initiatives will be felt and there are households that have pressing housing needs.

To offer rapid support to Quebecers dealing with increased housing costs, Budget 2023-2024 is providing \$350.7 million over five years for the purpose of:

- enhancing the housing component of the refundable solidarity tax credit to help Quebecers cope with their rising housing costs;
- supporting households in need of housing, in particular through the allocation of 2 000 units under the Rent Supplement Program.

TABLE E.13

Financial impact of the measures to help Quebecers cope with rising housing costs (millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Enhancing the housing component of the refundable solidarity tax credit	-42.6	-59.1	-61.4	-63.3	-65.3	-291.7
Supporting households in need of housing ⁽¹⁾	-11.3	-9.6	-12.5	-12.7	-12.9	-59.0
TOTAL	-53.9	-68.7	-73.9	-76.0	-78.2	-350.7

(1) The appropriations will be granted to the Ministère des Affaires municipales et de l'Habitation. The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

□ Enhancing the housing component of the refundable solidarity tax credit

Many Québec households have experienced significant increases in the cost of their rent, in particular due to property tax increases. As part of Budget 2023-2024, the government is announcing that it will double the indexation rate of the housing component of the refundable solidarity tax credit in July 2023.

- As a result, the housing component of the refundable solidarity tax credit will be indexed at a rate of 12.88% as of July 2023.

This enhancement represents an additional \$291.7 million in assistance over five years that will benefit 1.8 million people as of July 2023.

■ An enhancement in addition to the indexation already planned

Taking into account the indexation of the tax system, which has already been provided for, as of July 2023, households will obtain additional amounts of up to:

- \$78 for a person living alone;
- \$94 for a couple without children or a single-parent family with one child;
- \$126 for a couple with two children.

TABLE E.14

Total enhancement of the housing component since July 2022 (dollars)

	July 2022 amount ⁽¹⁾	Increase			July 2023 amount ⁽²⁾
		Current indexation of 6.44%	Additional enhancement	Total	
Single individual	599	39	39	78	677
Couple without children	727	47	47	94	821
Single-parent family with one child	727	47	47	94	821
Couple with two children	983	63	63	126	1 109

(1) Amount applicable from July 2022 to June 2023.

(2) Amount applicable from July 2023 to June 2024.

Supporting households in need of housing

Low-income households or clienteles with specific housing needs are particularly vulnerable to the current housing shortage. In addition, some people need support in finding housing.

To help households with special housing needs, the budget is providing \$59 million, that is:

- \$53.2 million by 2027-2028 to provide 2 000 units under the Rent Supplement program to rapidly help these households pay their rent, in particular for projects under the Québec affordable housing program and for emergency situations;
- \$5.8 million in 2023-2024 to help municipalities and housing authorities that must respond to the pressing needs of households that find themselves homeless.

TABLE E.15

Financial impact of the measures to support households in need of housing (millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Granting 2 000 units under the Rent Supplement Program ⁽¹⁾	-5.5	-9.6	-12.5	-12.7	-12.9	-53.2
Helping municipalities and housing authorities support households that are homeless	-5.8	—	—	—	—	-5.8
TOTAL	-11.3	-9.6	-12.5	-12.7	-12.9	-59.0

(1) If the amounts of \$7.2 million in 2028-2029 and \$2.9 million in 2029-2030 are considered, the funding required will total \$63.3 million.

Rent assistance programs

Rent Supplement Program

The Rent Supplement Program allows low-income households to live in rental housing units while respecting their financial capacity. The rent paid by the household is 25% of the household income. The difference in relation to the actual rent of the unit is paid by the government.

The Rent Supplement may be allocated in particular for housing built under the AccèsLogis programs or the Québec affordable housing program. The allocation of a rent supplement adds a social character to housing.

Other units under the Rent Supplement Program are allocated to privately owned housing units. The rent can be up to 150% of the median rent if the household finds itself suddenly homeless.

Shelter Allowance Program

The Shelter Allowance Program offers additional financial assistance to low-income households that spend an excessive portion of their income on housing. It is aimed at households, renters or owners with at least one dependent child or one person aged 50 or older.

The amount of assistance offered depends on the portion of the household income allocated to housing costs. As at October 1, 2022, it can be up to \$170 a month.

To receive assistance, a household must apply to Revenu Québec and file an income tax return.

3. SUPPORTING FAMILIES

The government wishes to support Québec families in a practical manner. It acknowledges that, among other things, access to high-quality educational childcare services is essential, not only to allow parents to better participate in the labour market, but also to ensure the development of the children.

Furthermore, it wishes to pay special attention to families in vulnerable situations and to ensure that they receive the help they need. In this regard, community organizations are essential stakeholders in the delivery of services to the community.

In Budget 2023-2024, the government is therefore setting aside \$439.6 million over five years to support families, that is:

- \$376.1 million to provide educational childcare services adapted to families' needs;
- \$63.5 million to support vulnerable children.

TABLE E.16

Financial impact of the measures to support families
(millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Providing educational childcare services adapted to families' needs	-23.7	-87.0	-91.8	-90.0	-83.6	-376.1
Supporting vulnerable children	-12.5	-14.0	-15.0	-17.5	-4.5	-63.5
TOTAL	-36.2	-101.0	-106.8	-107.5	-88.1	-439.6

3.1 Providing educational childcare services adapted to families' needs

To enhance family-work-study balance, we need to ensure greater accessibility to subsidized childcare spaces and to quality educational childcare services adapted to families' needs.

- More broadly, these childcare services have positive effects on the well-being of parents, the development of children and the participation of women in the labour market.

For these reasons, the government wishes to take further action concerning educational childcare services with investments totalling \$376.1 million over five years, that is:

- \$331.0 million to convert 5 000 non-subsidized childcare spaces into subsidized spaces in 2023-2024;
- \$45.1 million for measures aimed at better meeting the needs of families when it comes to childcare or parental support.

TABLE E.17

Financial impact of the measures to provide educational childcare services adapted to families' needs (millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Converting 5 000 non-subsidized childcare spaces	-18.5	-75.8	-77.3	-78.9	-80.5	-331.0
Meeting families' needs	-5.2	-11.2	-14.5	-11.1	-3.1	-45.1
TOTAL	-23.7	-87.0	-91.8	-90.0	-83.6	-376.1

Note: The appropriations will be granted to the Ministère de la Famille. The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

Action plan for completing the educational childcare services network

On October 21, 2021, the government tabled its action plan for completing the educational childcare services network, which detailed concrete actions aimed at offering every child a space within that network.

- The government plan provides for investments totalling \$5.9 billion for the period from 2021-2022 to 2025-2026, in particular for the creation of 37 000 subsidized childcare spaces between now and March 2025.

As at January 31, 2023, 8 378 subsidized childcare spaces had been created, and 28 887 spaces were in the process of being created.

Converting 5 000 non-subsidized childcare spaces

The government has committed to gradually converting non-subsidized childcare spaces in the network into subsidized spaces.

To ensure greater financial equity among families, in Budget 2023-2024, the government is announcing the conversion of 5 000 spaces in 2023-2024.

- This measure will allow more families to benefit from the reduced contribution, which is currently \$8.85 per day.

The government is providing recurring funding for this conversion, which represents \$331 million for the first five years.

This conversion will be in addition to the 3 549 spaces converted in the last two years as well as the subsidized spaces currently being created.

Meeting families' needs

It is paramount to ensure quality educational childcare services, especially with regards to child development, and that these services are adjusted to changes in and the diversity of parents' needs. Furthermore, the government wishes to adapt the different types of service offering aimed at meeting some of the families' specific needs.

The government is therefore setting aside \$45.1 million over five years to ensure that it meets the needs of families, that is:

- \$16.2 million over three years to extend until March 31, 2027 the lump sum of \$3 500 for home-based childcare service start-ups, to continue to stimulate the home-based service offering;
- \$10.2 million over four years to ensure educational quality in childcare centres (CPEs) and daycare centres;
- \$7.0 million over five years, and \$1.5 million per year as of 2028-2029, to set up services within the Ministère de la Famille that specialize in the international recruitment of educators, in particular to help educational childcare services cover the administrative costs associated with the international recruitment process;
- \$4.3 million over five years, and \$0.9 million per year as of 2028-2029, to ensure the monitoring of parents' needs, particularly concerning educational childcare services and support for parenting;
- \$3.5 million over five years to continue to provide financial assistance to organizations that provide supervision services to students with disabilities aged 12 to 21 outside of school hours during the school year as well as during the summer period;
- \$3.0 million over two years for a community drop-in daycare centre pilot project aimed at supporting families who have children with specific needs;
- \$0.9 million over two years to continue to provide financial assistance for childcare projects during spring break and the summer and to improve the day camp offering in an effort to promote the family-work-study balance.

TABLE E.18

Financial impact of the measures to meet families' needs
(millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Supporting home-based childcare service start-ups	—	-5.8	-6.9	-3.5	—	-16.2
Ensuring educational quality in childcare services	-0.5	-0.7	-4.5	-4.5	—	-10.2
Supporting the international recruitment of educators	-1.0	-1.5	-1.5	-1.5	-1.5	-7.0
Monitoring parents' changing needs	-0.7	-0.9	-0.9	-0.9	-0.9	-4.3
Funding supervision services for students with disabilities	-0.7	-0.7	-0.7	-0.7	-0.7	-3.5
Supporting children with specific needs	-1.5	-1.5	—	—	—	-3.0
Continuing with childcare projects for spring break and the summer	-0.8	-0.1	—	—	—	-0.9
TOTAL	-5.2	-11.2	-14.5	-11.1	-3.1	-45.1

3.2 Supporting vulnerable children

Certain vulnerable children, in particular from disadvantaged environments, need special support in order to flourish and achieve their full potential. In Budget 2023-2024, the government is therefore setting aside \$63.5 million over five years to support vulnerable children.

As outreach organizations, community social pediatrics centres play a very important role in reaching families in a highly vulnerable situation who may be resistant to using institutional network services. These centres meet the needs of families by caring for and supporting vulnerable children and providing them with the tools they need.

- The government is setting aside \$57.5 million over four years to consolidate and develop the Québec network of community social pediatrics centres in the various regions of Québec, particularly in those that are not currently served.
- This will allow direct care and services to be provided to more than 15 000 children via a network of more than 50 community social pediatrics centres.

Family community organizations, for their part, provide assistance adapted to the needs of the most vulnerable families during all stages of life.

- In Budget 2023-2024, the government is setting aside \$6 million for the period from 2026-2027 to 2027-2028 to increase support for these organizations. To support their actions over the long term, the \$4.5 million in financial assistance set aside for 2027-2028 will be maintained.
- Previous investments and those in Budget 2023-2024 will allow family community organizations to ultimately obtain over \$200 000 in funding per year on average.¹

TABLE E.19

Financial impact of the measures to support vulnerable children (millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Developing the Québec network of community social pediatrics centres	-12.5	-14.0	-15.0	-16.0	—	-57.5
Consolidating family community action	—	—	—	-1.5	-4.5	-6.0
TOTAL	-12.5	-14.0	-15.0	-17.5	-4.5	-63.5

Note: The appropriations will be granted to the Ministère de la Famille. The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

¹ This average funding was recommended by the Special Commission on the Rights of the Child and Youth Protection, commonly known as the Laurent Commission.

4. STRENGTHENING THE ACCESSIBILITY AND EFFICIENCY OF TRANSPORTATION NETWORKS

The government intends to continue investing funds to support public transit services in this difficult environment in which ridership has not returned to its pre-pandemic levels. These investments will help ensure that public transit, which is essential to the mobility of the population, is supported and that greenhouse gas emission reduction targets are reached.

To make sure all Quebecers have efficient, accessible transit services and infrastructure, the government is setting aside \$722 million over six years for the purpose of:

- ensuring continued mobility of people and supply to communities;
- investing in effective and safe land transportation infrastructure.

TABLE E.20

Financial impact of the measures to strengthen the accessibility and efficiency of transportation networks
(millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Ensuring continued mobility of people and supply to communities	-200.0	-214.0	-5.0	-5.0	-5.0	—	-429.0
Investing in effective and safe land transportation infrastructure	—	-30.0	-230.5	-28.0	-2.5	-2.0	-293.0
TOTAL	-200.0	-244.0	-235.5	-33.0	-7.5	-2.0	-722.0

Note: The appropriations will be granted to the Ministère des Transports et de la Mobilité durable. In 2023-2024, an amount of \$200 million is drawn from the appropriation envelope set aside for the Ministère des Transports et de la Mobilité durable. The balance of the amounts provided for 2022-2023 and 2023-2024 will be drawn from the Contingency Fund.

4.1 Ensuring continued mobility of people and supply to communities

The availability of reliable, efficient and affordable transportation services is essential to ensure continued mobility of people, and to ensure the supply of basic necessities to communities.

However, certain transportation systems have been heavily impacted by the repercussions of the pandemic since the spring of 2020.

To ensure that transportation systems services are maintained, the government is earmarking \$429 million over five years in Budget 2023-2024 for:

- supporting the recovery of public transit;
- diversifying the transportation offering for people with reduced mobility;
- maintaining essential regional air services;
- maintaining the maritime service to Île d'Entrée.

TABLE E.21

Financial impact of the measures to ensure continued mobility of people and supply to communities (millions of dollars)

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Supporting the recovery of public transit	-200.0	-200.0	—	—	—	—	-400.0
Diversifying the transportation offering for people with reduced mobility	—	-3.0	-5.0	-5.0	-5.0	—	-18.0
Maintaining essential regional air services	—	-10.0	—	—	—	—	-10.0
Maintaining the maritime service to Île d'Entrée	—	-1.0	—	—	—	—	-1.0
TOTAL	-200.0	-214.0	-5.0	-5.0	-5.0	—	-429.0

Supporting the recovery of public transit

The normalization of telework resulted in reduced ridership on public transit networks. Many workers changed their commuting habits. This situation, along with the general increase in operating costs, weakened the financial situation of the public transit bodies, whose fare income dropped substantially.

To help maintain public transit services despite the drop in ridership, the government is announcing \$400 million in financial assistance in 2023, to allow time for implementing the solutions that will have been identified after the round of consultations scheduled to be held by the Minister of Transport and Sustainable Mobility in the spring of 2023 on the funding issues surrounding public transit bodies.

— This is in addition to the assistance governments have provided since spring 2020 to support public transit bodies, bringing the total assistance to nearly \$2.2 billion over four years.

The Québec government is taking a significant step to support the maintenance of public transit services, whose ridership has not yet returned to its pre-pandemic levels. Given the importance of the issue, the federal government could contribute to this effort, through unconditional transfers to the provinces, as it has done in recent years, during the COVID-19 pandemic.

Diversifying the transportation offering for persons with reduced mobility

The availability of public transit vehicles, like taxis and coaches, adapted for individuals with mobility issues, in particular those requiring a wheelchair, makes it possible to offer these individuals greater flexibility in travelling outside regular paratransit service hours.

However, the considerable increase in the cost of adapting vehicles limits the paratransit offering, which has a negative impact on the social, professional and economic integration of these users.

To support the diversification of the transportation offering for persons with reduced mobility, the government is providing \$18 million over four years to increase the financial assistance for the acquisition of an adapted public transit vehicle or for adapting a public transit vehicle.

Maintaining essential regional air services

During the COVID-19 pandemic, the government supported regional air transportation services, as they had experienced a sharp decline in usage due to the public health restrictions. The government assistance made it possible to maintain air services for communities that depend on it for travel and for the supply of basic necessities. Maintaining these services also allowed essential workers, particularly in the health care sector, to travel to remote communities.

Given that the effects of the pandemic on the use of regional air services continue to be felt, the government is providing \$10 million in Budget 2023-2024 to extend the emergency assistance provided to regional air carriers.

- With this investment, the assistance granted to regional air carriers since spring 2020 amounts to \$82 million.

Emergency assistance for transportation since spring 2020

The financial situation of public transit bodies, intercity and air carriers, and airport administrations was significantly affected by the repercussions of the COVID-19 pandemic. The public health measures and general implementation of telework resulted in a decrease in revenues due to the drop in use of transportation services as well as unforeseen expenditures.

Nevertheless, it is essential that public transit services be maintained in order to ensure that economic activity can continue. In addition, the intercity and interregional transportation services must be maintained to ensure the mobility of citizens in all regions of Québec.

Therefore, since the beginning of the public health crisis, the Québec government, with the support of the federal government, has helped maintain urban, intercity and interregional public transit services by granting nearly \$2.4 billion over five years to these sectors.

Emergency assistance for transportation since spring 2020 (millions of dollars)

	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	Total
Public transit bodies	—	1 381.8	96.5	496.5	200.0	2 174.8
Intercity bus carriers	—	18.2	20.0	20.0	—	58.2
Interregional air carriers	10.2	29.8	16.0	16.0	10.0	82.0
Local airport administrations	—	20.0	10.0	5.0	—	35.0
TOTAL	10.2	1 449.8	142.5	537.5	210.0	2 350.0

Note: Amounts include a federal government contribution totalling \$914.5 million.

□ Maintaining the maritime service to Île d'Entrée

In Îles-de-la-Madeleine, climate change is leading to more frequent and more powerful storms that create a build-up of sand on the ocean floor in the areas protected from the elements, notably close to the piers.

Since Île d'Entrée is the only island that is isolated from the rest of the archipelago, its supply of goods is dependent upon maritime service. Access to its pier must be maintained in order to ensure that its residents remain mobile and that they receive their supplies of basic necessities.

The government is investing \$1 million in 2023-2024 for the dredging operations required to maintain safe maritime access to the Île d'Entrée pier.

4.2 Investing in effective and safe land transportation infrastructure

Developing effective land transportation infrastructure that complements air and marine networks makes the supply chain more resilient, thus helping to ensure the availability of goods in all regions.

In addition, the availability of safe and efficient transportation networks will increase people's mobility throughout the province.

Thus, in Budget 2023-2024, the government is providing \$293 million over five years for the purpose of:

- supporting the municipal sector in maintaining and improving the local road network;
- supporting actions to ensure safety at municipal level crossings;
- encouraging the use of the rail network for the transportation of people and goods;
- continuing to support the rehabilitation of rail service in Gaspésie.

TABLE E.22

Financial impact of the measures to invest in effective and safe land transportation infrastructure (millions of dollars)

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Supporting the municipal sector in maintaining and improving the local road network	—	-200.0	—	—	—	-200.0
Supporting actions to ensure safety at municipal level crossings	-4.0	-4.0	-4.0	—	—	-12.0
Encouraging the use of the rail network for the transportation of people and goods	-20.0	-20.0	-20.0	—	—	-60.0
Continuing to support the rehabilitation of rail service in Gaspésie	-6.0	-6.5	-4.0	-2.5	-2.0	-21.0
TOTAL	-30.0	-230.5	-28.0	-2.5	-2.0	-293.0

Supporting the municipal sector in maintaining and improving the local road network

The maintenance and development of road infrastructure ensure safe and efficient travel for Quebecers and provide businesses with a reliable network for the transportation of goods.

The government intends to continue to support the municipal sector in maintaining and enhancing the local road network. It is therefore investing an additional \$200 million for the planning of work to be carried out in 2024-2025.

The Minister of Transport and Sustainable Mobility will further detail the terms and conditions for this additional assistance, at a later date.

Supporting actions to ensure safety at municipal level crossings

Actions to strengthen safety at level crossings, for example by installing flashing lights or gates, reduce the risk of collisions, injuries and fatalities.

The maintenance, repair and upgrade of this infrastructure are the responsibility of the municipalities when the level crossings are located on the local road network.

To continue its support for municipalities in maintaining or enhancing road safety at level crossings, the government is providing \$12 million over three years in Budget 2023-2024.

Encouraging the use of the rail network for the transportation of people and goods

Increased use of the rail network for merchandise transportation, in complementarity with the road and marine networks, helps reduce greenhouse gas emissions. Rail travel is also an attractive option for passengers who wish to avoid traffic congestion and reduce their travel-related carbon footprint.

To continue its support for the development of a safe, effective and competitive rail network, the government is providing \$60 million over three years.

Continuing to support the rehabilitation of rail service in Gaspésie

The Québec government acquired the Gaspésie railroad in 2015 and the line's operation, maintenance and development were entrusted to the Société du chemin de fer de la Gaspésie. Since then, major investments have been made to begin the rehabilitation of rail service in that region.

Maintaining rail service is essential to the economic development of Gaspésie. Thus, to ensure the continuation of the line's maintenance and development, the government is providing \$21 million over five years in Budget 2023-2024 to renew its support for the Société du chemin de fer de la Gaspésie.

Québec government contribution to the construction of a rail bypass in Lac-Mégantic

Local residents and elected officials have been calling for the construction of a rail bypass in Lac-Mégantic since the rail tragedy which killed 47 people on July 6, 2013.

On May 11, 2018, the federal and Québec governments jointly announced the construction of a rail line bypassing downtown Lac-Mégantic. The route chosen by the federal government, in collaboration with the stakeholders, is intended to maximize the safety of the rail line while also meeting the requirements of the Bureau d'audiences publiques sur l'environnement and the Commission de protection du territoire agricole du Québec.

– The project includes mitigation measures identified in the environmental assessment process aimed at limiting the impact on communities and the environment.

The government is reiterating its commitment to help finance the construction of a rail bypass in Lac-Mégantic. Final details on the route and the project's cost will be announced at a later date.

5. SUPPORTING QUEBECERS' QUALITY OF LIFE

The government has made significant efforts in recent years to strengthen support for Quebecers. These efforts have resulted in considerable investments in the community sector and in targeted initiatives to improve the quality of life for Quebecers.

In addition, it is important to ensure that everyone can enjoy a safe environment, free from discrimination. Therefore, initiatives will address sexual and domestic violence, improve inclusion and equality, promote safety in the communities and facilitate access to justice.

Budget 2023-2024 thus earmarks \$533.1 million over six years to support Quebecers' quality of life, that is:

- \$125.4 million to strengthen assistance in the communities and meeting special needs;
- \$56.7 million to improve inclusion and equality;
- \$31.5 million to support the vitality of English-speaking communities;
- \$220.0 million to ensure public safety;
- \$99.5 million to facilitate access to justice.

TABLE E.23

Financial impact of the measures to support Quebecers' quality of life (millions of dollars)

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Strengthening assistance in the communities	—	-58.1	-25.1	-25.1	-11.0	-6.1	-125.4
Improving inclusion and equality	—	-11.4	-11.7	-11.7	-11.0	-10.9	-56.7
Supporting the vitality of English-speaking communities	—	-1.0	-1.0	-8.0	-8.6	-12.9	-31.5
Ensuring public safety	-45.5	-26.8	-52.7	-35.1	-32.5	-27.4	-220.0
Facilitating access to justice	—	-12.0	-23.5	-24.1	-20.2	-19.7	-99.5
TOTAL	-45.5	-109.3	-114.0	-104.0	-83.3	-77.0	-533.1

5.1 Strengthening assistance in the communities

The government wants to continue helping Quebecers with special needs. The current context, marked by significant price increases, is particularly difficult for certain people living under more precarious socioeconomic conditions. Actions will therefore be taken to increase the resources provided to assist them and foster their inclusion in the workforce.

To strengthen assistance in the communities, Budget 2023-2024 provides \$125.4 million over five years:

- \$91.9 million to continue to support community organizations;
- \$33.5 million to strengthen the socioeconomic security of the most vulnerable.

TABLE E.24

Financial impact of the measures to strengthen assistance in the communities (millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Continuing to support community organizations	-37.9	-21.4	-21.5	-8.0	-3.1	-91.9
Strengthening the socioeconomic security of the most vulnerable	-20.2	-3.7	-3.6	-3.0	-3.0	-33.5
TOTAL	-58.1	-25.1	-25.1	-11.0	-6.1	-125.4

□ Continuing to support community organizations

Community organizations play an essential role. They offer services that make it possible to act directly with the public, especially with people who are most vulnerable.

To continue supporting the community sector, Budget 2023-2024 provides for amounts totalling \$91.9 million over five years:

- \$30.0 million to improve food security,² including \$20.0 million over four years to improve the food storage infrastructure of the Food Banks of Québec network³ and \$10.0 million to assist various food aid organizations in purchasing food;
- \$40.8 million to extend for three years the funding to support the overall mission of 69 community development corporations and 344 community organizations for the promotion of rights;⁴
- \$12.0 million in 2023-2024 for the volunteer support program, which enables MNAs from all parties to provide financial support to community or non-profit organizations in their constituency. The additional funds will bring the total budget envelope of the program to \$22.4 million in 2023-2024;
- \$4.6 million to develop community actions related to the environment by increasing funding for the program supporting the mission of environmental organizations and creating a new regional environmental council in the Gaspésie–Îles-de-la-Madeleine region;⁵
- \$4.5 million in 2023-2024 to ensure stable funding to support the overall mission of the youth employment centres to allow them to continue offering quality service to youth.

² The Québec government's additional investments to support the Food Banks of Québec and other food aid organizations in the field reached \$14 million in 2022.

³ The government is providing \$20 million over four years in the 2023-2033 Québec Infrastructure Plan.

⁴ Community development corporations are collaborative organizations that support a locality's community movement. Community organizations for the promotion of rights work, in particular, to defend and represent both the general population and those dealing with special situations.

⁵ This budget envelope is consistent with the amounts allocated under the government action plan in the community action field.

TABLE E.25

**Financial impact of the measures to continue to support
community organizations**
(millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Improving the storage infrastructure of the Food Banks of Québec network ⁽¹⁾	-5.0	-5.0	-5.0	-5.0	—	-20.0
Improving food security ⁽²⁾	-2.0	-2.0	-2.0	-2.0	-2.0	-10.0
Extending funding to support the overall mission of certain community organizations ⁽²⁾	-13.6	-13.6	-13.6	—	—	-40.8
Supporting volunteering ⁽²⁾	-12.0	—	—	—	—	-12.0
Supporting and developing community environmental action ⁽³⁾	-0.8	-0.8	-0.9	-1.0	-1.1	-4.6
Ensuring stable funding to support the overall mission of youth employment centres ⁽²⁾	-4.5	—	—	—	—	-4.5
TOTAL	-37.9	-21.4	-21.5	-8.0	-3.1	-91.9

(1) The appropriations will be granted to the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation.

(2) The appropriations will be granted to the Ministère de l'Emploi et de la Solidarité sociale. The amounts provided
for 2023-2024 will be drawn from the Contingency Fund.

(3) The appropriations will be granted to the Ministère de l'Environnement, de la Lutte contre les changements
climatiques, de la Faune et des Parcs. The amounts provided for 2023-2024 will be drawn from the
Contingency Fund.

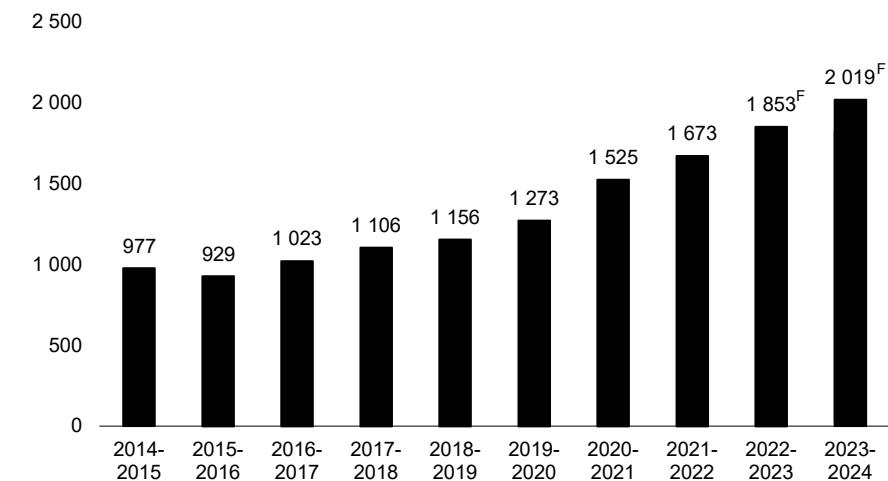
An amount of \$2 billion in financial support for the community sector in 2023-2024

In Budget 2022-2023, the government announced an unprecedented increase in financial support for the community sector, namely, an additional \$1.2 billion over five years. Of this amount, \$1.1 billion is going toward the government action plan in the community action field.

- Taking into account prior investments and those in this budget, the government's support for the sector will exceed \$2 billion in 2023-2024, 58.6% more than in 2019-2020.

Change in government financial support for community action from 2014-2015 to 2023-2024

(millions of dollars)



F: Forecast.

Note: Amounts include the three types of funding, including support for the overall mission.

Additional funding of \$443 million for community organizations

In this budget, the government is increasing its support for community organizations. It is therefore investing \$443 million over five years, that is:

- \$325.0 million to support community action in the health and social services sector;
- \$30.1 million to enhance the support provided to community organizations offering food aid;
- \$9.0 million to support family community organizations;
- \$4.6 million to support environmental community organizations;
- \$74.3 million to support other actions of the community sector.

□ Strengthening the socioeconomic security of the most vulnerable

To strengthen the socioeconomic security of the most vulnerable, the government is providing \$33.5 million over five years, that is:

- \$15.4 million in 2023-2024 to extend by one year certain measures of the Government Action Plan to Foster Economic Inclusion and Social Participation;
- \$15.0 million to support the delivery of secure and easy-to-use services by the Curateur public in order to meet the needs and simplify the lives of people in vulnerable situations and of their loved ones;
- \$3.1 million to encourage the integration of persons with disabilities⁶ and social assistance recipients into the workforce as well as their participation in employability measures.

TABLE E.26

Financial impact of the measures to strengthen the socioeconomic security of the most vulnerable (millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Extending certain measures of the Government Action Plan to Foster Economic Inclusion and Social Participation ⁽¹⁾	-15.4	—	—	—	—	-15.4
Supporting the delivery of services by the Curateur public ⁽²⁾	-3.0	-3.0	-3.0	-3.0	-3.0	-15.0
Encouraging workforce integration and participation in employability measures ⁽³⁾	-1.8	-0.7	-0.6	—	—	-3.1
TOTAL	-20.2	-3.7	-3.6	-3.0	-3.0	-33.5

Note: The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

(1) Appropriations totalling \$15.1 million and \$0.3 million will be granted, respectively, to the Ministère de l'Emploi et de la Solidarité sociale and to the Ministère de l'Éducation.

(2) The appropriations will be granted to the Ministère de la Famille.

(3) The appropriations will be granted to the Ministère de l'Emploi et de la Solidarité sociale.

⁶ Of this amount, \$2.1 million will be used to extend certain measures in the 2019-2024 National Strategy for Labour Market Integration and Maintenance of Handicapped Persons.

Government Action Plan to Foster Economic Inclusion and Social Participation

The main objectives of the Government Action Plan to Foster Economic Inclusion and Social Participation 2017-2023 are to increase the disposable income of people living in poverty and strengthen their social inclusion.

The key measure of the action plan is the implementation of a new social assistance program, namely, the basic income program.

Basic income program: a key measure of the action plan

The basic income program, implemented on January 1, 2023, is a social assistance program that is more advantageous for eligible recipients than the Social Solidarity Program. It is intended for people who have the most difficulty entering the labour market, namely, beneficiaries with severe employment limitations who have benefited from the Social Solidarity Program for at least 66 months in the last 72 months.

The basic income program provides increased benefits compared to the Social Solidarity Program. In 2023, the maximum annual benefits are \$18 576 for a single person and \$29 064 for a couple where both spouses are recipients.

- These amounts represent \$4 116 and \$7 884 more than the Social Solidarity Program, respectively.

In addition to the increased benefits, the terms and conditions for the allocation of benefits are significantly changed from the Social Solidarity Program. Indeed:

- the benefit is now provided on an individual basis and not per household;
- a supplement is provided to individuals without a spouse to offset the additional costs associated with being an adult living alone;
- the rules for considering household income, assets and liquid assets have been relaxed to allow people with certain resources to receive a higher benefit.

5.2 Improving inclusion and equality

To reduce violence against women, inequalities and discrimination that may occur in relation to gender, sexual orientation or visible minority status, the government is providing an additional \$56.7 million over five years, that is:

- \$30.5 million to combat sexual and domestic violence;
- \$23.7 million to counter homophobia and transphobia;
- \$2.5 million to combat racism.

TABLE E.27

Financial impact of the measures to improve inclusion and equality (millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Combatting sexual and domestic violence						
– Maintaining and sustaining within the Director of Criminal and Penal Prosecutions the positions assigned to sexual and domestic violence cases ⁽¹⁾	-4.1	-4.1	-4.1	-4.1	-4.1	-20.5
– Improving services provided by shelters for women who are victims of violence ⁽²⁾	-2.0	-2.0	-2.0	-2.0	-2.0	-10.0
Subtotal	-6.1	-6.1	-6.1	-6.1	-6.1	-30.5
Countering homophobia and transphobia						
– 2023-2028 Government Action Plan to Fight Homophobia and Transphobia ⁽³⁾	-3.5	-3.9	-4.6	-3.9	-3.8	-19.7
– Bureau de lutte contre l'homophobie et la transphobie ⁽⁴⁾	-0.8	-0.8	-0.8	-0.8	-0.8	-4.0
Subtotal	-4.3	-4.7	-5.4	-4.7	-4.6	-23.7
Combatting racism ⁽⁵⁾	-1.0	-0.9	-0.2	-0.2	-0.2	-2.5
TOTAL	-11.4	-11.7	-11.7	-11.0	-10.9	-56.7

(1) The appropriations will be granted to the Ministère de la Justice. The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

(2) The appropriations will be granted to the Ministère de la Santé et des Services sociaux. The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

(3) The appropriations will be granted to the government departments responsible for implementing the measures. For 2023-2024, \$3.1 million will be drawn from the Contingency Fund.

(4) The appropriations will be granted to the Ministère des Relations internationales et de la Francophonie. The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

(5) The appropriations will be granted to the Ministère du Conseil exécutif. The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

□ Combating sexual and domestic violence

Significant investments have recently been made with a view to combatting violence against women, in particular through the Integrated Government Strategy to Counteract Sexual Violence, Domestic Violence and to Rebuild Trust 2022-2027. However, additional amounts are required to consolidate the actions undertaken.

To this end, Budget 2023-2024 is setting aside \$30.5 million over five years, namely:

- \$20.5 million to facilitate the judicial process for victims, in particular, to continue funding prosecutors who work on sexual and domestic violence issues;
- \$10.0 million to enhance the services provided by shelters for women who are victims of violence.

Significant investments announced for combatting sexual and domestic violence

A strategy of more than \$462 million announced in 2022

On June 20, 2022, the government released the Integrated Government Strategy to Counteract Sexual Violence, Domestic Violence and to Rebuild Trust 2022-2027. The strategy includes 58 initiatives and represents a total investment of \$462.4 million over five years.

The strategy is in addition to other government initiatives already in effect to combat violence, including:

- the 2020-2025 specific action plan to prevent high-risk domestic violence and increase victim safety, announced in December 2020 with a total investment of \$180 million;
- the 2021-2026 priority actions to counteract domestic violence and femicides, announced in April 2021 and representing investments of \$222.9 million.

A significant increase in support for shelters for women who are victims of domestic violence

Shelters for women who are victims of domestic violence play a central role in supporting women and children who are victims of domestic violence. The government recognizes the importance of these organizations in combatting domestic violence.

These shelters must meet the growing needs of women who are victims of violence, especially those who are experiencing multiple issues. As a result, in recent years, the government has announced a significant increase in support for shelters.

With the additional support of \$10 million over five years announced in this budget, they will ultimately benefit, in 2026-2027, from annual support of more than \$165 million.

Countering homophobia and transphobia

An investment of \$19.7 million will be used to implement the 2023-2028 Government Action Plan to Fight Homophobia and Transphobia, which will be tabled later this year by the Secrétariat à la condition féminine.

- The objective of the new action plan will be to better meet the needs expressed by LGBTQ+ individuals and organizations, in particular by improving the respect of their rights, the assistance provided to LGBTQ+ community organizations as well as the adaptation of public services.

In addition to this amount, \$4 million will be invested to ensure the sustainability of the Bureau de lutte contre l'homophobie et la transphobie.

Combating racism

Racism has no place in Québec and the fight against racism continues to be a priority for the government.

In Budget 2023-2024, the government is therefore announcing \$2.5 million over five years to strengthen the work of the Bureau de coordination de la lutte contre le racisme in its implementation of the 25 recommendations contained in the report of the Groupe d'action contre le racisme.

Actions taken to combat racism

On December 14, 2020, the Groupe d'action contre le racisme tabled its report entitled *Racism in Québec: Zero Tolerance*. The Québec government made a commitment to implement all 25 recommendations made in the report.

A government review of the report's implementation was carried out and released on December 9, 2021. Several initiatives have already been implemented, including:

- the appointment of a Minister Responsible for the Fight Against Racism;
- the implementation of a national awareness campaign;
- the inclusion of the issue of racism in young people's schooling;
- the strengthening of the exemplarity of the government in hiring visible minority employees;
- the introduction of initiatives to improve relations between visible minorities and police forces.

It should be noted that all the actions recommended in the report of the Groupe d'action contre le racisme have already received a first response. The government will continue its efforts to implement additional actions to combat racism.

5.3 Supporting the vitality of English-speaking communities

In order to contribute to the vitality of English-speaking communities and to build bridges between the Québec government and English-speaking community organizations, the government must make services more accessible at the local and regional community level for English-speaking Quebecers.

The government is providing an additional \$31.5 million over five years to support the Secrétariat aux relations avec les Québécois d'expression anglaise in fulfilling its mission with respect to Québec's English-speaking communities, namely:

- \$26.5 million over five years to extend and improve the program to strengthen the vitality of Québec's English-speaking communities, aimed at supporting the capacity for action among community organizations, institutions and partnership networks that support the communities;
- \$5.0 million over three years to extend and increase funding for Wellness Centres (support and programming for seniors' wellness activities).

TABLE E.28

Financial impact of the measures to support the vitality of English-speaking communities (millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Extending and improving the program to strengthen the vitality of Québec's English-speaking communities	-1.0	-1.0	-7.0	-6.6	-10.9	-26.5
Extending and increasing funding for Wellness Centres for English-speaking seniors	—	—	-1.0	-2.0	-2.0	-5.0
TOTAL	-1.0	-1.0	-8.0	-8.6	-12.9	-31.5

Note: The appropriations will be granted to the Ministère des Finances.

Supporting the vitality of English-speaking communities

Strengthening the vitality of Québec's English-speaking communities

In accordance with the *Act to ensure the occupancy and vitality of territories*, the government recognizes that each community has unique characteristics and priorities. The program to strengthen the vitality of Québec's English-speaking communities contributes to these directions.

The government supports local and regional organizations throughout Québec. The funding granted allows multisectoral organizations in the regions to diversify their local services for often vulnerable populations.

By extending this program, the government is supporting a network of community action organizations and organization associations that share common concerns. For example, this network and these organizations are active in health and social services for vulnerable people, employability and economic development, youth retention and post-secondary education, access to justice, as well as in arts, culture, communications and heritage.

Extending the program will increase access to services in areas identified as critical by English-speaking communities. These areas include mental health support, early childhood services and services for underprivileged families.

Funding Wellness Centres for English-speaking seniors

Wellness centres offer unique activities and social programming to English-speaking seniors through a network of community-based organizations outside urban areas. These activities help combat isolation, support seniors and encourage active living while contributing to the vitality of their communities.

The services of this partnership network are offered in all regions and are true local services for seniors. This network will be strengthened and the number of Wellness Centres will be increased to ensure a better presence in areas that do not yet have access to these centres.

5.4 Ensuring public safety

Public safety is at the heart of the Québec government's concerns, which ensures that all Quebecers can feel safe across the province. Moreover, since society is constantly evolving and modernizing, it is necessary that the services provided to the public in terms of public safety be adapted to Québec's current realities.

To this end, Budget 2023-2024 sets aside funds totalling \$220 million over six years, that is:

- \$69.4 million to transform and modernize the École nationale de police du Québec (ENPQ);
- \$50.0 million to continue the fight against gun violence;
- \$35.8 million to enhance security in detention facilities;
- \$8.5 million to support police reform;
- \$45.5 million to support the modernization of the 9-1-1 network;
- \$10.8 million to increase tax assistance for volunteer firefighters and search and rescue volunteers.

TABLE E.29

Financial impact of the measures to ensure public safety (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Transforming and modernizing the École nationale de police du Québec ⁽¹⁾	—	-5.7	-26.0	-12.7	-12.6	-12.4	-69.4
Continuing the fight against gun violence ⁽¹⁾	—	-10.6	-11.2	-11.2	-11.2	-5.8	-50.0
Enhancing security in detention facilities ⁽¹⁾	—	-6.2	-11.0	-6.6	-5.8	-6.2	-35.8
Supporting police reform ⁽¹⁾	—	-2.5	-2.4	-2.4	-0.6	-0.6	-8.5
Modernizing the 9-1-1 network ⁽²⁾	-45.5	—	—	—	—	—	-45.5
Increasing tax assistance for volunteer firefighters and search and rescue volunteers	—	-1.8	-2.1	-2.2	-2.3	-2.4	-10.8
Preventing money laundering in Québec casinos and gaming halls ⁽³⁾	—	—	—	—	—	—	—
TOTAL	-45.5	-26.8	-52.7	-35.1	-32.5	-27.4	-220.0

(1) The appropriations will be granted to the Ministère de la Sécurité publique. The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

(2) The appropriations will be granted to the Ministère des Affaires municipales et de l'Habitation. The amounts provided for 2022-2023 will be drawn from the Contingency Fund.

(3) There are no additional costs associated with this measure and therefore no appropriation is required.

Transforming and modernizing the École nationale de police du Québec

There is currently an increased need for police officers, in connection with numerous vacant positions and social and government concerns and priorities, including the fight against gun violence and sexual exploitation. Accordingly, a greater number of police cadets must be trained at the ENPQ.

Furthermore, the role of police officers is changing. They are now often called upon to go beyond their traditional crime-fighting role and to intervene with more fragile or marginalized citizens. Police training must therefore be adapted to provide police officers with the necessary training to better equip them to assume this new role.

To ensure that all of this training is provided, the government is announcing an increase in funding of \$69.4 million over five years to transform, expand and modernize the ENPQ, making it possible in particular:

- to train approximately 350 additional police cadets annually over the next five years, for a total of 1 000 police officers trained per year;
- to make a major technological shift by constructing a new multifunctional building on campus.

Continuing the fight against gun violence

In recent years, the number of firearm injuries in Montréal and Laval has increased significantly.

In fall 2021, to stem the tide of gun violence, the government introduced the Québec strategy to combat gun violence. The strategy has three components: prevention, repression and knowledge and skills development.

A number of measures to support the strategy have been announced and Opération CENTAURE has been deployed, leading to the seizure of numerous firearms and multiple arrests of individuals implicated in gun violence. Upstream measures have also been implemented to prevent violence, especially among youth.

To continue these efforts, the government is providing \$50 million over five years. This investment will help strengthen prevention as well as the means to support the fight against gun violence, particularly to curb the rise in crime in Laval.

Since 2021, the government has announced a total of nearly \$480 million to step up the fight against gun violence.

□ Enhancing security in detention facilities

Detention facilities are constantly targeted by offenders seeking to introduce prohibited substances and items. Over the past few years, drone delivery has grown significantly, adding to the various schemes used.

Detention facilities must be adequately equipped to deal with these schemes, which involve risks for the safety of citizens.

To strengthen security in detention facilities, the government is providing \$35.8 million over five years with a view to:

- installing detection equipment to intercept prohibited substances and items;
- securing exterior yards to prevent drone deliveries.

Supporting police reform

In May 2021, the police reality advisory committee tabled its report, which proposes a major reform of the police system in Québec and presents a series of 138 recommendations.

Several recommendations in this report have already been implemented. To continue the work already begun, the government is providing \$8.5 million over five years with a view to:

- incorporating a prevention component into the mission of the police ethics commissioner for reducing the number of ethics complaints at the source through actions aimed at both police officers and citizens;
- adding staff to the police ethics commissioner to reduce the time it takes to process ethics complaints and increase the accessibility of its services.

Police reality advisory committee

In December 2019, the Québec government set up the Québec police reality advisory committee. Its mandate was to identify the actions to be taken to provide for an effective, efficient and modern police force, in line with the expectations of citizens and societal changes.

After consulting experts, stakeholders, citizens and other interested parties, the Committee tabled its final report in May 2021. The report contains 138 recommendations, including:

- consolidating investigative and technical support expertise and add specialized joint teams;
- reforming executive officer training and strengthening investigator training;
- making a shift toward community policing and consultation based on partnership and dialogue.

Several of the recommendations in the report have already been implemented, in particular:

- the creation of the integrated missing persons and abduction coordination team and the increase in the capacity of the Laboratoire de sciences judiciaires et de médecine légale;
- the addition of a continuum of services to provide a safety net for police officers in psychological distress.

The government is continuing to work toward police reform focused on modernity, trust and efficiency.

□ Supporting the modernization of the 9-1-1 network

The Canadian Radio-television and Telecommunications Commission (CRTC) decreed that all telephone and wireless carriers in Canada must upgrade their networks to be ready to offer next-generation 9-1-1 service by March 4, 2025.

- This network modernization will allow the processing of new forms of communication by emergency 9-1-1 call centres, including text messages, images, videos as well as other types of data, such as biomedical information.

Given the significant financial costs and timelines involved, many municipalities will require financial assistance to meet their obligations to upgrade emergency call centres.

The government is announcing \$45.5 million to support emergency and secondary call centres in upgrading the 9-1-1 network.

□ Increasing tax assistance for volunteer firefighters and search and rescue volunteers

The government has provided a non-refundable tax credit to volunteer firefighters since 2011 and to search and rescue volunteers since 2014.

- These tax credits are intended to provide tax relief in recognition of the important role that volunteer firefighters and search and rescue volunteers play in ensuring the protection and safety of citizens.

In addition, volunteer firefighter succession issues have been raised by communities and are mainly felt in certain municipalities outside urban centres. This loss of attractiveness could be a fire safety risk.

To encourage the retention and recruitment of volunteer firefighters and search and rescue volunteers, the government is announcing in Budget 2023-2024 that the amount of these two tax credits increases from \$3 000 to \$5 000 starting in the 2023 taxation year.

- The tax value of both measures therefore increases from \$450 to \$700,⁷ a gain of \$250.
- In addition, this amount will be indexed annually beginning with the 2024 tax year.

This measure will provide an additional \$10.8 million in tax assistance over five years to more than 6 500 volunteers.

⁷ The new tax value takes into account the reduction in the conversion rate of the two tax credits from 15% to 14%, which is a corollary adjustment to the announced reduction in the bottom tax rate (see Section B, “Growing Québec’s Wealth”).

Preventing money laundering in Québec casinos and gaming halls

At the request of the Minister of Finance, an independent audit of Québec's casinos and gaming halls was conducted by Deloitte in 2021⁸ particularly with respect to the measures in place to prevent money laundering.

The audit report confirmed that there were no major deficiencies in Loto-Québec's procedures, but made a number of recommendations to ensure that industry best practices are followed. In this regard, one of the proposals was to give the corporation the authority to apply stricter thresholds than those set out in Canada's anti-money laundering law to verify the identity of players and the source of their funds.

In order to follow up on the recommendations on this subject and thus prevent money laundering, the government will propose a new legislative provision stipulating that Loto-Québec may, as soon as it deems appropriate, in a casino or gaming hall, verify the identity of a client and the source of their funds, starting at a threshold that it will establish so as to cover only large transactions.

⁸ The Deloitte audit report is available on the Ministère des Finances website at www.finances.gouv.qc.ca.

5.5 Facilitating access to justice

In recent years, the government has introduced a number of measures to make the justice system more accessible and efficient for Quebecers, notably by reducing delays and fostering the trust of citizens.

Building on these objectives, the government is planning new initiatives in Budget 2023-2024 totalling \$99.5 million over five years, that is:

- \$40.0 million to implement solutions to make mediation mandatory and arbitration automatic for certain disputes in the Small Claims Division of the Court of Québec;
- \$50.4 million to make the justice system more efficient and ensure public confidence;
- \$9.1 million to enhance the service offering of the Commission des services juridiques.

TABLE E.30

Financial impact of the measures to facilitate access to justice (millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Implementing solutions to make mediation mandatory and arbitration automatic for certain disputes in the Small Claims Division	-4.1	-9.0	-9.5	-9.0	-8.4	-40.0
Making the justice system more efficient and ensuring public confidence	-5.6	-11.1	-11.2	-11.2	-11.3	-50.4
Enhancing the service offering of the Commission des services juridiques	-2.3	-3.4	-3.4	—	—	-9.1
TOTAL	-12.0	-23.5	-24.1	-20.2	-19.7	-99.5

Note: The appropriations will be granted to the Ministère de la Justice. The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

Implementing solutions to make mediation mandatory and arbitration automatic for certain disputes in the Small Claims Division

On February 1, 2023, the Minister of Justice introduced *Bill 8, an Act to improve justice efficiency and accessibility, in particular by promoting mediation and arbitration and by simplifying civil procedure in the Court of Québec*.

Under this bill, mediation would be mandatory for cases under \$5 000 and would be phased in over the next five years.

The implementation of the bill would provide faster access to justice and reduce the time it takes to process cases. Approximately 20 000 cases are opened each year in the Small Claims Division of the Court of Québec. More than 50% of these cases are for amounts less than \$5 000.

The government is therefore providing \$40 million over five years in Budget 2023-2024 to implement solutions to make mediation mandatory and arbitration automatic for certain disputes in the Small Claims Division.

Making the justice system more efficient and ensuring public confidence

The government aims to make the justice system more efficient, in particular to reduce court delays and ensure public confidence in the justice system.

To this end, the government will deploy additional services to speed up the processing of court proceedings and will direct its actions according to the needs of persons subject to trial.

In this regard, Budget 2023-2024 is providing \$50.4 million over five years.

Enhancing the service offering of the Commission des services juridiques

The Québec legal aid system, established in 1972, offers representation by permanent legal aid lawyers and private lawyers to low-income individuals, promoting better recognition and respect of their rights.

Recently, the independent working group on legal aid rate structure reform tabled a series of recommendations aimed at improving legal aid rates so that legal aid services can continue to be offered throughout Québec, both by private lawyers and permanent legal aid lawyers. The government will continue to evaluate the implementation of the recommendations.

The government is providing \$9.1 million over five years to enhance the services offered by the Commission des services juridiques.

6. CONTINUING TO SUPPORT FIRST NATIONS AND INUIT PEOPLE

Several events in recent years have brought to light the difficulties experienced by Indigenous communities. The reports issued by the National Inquiry into Missing and Murdered Indigenous Women and Girls and the Public Inquiry Commission on relations between Indigenous Peoples and certain public services in Québec have also highlighted some of these difficulties, and the government has taken action to remedy the situation.

Over the last four years, more than \$750 million has been announced to implement concrete measures to improve the services offered to Indigenous people, and to enhance support with regard to housing, education and economic, social and cultural development.

In Budget 2023-2024, the government is taking an additional step by setting aside \$121 million with a view to:

- strengthening the services offered to Indigenous people and making such services easier to access;
- providing further housing assistance in Indigenous communities.

TABLE E.31

**Financial impact of the measures to continue to support
First Nations and Inuit people**
(millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Strengthening the services offered to Indigenous people and making such services easier to access	-0.7	-14.8	-16.6	-15.9	-11.5	-11.7	-71.2
Providing further housing assistance in Indigenous communities	-15.0	-17.8	-17.0	—	—	—	-49.8
TOTAL	-15.7	-32.6	-33.6	-15.9	-11.5	-11.7	-121.0

Supporting Indigenous communities over the past four years

Over the past four years, the government has announced over \$750 million in investments to further support Indigenous communities, namely:

- \$202.5 million to enhance and renew the Aboriginal Initiatives Fund, which supports Indigenous economic, social and community projects;
- \$200 million to support initiatives that address the recommendations of the Public Inquiry Commission on relations between Indigenous Peoples and certain public services in Québec;
- \$115.8 million to implement measures to reduce the cost of living in Nunavik;
- \$100 million to consolidate government actions for the social and cultural development of First Nations and Inuit people;
- \$92.7 million to support Indigenous educational success and the creation of the First Nations Executive Education school;
- \$23.2 million for measures to support Indigenous families and youth;
- \$15.7 million to support infrastructure development;
- \$7.5 million for housing assistance in Indigenous communities in Nord-du-Québec.

These amounts have helped support the socioeconomic development efforts of First Nations and Inuit people and improve living conditions in their communities.

6.1 Strengthening the services offered to Indigenous people and making such services easier to access

The government continues to strengthen the services offered to Indigenous people living in the community or an urban environment, and to implement solutions to adapt these services to Indigenous languages and cultures in order to facilitate access to such services.

To this end, it is providing \$71.2 million over six years with a view to:

- enhancing support for the families of missing Indigenous children;
- continuing to support police services adapted to Indigenous realities;
- improving the situation concerning the itinerant court and the administration of justice in Nunavik;
- facilitating application of the tax exemption on certain purchases made on a reserve;
- simplifying access to government public services in Nunavik;
- supporting culturally appropriate frontline services for Val-d'Or.

TABLE E.32

Financial impact of the measures to strengthen the services offered to Indigenous people and make such services easier to access (millions of dollars)

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Enhancing support for the families of missing Indigenous children ⁽¹⁾	—	-0.5	-1.0	-1.0	-1.0	-1.0	-4.5
Continuing to support police services adapted to Indigenous realities ⁽²⁾	-0.7	-3.2	-3.5	-3.1	-3.1	-3.2	-16.8
Improving the situation concerning the itinerant court and the administration of justice in Nunavik ⁽³⁾	—	-0.5	-1.5	-1.5	-2.0	-2.0	-7.5
Facilitating application of the tax exemption on certain purchases made on a reserve ⁽⁴⁾	—	-7.0	-4.0	-2.7	-2.8	-2.9	-19.4
Simplifying access to government public services in Nunavik ⁽¹⁾	—	-2.6	-2.6	-2.6	-2.6	-2.6	-13.0
Supporting culturally appropriate frontline services for Val-d'Or ^{(1),(5)}	—	-1.0	-4.0	-5.0	—	—	-10.0
TOTAL	-0.7	-14.8	-16.6	-15.9	-11.5	-11.7	-71.2

Note: The amounts provided for 2022-2023 and 2023-2024 will be drawn from the Contingency Fund.

(1) The appropriations will be granted to the Ministère du Conseil exécutif.

(2) The appropriations will be granted to the Ministère de la Sécurité publique.

(3) The appropriations will be granted to the Ministère de la Justice.

(4) The amounts will be drawn from the Tax Administration Fund.

(5) Investments totalling \$10 million are provided for in the 2023-2033 Québec Infrastructure Plan.

Enhancing support for the families of missing Indigenous children

The Secrétariat aux relations avec les Premières Nations et les Inuit supports, in their search for information, the families of Indigenous children who went missing after being admitted to a health and social services institution in the 1950s to 1980s.

Obtaining information on the circumstances surrounding the death or disappearance of their child contributes to the healing process for the grieving families. Support of a psychological and spiritual nature is also available.

To respond diligently to more requests and to ensure that each family that asks for it is able to obtain the support it needs, the government is setting aside an additional \$4.5 million over five years.

Continuing to support police services adapted to Indigenous realities

The Indigenous police forces deliver services that are culturally reassuring in many communities. Delivery of policing services by officers from First Nations or the Inuit Nation promotes a better understanding of the realities and needs of the populations served.

The government thus intends to continue to support Indigenous policing services and, to this end, is setting aside an additional amount of \$16.8 million over six years. This investment will consolidate the organizational capacity of the Indigenous police forces.

Improving the situation concerning the itinerant court and the administration of justice in Nunavik

Access to justice for the Inuit population remains difficult in Nunavik. The geographic situation, the availability of resources and the language and cultural barriers make the provision of legal services more complex.

On August 5, 2022, the report on the itinerant court was released. The government intends to implement some of the recommendations.

Thus, in Budget 2023-2024, an amount of \$7.5 million over five years is earmarked to improve the situation concerning the itinerant court and the administration of justice in Nunavik.

Facilitating application of the tax exemption on certain purchases made on a reserve

Pursuant to the *Indian Act* (R.S.C., 1985, c. I-5), purchases made by First Nations people with Indian status are exempt from taxes when they are made on reserve land. Due to technical considerations, however, this exemption is complex to apply for certain products subject to a specific tax. When the tax exemption cannot be granted at the time of purchase, the consumer must apply to Revenu Québec for a refund *a posteriori*.

To facilitate application of the tax exemption on these products, the government is setting aside \$19.4 million over five years to gradually deploy an automated system that will enable First Nations people with Indian status to benefit from the exemption to which they are entitled directly at the time of purchase.

Simplifying access to government public services in Nunavik

The Services Québec network offers citizens and businesses easy access to government public services in person, by telephone and online.

However, due to the geographical remoteness of the northern villages and the linguistic and cultural specificities of the Inuit people, access to the tools offered by Services Québec in Nunavik is limited.

To support the deployment of single-window access to government services adapted to the realities of Nunavik, as part of Budget 2023-2024, the government is announcing an investment of \$13 million over five years.

Initiatives to improve access to government services

Many people from Indigenous communities do not benefit from certain government services due to cultural remoteness and the language barrier. Therefore, in 2022, a number of government stakeholders took part in initiatives that improved access to public services for Indigenous people.

- The government developed a partnership with the Kativik Regional Government and the Makivik Corporation to coordinate visits by Revenu Québec to Nunavik to provide assistance in preparing income tax returns. This initiative provided residents with the financial support measures to which they were entitled.
- Furthermore, a pilot project of mobile clinics, bringing together in one place various government stakeholders, was implemented in Montréal to offer the urban Indigenous population services that they would otherwise find difficult to access. This project is the result of a collaboration between the federal government, the Québec government and various Indigenous organizations from Montréal.

These initiatives enable people in vulnerable situations to access the various support measures offered by the government.

Supporting culturally appropriate frontline services for Val-d'Or

Native Friendship Centres constitute a meeting place for individuals from First Peoples who live in or are passing through urban areas. These centres provide culturally appropriate services in various areas, particularly health care, employment assistance and access to justice.

The Val-d'Or Native Friendship Centre is an important urban hub for Indigenous people from the surrounding regions, as the city is located at the crossroads of a number of communities.

In this context, the government is announcing an investment of \$10 million over three years to help with the refurbishment and expansion of the Val-d'Or Native Friendship Centre. In particular, this will allow the organization to add a medical clinic and offer a lodging service for patients who live outside of the city.

6.2 Providing further housing assistance in Indigenous communities

The government intends to continue to support initiatives aimed at improving housing conditions in Nunavik, where the harsh climate and lack of road links with the rest of Québec have a significant impact on housing prices.

It also wishes to do more to support the efforts aimed at helping Indigenous people with an urgent need for housing, especially those who are homeless. To this end, the government is setting aside \$49.8 million over three years with a view to:

- continuing to support housing in Nunavik;
- making further improvements to housing conditions in Kitcisakik;
- continuing to provide lodging services for homeless Indigenous people in Montréal.

TABLE E.33

Financial impact of the measures to provide further housing assistance in Indigenous communities (millions of dollars)

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Continuing to support housing in Nunavik ^{(1),(2)}	-15.0	-11.0	-17.0	—	—	—	-43.0
Making further improvements to housing conditions in Kitcisakik ⁽²⁾	—	-0.3	—	—	—	—	-0.3
Continuing to provide lodging services for homeless Indigenous people in Montréal ^{(1),(3)}	—	-6.5	—	—	—	—	-6.5
TOTAL	-15.0	-17.8	-17.0	—	—	—	-49.8

Note: The amounts provided for 2022-2023 and 2023-2024 will be drawn from the Contingency Fund.

(1) Investments of \$34.5 million are provided for in the 2023-2033 Québec Infrastructure Plan.

(2) The appropriations will be granted to the Ministère des Affaires municipales et de l'Habitation.

(3) The appropriations will be granted to the Ministère du Conseil exécutif.

Continuing to support housing in Nunavik

Due to a number of factors, including the cost of transporting building materials and the characteristics of the northern climate, government support is essential to maintain the social housing stock in Nunavik and improve the vitality of the private housing market in this region.

This is why, in Budget 2023-2024, the government is providing \$43 million over three years for the purpose of:

- building a warehouse to store the materials needed to maintain social housing;
- rebuilding damaged social housing;
- supporting the private housing market in Nunavik, which will also help reduce pressure on the social housing stock.

Making further improvements to housing conditions in Kitcisakik

Housing conditions in the Algonquin community of Kitcisakik have improved, thanks in part to government investments to support home renovations. Furthermore, the work is being carried out by members of the community, which also helps improve employment conditions.

Since 2009, the government has provided financial assistance to renovate houses in the community of Kitcisakik. Nevertheless, further efforts are needed, as the condition of certain homes remains a concern.

To prevent the pace of renovations needed from being impacted by the rise in the cost of building materials, the government is increasing its support by \$0.3 million in 2023-2024.

Continuing to provide lodging services for homeless Indigenous people in Montréal

To ease the difficulties faced by homeless Indigenous people by offering them a culturally reassuring welcome, in 2020, Projets Autochtones du Québec opened an emergency shelter for Indigenous people in the city of Montréal.

The organization also offers meals, employment assistance services, legal support and referrals for mental, physical and financial health matters.

Wishing to help maintain the supply of lodging and culturally reassuring services for the homeless Indigenous clientele, the government is investing \$6.5 million in 2023-2024.

7. MODERNIZING ARCHITECTURAL AND LAND-USE PRACTICES

The government has taken several actions in recent years to modernize its approach to architecture and land-use planning. The new vision that has been drawn up in connection with this process favours exemplary interventions by the government to ensure coherent development of the land for the benefit of citizens.

In Budget 2023-2024, the government is integrating this new vision by initiating the implementation of its national policy on architecture and land-use planning (PNAAT). The government will support the implementation of the PNAAT with an initial series of pivotal measures.

National policy on architecture and land-use planning

On June 6, 2022, the Québec government unveiled the PNAAT. This policy, drawn up following several consultation processes, is structured around four areas:

- quality living environments that meet the population's needs;
- planning that preserves and enhances natural environments and agricultural land;
- dynamic and authentic communities throughout Québec;
- greater concern for land and architecture in public action.

The PNAAT represents a new vision to guide collective action concerning architecture and land-use planning. It will allow complete, healthy, lasting, inclusive and human-scale living environments to be built.

In addition, the government intends to continue to support municipalities wishing to regroup in order to ensure cohesion in the management of the land and services to the population.

To achieve this, the 2023-2024 budget is setting aside a total of \$87.9 million in assistance over six years, that is:

- \$43.7 million over five years to support municipalities with regard to land-use planning;
- \$17.4 million over six years to monitor changes in land-use planning issues;
- \$6.7 million over five years to implement a governance structure for architecture;
- \$20.1 million over five years to enhance the financial assistance program for municipal reorganization.

TABLE E.34

Financial impact of the measures to modernize architectural and land-use practices
(millions of dollars)

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Supporting municipalities with regard to land-use planning ⁽¹⁾	—	-2.3	-11.0	-11.6	-11.6	-7.2	-43.7
Monitoring changes in land-use planning issues ⁽¹⁾	-16.0	-0.1	-0.2	-0.2	-0.4	-0.5	-17.4
Establishing governance for architecture ⁽²⁾	—	-1.1	-1.4	-1.4	-1.4	-1.4	-6.7
Enhancing the financial assistance program for municipal reorganization ⁽¹⁾	—	-1.3	-3.5	-3.5	-5.8	-6.0	-20.1
TOTAL	-16.0	-4.8	-16.1	-16.7	-19.2	-15.1	-87.9

(1) The appropriations will be granted to the Ministère des Affaires municipales et de l'Habitation. In 2022-2023, an amount of \$16 million is drawn from the appropriation envelope set aside for the Ministère des Affaires municipales et de l'Habitation. The amounts provided for 2023-2024 will be drawn from the Contingency Fund.

(2) The appropriations will be granted to the Ministère de la Culture et des Communications.

Supporting municipalities with regard to land-use planning

A number of municipal stakeholders have too few specialized resources to act appropriately and meet their obligations with regard to land-use planning. The government therefore wishes to support these stakeholders.

The additional government support will consist of four components:

- direct financial assistance for hiring specialized resources and the creation of regional centres of expertise to support the RCMs;
- financial assistance for external organizations to support municipalities;
- increased support for departments and bodies that intervene with regard to land;
- setting up of discussion groups with First Nations and Inuit people.

Assistance of \$43.7 million over five years is thus set aside to support municipal stakeholders in achieving the objectives of the PNAAT and carrying out quality development projects.

Monitoring changes in land-use planning issues

The implementation of a modern system for monitoring planning issues, at a national and regional level, will enable the government and RCMs to track changes in land-use planning in order to base their planning choices on conclusive data.

With the help of researchers and university partners, this measure involves drawing up and tracking changes in national and local indicators and compiling five-year reviews.

An amount of \$17.4 million over six years is provided for the implementation of a monitoring system to keep track of the achievement of the objectives of the PNAAT.

Establishing governance for architecture

As with other international jurisdictions, it is important that Québec puts in place conditions to promote the durability of investments in architecture. Establishing a governance structure will promote the creation of a genuine culture of architectural quality in Québec.

The main mandate of this governance structure will be to mobilize and obtain the support of stakeholders with respect to high-quality architecture.

It will also need to gather data on architecture projects and monitor the integration and development of architectural quality in the government's practices and actions. In addition, it will need to support research and innovation in architecture and promote Québec architecture.

An amount of \$6.7 million over five years is earmarked for the implementation of a governance structure for architecture as part of the PNAAT.

Enhancing the financial assistance program for municipal reorganization

The changing demographics of municipalities can create situations where the reorganization of municipalities makes sense. For these municipalities, a reorganization represents an opportunity to optimize governance, ensure consistency in land-use planning, mitigate labour issues and improve services offered to citizens.

Therefore, the government provides financial support to municipalities for their reorganization through the financial assistance program for municipal reorganization. This program is designed to encourage voluntary municipal reorganization by reducing the irritants and financial impact of extraordinary expenses associated with reorganization.

The financial assistance program for municipal reorganization will be enhanced by \$20.1 million over five years to support municipalities.

FINANCIAL IMPACT

TABLE E.35

Financial impact of the measures to support Quebecers (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Promoting culture and the French language							
Promoting Québec culture							
– Giving new impetus to cultural development							
▪ Reaffirming the role of Télé-Québec in youth and cultural programming	—	-20.1	-20.2	-20.2	-20.3	-20.3	-101.1
▪ Investing in the next generation of musical artists	—	-1.1	-2.2	-3.3	-4.5	-5.7	-16.8
▪ Capitalizing SODEC	—	—	—	—	—	—	—
▪ Continuing and adapting the government culture action plan	—	-59.5	-59.5	-59.5	-59.5	-59.5	-297.5
– Deploying creativity and promoting Québec cultural content in the digital realm							
▪ Establishing an online presence for Québec cultural content	—	-13.2	-13.7	-9.1	-9.4	-9.4	-54.8
▪ Supporting businesses in the digital creativity sector	—	-10.2	-10.5	-1.0	-1.3	-1.4	-24.4
▪ Continuing to support the news media sector	—	-0.7	-6.3	-6.3	—	—	-13.3
▪ Promoting Québec culture on foreign markets	—	-2.5	—	—	—	—	-2.5

TABLE E.35

Financial impact of the measures to support Quebecers (cont.)
 (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Promoting culture and the French language (cont.)							
Promoting Québec culture (cont.)							
– Promoting Québec culture and increasing its dissemination and accessibility							
▪ Promoting the consumption of cultural works and the influence of Québec culture	—	-17.8	-12.7	-5.8	-2.5	-2.5	-41.3
▪ Developing a cultural passport for youth	—	-2.1	-2.1	—	—	—	-4.2
▪ Encouraging the book industry in Québec	—	-0.3	-0.8	-1.3	-1.5	-1.6	-5.5
Subtotal – Promoting Québec culture	—	-127.5	-128.0	-106.5	-99.0	-100.4	-561.4
Promoting the French language							
– Ensuring the implementation of <i>An Act respecting French, the official and common language of Québec</i>	—	-4.1	-10.0	-11.8	-13.5	-13.5	-52.9
– Establishing a government dashboard of indicators on the language situation in Québec and monitoring the linguistic characteristics of the population on a yearly basis	—	-5.5	-5.5	-5.5	-5.5	-5.5	-27.5
– Supporting the national campaign for the defence, promotion and advancement of the French language in Québec	—	-2.5	-2.5	-2.5	—	—	-7.5
Subtotal – Promoting the French language	—	-12.1	-18.0	-19.8	-19.0	-19.0	-87.9
Subtotal – Promoting culture and the French language	—	-139.6	-146.0	-126.3	-118.0	-119.4	-649.3

TABLE E.35

Financial impact of the measures to support Quebecers (cont.)
 (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Improving housing affordability							
Increasing and maintaining the social and affordable housing stock							
– Building 1 500 new affordable housing units							
▪ Building 1 000 affordable housing units	—	-6.3	-39.0	-77.0	-61.5	-18.5	-202.3
▪ Building 500 affordable housing units in collaboration with the private sector	—	-3.2	-19.5	-38.5	-30.8	-9.3	-101.3
– Supporting the construction of 450 housing units funded under the Rapid Housing Initiative	-45.0	—	—	—	—	—	-45.0
– Accelerating the construction of 3 300 AccèsLogis units	-191.5	—	—	—	—	—	-191.5
– Implementing a pilot project for the installation of modular housing that meets the needs of the health care community	—	-5.0	—	—	—	—	-5.0
– Renovating low-rental housing stock	—	-105.0	—	—	—	—	-105.0
Subtotal – Increasing and maintaining the social and affordable housing stock	-236.5	-119.5	-58.5	-115.5	-92.3	-27.8	-650.1
Helping Quebecers cope with rising housing costs							
– Enhancing the housing component of the refundable solidarity tax credit	—	-42.6	-59.1	-61.4	-63.3	-65.3	-291.7
– Supporting households in need of housing							
▪ Granting 2 000 units under the Rent Supplement Program	—	-5.5	-9.6	-12.5	-12.7	-12.9	-53.2
▪ Helping municipalities and housing authorities support households that are homeless	—	-5.8	—	—	—	—	-5.8
Subtotal – Helping Quebecers cope with rising housing costs	—	-53.9	-68.7	-73.9	-76.0	-78.2	-350.7
Subtotal – Improving housing affordability	-236.5	-173.4	-127.2	-189.4	-168.3	-106.0	-1 000.8

TABLE E.35

Financial impact of the measures to support Quebecers (cont.)
 (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Supporting families							
Providing educational childcare services adapted to families' needs							
– Converting 5 000 non-subsidized childcare spaces	—	-18.5	-75.8	-77.3	-78.9	-80.5	-331.0
– Meeting families' needs							
▪ Supporting home-based childcare service start-ups	—	—	-5.8	-6.9	-3.5	—	-16.2
▪ Ensuring educational quality in childcare services	—	-0.5	-0.7	-4.5	-4.5	—	-10.2
▪ Supporting the international recruitment of educators	—	-1.0	-1.5	-1.5	-1.5	-1.5	-7.0
▪ Monitoring parents' changing needs	—	-0.7	-0.9	-0.9	-0.9	-0.9	-4.3
▪ Funding supervision services for students with disabilities	—	-0.7	-0.7	-0.7	-0.7	-0.7	-3.5
▪ Supporting children with specific needs	—	-1.5	-1.5	—	—	—	-3.0
▪ Continuing with childcare projects for spring break and the summer	—	-0.8	-0.1	—	—	—	-0.9
Subtotal – Providing educational childcare services adapted to families' needs	—	-23.7	-87.0	-91.8	-90.0	-83.6	-376.1
Supporting vulnerable children							
– Developing the Québec network of community social pediatrics centres	—	-12.5	-14.0	-15.0	-16.0	—	-57.5
– Consolidating family community action	—	—	—	—	-1.5	-4.5	-6.0
Subtotal – Supporting vulnerable children	—	-12.5	-14.0	-15.0	-17.5	-4.5	-63.5
Subtotal – Supporting families	—	-36.2	-101.0	-106.8	-107.5	-88.1	-439.6

TABLE E.35

Financial impact of the measures to support Quebecers (cont.)
 (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Strengthening the accessibility and efficiency of transportation networks							
Ensuring continued mobility of people and supply to communities							
– Supporting the recovery of public transit	-200.0	-200.0	—	—	—	—	-400.0
– Diversifying the transportation offering for people with reduced mobility	—	-3.0	-5.0	-5.0	-5.0	—	-18.0
– Maintaining essential regional air services	—	-10.0	—	—	—	—	-10.0
– Maintaining the maritime service to Île d'Entrée	—	-1.0	—	—	—	—	-1.0
Subtotal – Ensuring continued mobility of people and supply to communities	-200.0	-214.0	-5.0	-5.0	-5.0	—	-429.0
Investing in effective and safe land transportation infrastructure							
– Supporting the municipal sector in maintaining and improving the local road network	—	—	-200.0	—	—	—	-200.0
– Supporting actions to ensure safety at municipal level crossings	—	-4.0	-4.0	-4.0	—	—	-12.0
– Encouraging the use of the rail network for the transportation of people and goods	—	-20.0	-20.0	-20.0	—	—	-60.0
– Continuing to support the rehabilitation of rail service in Gaspésie	—	-6.0	-6.5	-4.0	-2.5	-2.0	-21.0
Subtotal – Investing in effective and safe land transportation infrastructure	—	-30.0	-230.5	-28.0	-2.5	-2.0	-293.0
Subtotal – Strengthening the accessibility and efficiency of transportation networks	-200.0	-244.0	-235.5	-33.0	-7.5	-2.0	-722.0

TABLE E.35

Financial impact of the measures to support Quebecers (cont.)
 (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Supporting Quebecers' quality of life							
Strengthening assistance in the communities							
– Continuing to support community organizations							
▪ Improving the storage infrastructure of the Food Banks of Québec network	—	-5.0	-5.0	-5.0	-5.0	—	-20.0
▪ Improving food security	—	-2.0	-2.0	-2.0	-2.0	-2.0	-10.0
▪ Extending funding to support the overall mission of certain community organizations	—	-13.6	-13.6	-13.6	—	—	-40.8
▪ Supporting volunteering	—	-12.0	—	—	—	—	-12.0
▪ Supporting and developing community environmental action	—	-0.8	-0.8	-0.9	-1.0	-1.1	-4.6
▪ Ensuring stable funding to support the overall mission of youth employment centres	—	-4.5	—	—	—	—	-4.5
– Strengthening the socioeconomic security of the most vulnerable							
▪ Extending certain measures of the Government Action Plan to Foster Economic Inclusion and Social Participation	—	-15.4	—	—	—	—	-15.4
▪ Supporting the delivery of services by the Curateur public	—	-3.0	-3.0	-3.0	-3.0	-3.0	-15.0
▪ Encouraging workforce integration and participation in employability measures	—	-1.8	-0.7	-0.6	—	—	-3.1
Subtotal – Strengthening assistance in the communities	—	-58.1	-25.1	-25.1	-11.0	-6.1	-125.4

TABLE E.35

Financial impact of the measures to support Quebecers (cont.)
 (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Supporting Quebecers' quality of life (cont.)							
Improving inclusion and equality							
– Combatting sexual and domestic violence							
▪ Maintaining and sustaining within the Director of Criminal and Penal Prosecutions the positions assigned to sexual and domestic violence cases	—	-4.1	-4.1	-4.1	-4.1	-4.1	-20.5
▪ Improving services provided by shelters for women who are victims of violence	—	-2.0	-2.0	-2.0	-2.0	-2.0	-10.0
– Countering homophobia and transphobia							
▪ 2023-2028 Government Action Plan to Fight Homophobia and Transphobia	—	-3.5	-3.9	-4.6	-3.9	-3.8	-19.7
▪ Bureau de lutte contre l'homophobie et la transphobie	—	-0.8	-0.8	-0.8	-0.8	-0.8	-4.0
– Combatting racism	—	-1.0	-0.9	-0.2	-0.2	-0.2	-2.5
Subtotal – Improving inclusion and equality	—	-11.4	-11.7	-11.7	-11.0	-10.9	-56.7
Supporting the vitality of English-speaking communities							
– Extending and improving the program to strengthen the vitality of Québec's English-speaking communities	—	-1.0	-1.0	-7.0	-6.6	-10.9	-26.5
– Extending and increasing funding for Wellness Centres for English-speaking seniors	—	—	—	-1.0	-2.0	-2.0	-5.0
Subtotal – Supporting the vitality of English-speaking communities	—	-1.0	-1.0	-8.0	-8.6	-12.9	-31.5

TABLE E.35

Financial impact of the measures to support Quebecers (cont.)
 (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Supporting Quebecers' quality of life (cont.)							
Ensuring public safety							
– Transforming and modernizing the École nationale de police du Québec	—	-5.7	-26.0	-12.7	-12.6	-12.4	-69.4
– Continuing the fight against gun violence	—	-10.6	-11.2	-11.2	-11.2	-5.8	-50.0
– Enhancing security in detention facilities	—	-6.2	-11.0	-6.6	-5.8	-6.2	-35.8
– Supporting police reform	—	-2.5	-2.4	-2.4	-0.6	-0.6	-8.5
– Modernizing the 9-1-1 network	-45.5	—	—	—	—	—	-45.5
– Increasing tax assistance for volunteer firefighters and search and rescue volunteers	—	-1.8	-2.1	-2.2	-2.3	-2.4	-10.8
– Preventing money laundering in Québec casinos and gaming halls	—	—	—	—	—	—	—
Subtotal – Ensuring public safety	-45.5	-26.8	-52.7	-35.1	-32.5	-27.4	-220.0
Facilitating access to justice							
– Implementing solutions to make mediation mandatory and arbitration automatic for certain disputes in the Small Claims Division	—	-4.1	-9.0	-9.5	-9.0	-8.4	-40.0
– Making the justice system more efficient and ensuring public confidence	—	-5.6	-11.1	-11.2	-11.2	-11.3	-50.4
– Enhancing the service offering of the Commission des services juridiques	—	-2.3	-3.4	-3.4	—	—	-9.1
Subtotal – Facilitating access to justice	—	-12.0	-23.5	-24.1	-20.2	-19.7	-99.5
Subtotal – Supporting Quebecers' quality of life	-45.5	-109.3	-114.0	-104.0	-83.3	-77.0	-533.1

TABLE E.35

Financial impact of the measures to support Quebecers (cont.)
 (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Continuing to support First Nations and Inuit people							
Strengthening the services offered to Indigenous people and making such services easier to access							
– Enhancing support for the families of missing Indigenous children	—	-0.5	-1.0	-1.0	-1.0	-1.0	-4.5
– Continuing to support police services adapted to Indigenous realities	-0.7	-3.2	-3.5	-3.1	-3.1	-3.2	-16.8
– Improving the situation concerning the itinerant court and the administration of justice in Nunavik	—	-0.5	-1.5	-1.5	-2.0	-2.0	-7.5
– Facilitating application of the tax exemption on certain purchases made on a reserve	—	-7.0	-4.0	-2.7	-2.8	-2.9	-19.4
– Simplifying access to government public services in Nunavik	—	-2.6	-2.6	-2.6	-2.6	-2.6	-13.0
– Supporting culturally appropriate frontline services for Val-d'Or	—	-1.0	-4.0	-5.0	—	—	-10.0
Subtotal – Strengthening the services offered to Indigenous people and making such services easier to access	-0.7	-14.8	-16.6	-15.9	-11.5	-11.7	-71.2
Providing further housing assistance in Indigenous communities							
– Continuing to support housing in Nunavik	-15.0	-11.0	-17.0	—	—	—	-43.0
– Making further improvements to housing conditions in Kitcisakik	—	-0.3	—	—	—	—	-0.3
– Continuing to provide lodging services for homeless Indigenous people in Montréal	—	-6.5	—	—	—	—	-6.5
Subtotal – Providing further housing assistance in Indigenous communities	-15.0	-17.8	-17.0	—	—	—	-49.8
Subtotal – Continuing to support First Nations and Inuit people	-15.7	-32.6	-33.6	-15.9	-11.5	-11.7	-121.0

TABLE E.35

Financial impact of the measures to support Quebecers (cont.)
(millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Modernizing architectural and land-use practices							
Supporting municipalities with regard to land-use planning	—	-2.3	-11.0	-11.6	-11.6	-7.2	-43.7
Monitoring changes in land-use planning issues	-16.0	-0.1	-0.2	-0.2	-0.4	-0.5	-17.4
Establishing governance for architecture	—	-1.1	-1.4	-1.4	-1.4	-1.4	-6.7
Enhancing the financial assistance program for municipal reorganization	—	-1.3	-3.5	-3.5	-5.8	-6.0	-20.1
Subtotal – Modernizing architectural and land-use practices	-16.0	-4.8	-16.1	-16.7	-19.2	-15.1	-87.9
TOTAL	-513.7	-739.9	-773.4	-592.1	-515.3	-419.3	-3 553.7

Section F

DIVERSIFYING AND CONSOLIDATING ENVIRONMENTAL MEASURES

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SUMMARY

Ensuring that the public and future generations have a healthy and sustainable environment is a priority for the government. That is why it has pledged to maintain its efforts by supporting measures focused on climate transition, water quality, biodiversity and natural heritage.

To fight climate change, the government is setting aside an additional \$1.4 billion as part of its yearly update of the 2030 Plan for a Green Economy, which represents an increase of 18% since the last plan.

- The new implementation plan, to be unveiled soon, will therefore benefit from \$9 billion in funding over five years.

At the United Nations Conference on Biodiversity (COP15), the government announced the implementation of the Plan nature 2030 and pledged to protect Québec's water reserves.

The government is therefore announcing the implementation of the Fonds bleu, a portion of which will be funded from the charges payable for the use of water, and is confirming the investments in Plan nature 2030.

The government is implementing the commitments it announced at COP15. It is investing \$500 million in the creation of the Fonds bleu and confirming the implementation of the Plan nature 2030 through an investment of \$443.4 million.

For Budget 2023-2024, the government is therefore providing an additional \$1 billion:

- \$519.7 million for protecting water resources and ensuring the safety of dams;
- \$474.9 million for protecting biodiversity and promoting access to nature;
- \$23.2 million for promoting agri-environmental practices.

An additional \$64.6 million over five years from an increase in the environmental duty on new tires will also allow the Québec Integrated Used Tire Management Program to continue. This environmental duty has not been increased since its introduction in 1999.

TABLE F.1

Financial impact of the measures to diversify and consolidate environmental measures
(millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Enhancing the 2030 Plan for a Green Economy ⁽¹⁾	—	—	—	—	—	—	—
Protecting water resources and ensuring the safety of dams	—	-53.7	-79.0	-104.0	-129.0	-154.0	-519.7
Protecting biodiversity and promoting access to nature	-15.0	-63.1	-90.3	-98.1	-102.7	-105.7	-474.9
Recognizing and rewarding agri-environmental practices ⁽²⁾	—	-11.6	-11.6	—	—	—	-23.2
Subtotal	-15.0	-128.4	-180.9	-202.1	-231.7	-259.7	-1 017.8
Revising the specific duty on new tires ⁽²⁾	—	6.0	14.6	14.6	14.7	14.7	64.6
TOTAL	-15.0	-122.4	-166.3	-187.5	-217.0	-245.0	-953.2

(1) The financial framework of the 2030 Plan for a Green Economy will benefit from an additional investment of \$1.4 billion over five years compared with the current plan, thanks in part to additional revenue from the carbon market.

(2) These measures are included in subsection 4 of this section.

1. ENHANCING THE 2030 PLAN FOR A GREEN ECONOMY

In November 2020, the government released its 2030 Plan for a Green Economy and the implementation plan that contains the government's various actions for fighting climate change.

The evolving implementation plan is updated every year to cover the five years of the government's financial framework. The next plan will cover the 2023-2024 to 2027-2028 fiscal years.

— The Minister of the Environment, the Fight Against Climate Change, Wildlife and Parks will make an announcement in the coming weeks.

An investment of \$9 billion over five years to fight climate change

For a second consecutive year, the government will have substantial additional revenue, mainly from the carbon market, to enhance the 2030 Plan for a Green Economy.

— In Budget 2022-2023, the government had indicated that nearly \$1 billion in additional funding would be provided in the 2022-2027 implementation plan.

— In Budget 2023-2024, the government is announcing that the 2023-2028 implementation plan will benefit from an additional budget of \$1.4 billion.

In all, the 2023-2028 implementation plan will have a budget of nearly \$9 billion, an average of \$1.8 billion per year.

Therefore, since the first implementation plan just two years ago, the government will have increased its investment in the fight against climate change by more than \$2.3 billion, an increase of 35%.

TABLE F.2

Planned expenditures for the 2023-2028 implementation plan and enhancements since the first implementation plan (millions of dollars)

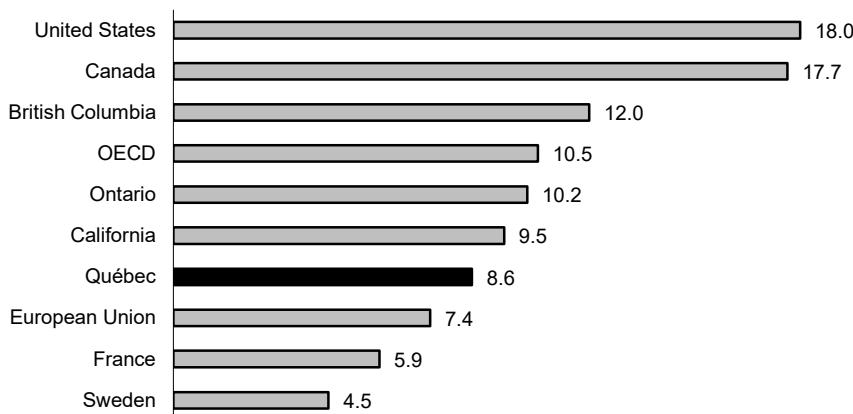
	Planned expenditures
Planned expenditures for the 2021-2026 implementation plan	6 654
Enhancements	
— 2022-2027 implementation plan	993
— 2023-2028 implementation plan	1 353
Subtotal	2 346
Planned expenditures for the 2023-2028 implementation plan	9 000

Québec at the forefront of the fight against climate change

Québec is at the forefront of the fight against climate change, ranking first among Canadian provinces and territories with the lowest per capita greenhouse gas emissions and doing well internationally.

- In 2020, greenhouse gas emissions were 8.6 tonnes per capita in Québec.
- This compares to an average of 17.7 tonnes per capita in Canada as a whole and 10.5 tonnes per capita in Organisation for Economic Co-operation and Development (OECD) countries.

Greenhouse gas emissions per capita – 2020 (tonnes of CO₂ equivalent per capita)



Sources: Organisation for Economic Co-operation and Development, United States Environmental Protection Agency, United States Census Bureau, Environment and Climate Change Canada, Statistics Canada, and Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs.

Québec at the forefront of the fight against climate change (cont.)

Taking action to meet the emissions reduction target

Québec has set a greenhouse gas emissions reduction target for 2030 of 37.5% compared to 1990 levels. This corresponds to an annual emission level of 53 million tonnes of CO₂ equivalent in 2030.

According to the inventory of greenhouse gas emissions in Québec, emissions decreased by 13% between 1990 and 2020,¹ due in particular to the temporary reductions caused by the effects of the COVID-19 pandemic. This result stems from:

- decreases of 29% in the industrial sector, 37% in the buildings sector and 14% in the residual materials, agriculture and electricity sectors;
- a 16% increase in emissions from the transportation sector.

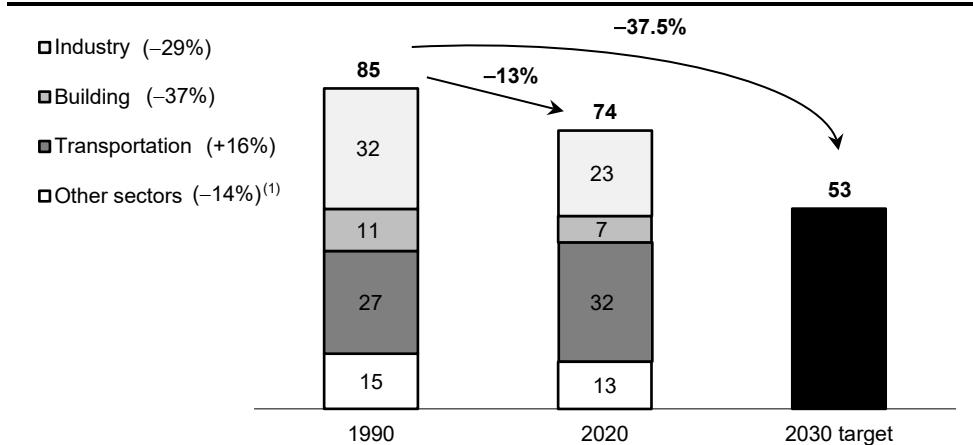
When the 2022-2027 implementation plan was published, it was estimated that a reduction of 31 million tonnes of CO₂ equivalent would be required to meet Québec's 2030 target.

Moreover, it was estimated that the actions taken in Québec would allow us to achieve 51% of our target, an improvement over the 42% estimated in the first implementation plan.

In the coming years, other actions will be added in an effort to increase Québec's lead in the fight against climate change and achieve 100% of the reductions necessary to reach our 2030 target.

The 2023-2028 implementation plan will be released this spring and will include an update on its impacts on the economy and greenhouse gas emissions.

Greenhouse gas emissions in Québec and 2030 reduction target (millions of tonnes of CO₂ equivalent)



Note: Totals may not add due to rounding.

(1) Other sectors include agriculture, residual materials and electricity.

Source: Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs.

1 According to the report on the achievement of Québec's greenhouse gas emissions reduction target for 2020, Québec's net balance of emissions was 62.6 million tonnes of CO₂ equivalent in 2020, or 26.6% below 1990 levels. This result is due to the inclusion, in Québec's balance sheet, of 11.4 million tonnes of CO₂ equivalent reductions in California, according to the principles recognized by the Paris Agreement.

2. PROTECTING WATER RESOURCES AND ENSURING THE SAFETY OF DAMS

Québec has 3% of the world's renewable freshwater reserves, which represents several million bodies of water and 22% of its territory's surface area. Water is a vital resource, whether it be for domestic and industrial consumption, recreational use, or to produce electricity.

In an effort to further protect and conserve our water resources, the government is setting aside \$519.7 million for water management initiatives:

- \$500 million for the purpose of supporting the creation of the Fonds bleu;
- \$19.7 million for the purpose of supporting upgrades to municipal dams.

TABLE F.3

Financial impact of the measures to protect water resources and ensure the safety of dams
(millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Supporting the creation of the Fonds bleu ⁽¹⁾	-50.0	-75.0	-100.0	-125.0	-150.0	-500.0
Supporting upgrades to municipal dams ⁽²⁾	-3.7	-4.0	-4.0	-4.0	-4.0	-19.7
TOTAL	-53.7	-79.0	-104.0	-129.0	-154.0	-519.7

(1) These amounts will be drawn from the envelope for the Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs and from the charges payable for the use of water.

(2) The appropriations will be granted to the Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs. The amounts earmarked for 2023-2024 will be drawn from the Contingency Fund.

2.1 Supporting the creation of the Fonds bleu

At COP15 in Montréal in December 2022, the government pledged to roll out the Fonds bleu as of 2023. This fund will be financed, in particular, by the charges payable for the use of water.

The Fonds bleu will aim to protect our water resources by funding water management measures in the areas of sustainable, fair and efficient use of water resources, flood control and prevention, conservation of aquatic ecosystems, and water governance.

Several water management initiatives have been identified, such as the acquisition and analysis of data on the condition of water resources, and support for water users in the Montérégie, Estrie and Centre-du-Québec regions.

Fonds bleu
<p>The creation of the Fonds bleu will require legislative and regulatory amendments. Subsequently, the Fonds bleu will contribute to the improvement of knowledge of the pressures exerted on water resources by human activities and will ensure sustainable, equitable and efficient water management by implementing appropriate measures.</p> <p>Examples of measures required to ensure protection of water resources include:</p> <ul style="list-style-type: none">– maintaining and improving the hydrometric and piezometric monitoring networks;– improving the characterization of the composition of municipal discharges;– increasing funding for the voluntary lake monitoring network;– improving knowledge on the evolution of the state of water resources in Québec in order to prevent conflicts of use or even water shortages.

Once it is launched, the Fonds bleu will continue to fund the measures in the Québec Water Strategy. Furthermore, other measures to be financed by the Fonds bleu will be determined gradually in the consultations to be undertaken by the Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs in 2023.

Québec Water Strategy 2018-2030

The objectives of the Québec Water Strategy 2018-2030 are to protect the drinking water sources of communities, ensure access to quality water in sufficient quantity, continue to upgrade infrastructure and improve practices throughout the territory and continue the agri-environmental shift and greening of the industry.

Examples of 2030 targets include:

- all municipalities in southern Québec will have access to quality drinking water that meets the highest standards;
- over 90% of municipalities will meet wastewater treatment standards.

As such, the government is providing a financial framework of \$500 million over five years, part of which will be funded from the charges payable for the use of water.

TABLE F.4

Financial impact of support for the creation of the Fonds bleu (millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Implementing initiatives of the future Fonds bleu	-34.2	-49.2	-71.7	-124.9	-149.9	-429.9
Pursuing the Québec Water Strategy ^{(1),(2)}	-15.8	-25.8	-28.3	-0.1	-0.1	-70.1
TOTAL	-50.0	-75.0	-100.0	-125.0	-150.0	-500.0

Note: The appropriations and revenues from the charges payable for the use of water will be granted to the Fonds bleu when it is launched.

(1) Investments of \$1.3 million are provided for in the 2023-2033 Québec Infrastructure Plan.

(2) The budgetary impact is spread over three years due to depreciation of capital investments.

Pursuing the Québec Water Strategy

The action plan measures in the Québec Water Strategy, which concludes this year, have the same aim as the Fonds bleu, which is to optimize water management and to protect and preserve water.

The government will extend these measures, notably to provide the public with quality water by conserving wetlands and bodies of water, promoting efficient use of the resource by the public and businesses and strengthening integrated water management across the watersheds and St. Lawrence River.

Funding of \$70.1 million over three years is provided to further the actions of the Québec Water Strategy.

2.2 Supporting upgrades to municipal dams

Thanks to the financial assistance given to municipalities with up to 50 000 inhabitants which own high-capacity dams, the municipalities are encouraged to fulfill their obligations under the *Dam Safety Act*.¹ On one hand, they must conduct municipal dam safety reviews and, on the other, carry out remedial work to upgrade municipal dam safety, as applicable.

The government's financial assistance program for upgrading municipal dams has been a success² and the government therefore wants municipalities to continue conducting dam safety reviews and carrying out the remedial work that is deemed necessary.

Assistance of \$19.7 million over five years is earmarked for upgrading municipal dams.

¹ CQLR, chapter S-3.1.01.

² More than 30 municipalities have already made use of the financial assistance program for upgrading municipal dams, resulting in the completion of approximately 50 funding projects, ranging from remedial work to safety reviews.

3. PROTECTING BIODIVERSITY AND PROMOTING ACCESS TO NATURE

At COP15, more than 195 states, including Québec, adopted the Kunming-Montréal Global Biodiversity Framework last December. The new global framework is made up of several targets for action to be implemented by 2030 to decrease the threats to biodiversity.

In his opening remarks, the Premier announced an investment of \$650 million over seven years for the Plan nature 2030. With this plan, the Québec government is confirming its commitment to reaching the next global target of conserving 30% of its territory by 2030, and reiterating its international leadership in this area.

The government is taking its first significant step to conserve biodiversity and make natural environments accessible to the public by providing \$474.9 million over six years:

- \$443.4 million for the purpose of implementing the Plan nature 2030;
- \$16.5 million to support the creation of greenways and blueways;
- \$15 million to encourage active mobility in Québec City.

TABLE F.5

Financial impact of the measures to protect biodiversity and promote access to nature (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Implementing the Plan nature 2030 ⁽¹⁾	—	-63.1	-90.3	-93.1	-97.7	-99.2	-443.4
Supporting the creation of greenways and blueways ⁽²⁾	—	—	—	-5.0	-5.0	-6.5	-16.5
Encouraging active mobility in Québec City ⁽³⁾	-15.0	—	—	—	—	—	-15.0
TOTAL	-15.0	-63.1	-90.3	-98.1	-102.7	-105.7	-474.9

(1) The appropriations will be granted to the Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs.

(2) The appropriations will be granted to the Ministère des Affaires municipales et de l'Habitation.

(3) The amounts provided for 2022-2023 will be drawn from the Contingency Fund.

3.1 Implementing the Plan nature 2030

The Plan nature 2030 reflects the government's commitment to global biodiversity targets. Thus, with the implementation of the Plan nature 2030, the government will be able to protect 30% of the territory by 2030 using protected areas and new conservation approaches, and to increase the urban forest cover in Québec by 5%.

In keeping with the objectives of the Plan nature 2030, the government will introduce measures based on the following three areas:

- fostering public access to nature by, among other things, creating new protected areas and northern conservation areas, and accelerating the procedure for conserving natural environments;
- taking action on threats to biodiversity by implementing, in particular, measures to fight invasive alien species and recovery plans for endangered and vulnerable species;
- supporting indigenous leadership in biodiversity conservation, notably by supporting projects aimed at the transmission, collection or supervision of Indigenous knowledge sharing by communities.

A total of \$443.4 million in assistance over five years will be granted to the Plan nature 2030 for biodiversity conservation measures.

TABLE F.6

Financial impact of implementing the Plan nature 2030 (millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Implementing the Plan nature 2030 ⁽¹⁾	−63.1	−90.3	−93.1	−97.7	−99.2	−443.4

(1) The appropriations will be granted to the Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs. For 2023-2024, the amounts provided for will be drawn from the Contingency Fund.

Main global 2030 targets for biodiversity conservation of the United Nations Biodiversity Conference (COP15)

The main COP15 global 2030 targets for biodiversity conservation are:

- bring the loss of areas of high biodiversity importance close to zero;
- restore at least 30% of degraded ecosystems;
- protect 30% of terrestrial, inland water, and coastal and marine areas;
- significantly reduce extinction risk of threatened and vulnerable species;
- reduce the rate of introduction of invasive alien species by 50%;
- reduce by at least half the overall risk from pesticides and highly hazardous chemicals;
- ensure that areas under agriculture, aquaculture, fisheries and forestry are managed sustainably;
- increase the area, quality and connectivity of green and blue spaces in urban areas;
- encourage companies to progressively reduce negative impacts on biodiversity;
- identify by 2025, and eliminate or reform incentives, including subsidies harmful for biodiversity.

3.2 Supporting the creation of greenways and blueways

The diversification of the outdoor recreational infrastructure offer and access to a greater number of natural environments represent an issue for the RCMs in planning the development of their territory according to the best practices in urban planning.

Creating greenways and blueways, a structured network of natural environments, is a concrete way for these municipalities to meet this challenge. Among other things, they help preserve biodiversity, enhance facets of the landscape and built heritage, and help with climate change adaptation. The greenways and blueways will also promote the public's health and well-being.

To support municipalities in the creation of these greenways and blueways, the government is providing \$16.5 million over three years, starting in 2025-2026.

3.3 Encouraging active mobility in Québec City

Active and sustainable mobility is good for the environment as well as for the population. It has a positive impact on air quality and health since it corresponds to all forms of travel carried out with the help of human energy, with or without electrical assistance.

In this context, the government is supporting Québec City's Active Mobility Vision 2023-2027 by encouraging the improvement of active transportation infrastructure and intermodality. These active mobility network development efforts will improve access to outdoor recreational infrastructure and natural environments in the Capitale-Nationale region.

The government is accordingly providing \$15 million in funding starting in 2022-2023 to expand the active mobility network and maintain the existing network.

4. PROMOTING GOOD ENVIRONMENTAL PRACTICES

In sustainable development, rewarding actions that are good for the environment and applying the polluter pays principle are good practices that the government wants to keep promoting.

In this regard, Budget 2023-2024 is earmarking \$23.2 million to recognize and reward agri-environmental practices.

TABLE F.7

Financial impact of a measure to promote good environmental practices
(millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Recognizing and rewarding agri-environmental practices ⁽¹⁾		-11.6	-11.6	—	—	-23.2

(1) The appropriations will be granted to the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation. For 2023-2024, the amounts provided for will be drawn from the Contingency Fund.

The duty on new tires will be adjusted and increased to ensure long-term funding for the Québec Integrated Used Tire Management Program.

Revenues from the \$3 environmental duty on new tires are no longer sufficient to adequately fund the storage, transportation and processing of scrap tires and, without intervention, the Québec Integrated Used Tire Management Program would be in deficit as of 2024.

An additional \$64.6 million is being earmarked over five years to perpetuate funding for the recovery and management of scrap tires.

TABLE F.8

Financial impact of the measure to revise the duty on new tires
(millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Revising the specific duty on new tires ⁽¹⁾		6.0	14.6	14.6	14.7	64.6

(1) The amounts will be collected by Revenu Québec and transferred to RECYC-QUÉBEC.

4.1 Recognizing and rewarding agri-environmental practices

Rewarding good practices is a key measure in the 2020-2030 Sustainable Agriculture Plan. It is designed to recognize good agricultural practices that focus on achieving results and go beyond regulatory requirements. Since the initiative was launched in February 2022, nearly 1 800 businesses have adopted sustainable agricultural practices.

The government wants more businesses to commit to applying eligible practices, such as reducing the use of pesticides or development that promotes biodiversity.

An additional \$23.2 million over two years is provided to support more businesses and foster sustainable agriculture.

4.2 Perpetuating funding for the recovery and management of scrap tires

Scrap tire recovery and processing activities are important in Québec since most tires are handled using highly environmental methods, namely reuse and recycling.

Revising the specific duty on new tires

Since October 1, 1999, the Québec government has levied a \$3 environmental duty on the purchase of new tires to fund the recovery of scrap tires.

However, the duty no longer represents the actual costs of processing scrap tires. The current revenue generated by the duty is no longer enough to fund the Québec Integrated Used Tire Management Program and, without intervention, the program would be in deficit as of 2024.

Moreover, the single duty for car and truck tires does not consider the difference in cost of handling the two types of tires.

The specific duty on new tires must therefore be adjusted to perpetuate the program's funding and ensure that scrap tires are adequately recovered and processed.

Starting July 1, 2023, the duty on new tires for cars will be \$4.50, while the duty for truck tires will be \$6, generating estimated additional revenue of \$64.6 million over five years that will all go to the program.³

Subsequently, RECYC-QUÉBEC, will submit an opinion on the program's financial viability every five years so that the duty on new tires can be revised as needed.

³ For more details, see Section A of *Additional Information – March 2023*.

Québec Integrated Used Tire Management Program

The Québec Integrated Used Tire Management Program responds to the 1990 fire in Saint-Amable, where nearly 4 million tires were stored. The fire lasted four days and the government had to decontaminate and restore the site.

In 1993, the government introduced the Québec Integrated Used Tire Management Program, run by RECYC-QUÉBEC, which ensures that all scrap tires collected in Québec are reused, recycled or reclaimed.

Since October 1, 1999, a \$3 environmental duty has applied to the purchase of new tires to fund the Québec Integrated Used Tire Management Program.

The program also helps support the search for and development of outlets and launch requests for proposals for the retreading or recycling of tires.

The principles underlying the use of the duty on new tires are to protect the environment, promote partnership, develop leadership, and ensure sound management of public funds.

Some new products made from scrap tires:

- modified rubber-based asphalt and sealants;
- car manufacturing inputs;
- moulded and extruded products;
- playing and sports field surfaces.

FINANCIAL IMPACT

TABLE F.9

Financial impact of the measures to diversify and consolidate environmental measures (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Enhancing the 2030 Plan for a Green Economy	—	—	—	—	—	—	—
Protecting water resources and ensuring the safety of dams							
Supporting the creation of the Fonds bleu							
– Implementing initiatives of the future Fonds bleu	—	-34.2	-49.2	-71.7	-124.9	-149.9	-429.9
– Pursuing the Québec Water Strategy	—	-15.8	-25.8	-28.3	-0.1	-0.1	-70.1
Supporting upgrades to municipal dams	—	-3.7	-4.0	-4.0	-4.0	-4.0	-19.7
Subtotal – Protecting water resources and ensuring the safety of dams	—	-53.7	-79.0	-104.0	-129.0	-154.0	-519.7
Protecting biodiversity and promoting access to nature							
Implementing the Plan nature 2030	—	-63.1	-90.3	-93.1	-97.7	-99.2	-443.4
Supporting the creation of greenways and blueways	—	—	—	-5.0	-5.0	-6.5	-16.5
Encouraging active mobility in Québec City	-15.0	—	—	—	—	—	-15.0
Subtotal – Protecting biodiversity and promoting access to nature	-15.0	-63.1	-90.3	-98.1	-102.7	-105.7	-474.9
Promoting good environmental practices							
Recognizing and rewarding agri-environmental practices	—	-11.6	-11.6	—	—	—	-23.2
Revising the specific duty on new tires	—	6.0	14.6	14.6	14.7	14.7	64.6
Subtotal – Promoting good environmental practices	—	-5.6	3.0	14.6	14.7	14.7	41.4
TOTAL	-15.0	-122.4	-166.3	-187.5	-217.0	-245.0	-953.2

Section G

THE QUÉBEC ECONOMY: RECENT DEVELOPMENTS AND OUTLOOK FOR 2023 AND 2024

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SUMMARY

In recent months, inflation and the synchronized tightening of monetary policies have slowed the expansion of economic activity in most regions. The global economy has entered a phase of slowdown.

- Global economic growth is expected to moderate from 3.3% in 2022 to 2.4% in 2023.¹ In the United States, economic activity will weaken from 2.1% in 2022 to 0.5% in 2023.
- In Canada, real GDP growth is expected to slow from 3.4% in 2022 to 0.8% in 2023. In Québec, economic activity is forecast to grow at 2.8% in 2022 and 0.6% in 2023.
- In 2022 and 2023, economic growth will be stronger in Canada than in Québec. High oil prices will support production and investment in oil-producing provinces.

The year 2023 will be a year of transition. Controlling inflation will restore an environment conducive to sustainable growth as of 2024. In addition, the government is continuing the efforts of the past few years and prioritizing the economy, education, health and the environment. Thus, Québec's real GDP growth will be 1.4% in 2024.

Inflation and rapidly rising interest rates have slowed economic growth in recent months. Accordingly, economic activity in Québec is expected to slow from 2.8% in 2022 to 0.6% in 2023.

In 2024, controlling inflation should help restore an environment conducive to sustainable growth. In Québec, real GDP growth is expected to be 1.4%.

TABLE G.1

Economic growth
(real GDP, percentage change)

	2021	2022	2023	2024
Québec	6.0	2.8	0.6	1.4
Canada	5.0	3.4	0.8	1.6
United States	5.9	2.1	0.5	1.3
World ⁽¹⁾	6.2	3.3	2.4	3.1

(1) World real GDP is expressed in purchasing power parity.

Sources: Institut de la statistique du Québec, Statistics Canada, International Monetary Fund, S&P Global, Refinitiv Datastream, Bloomberg, Eurostat and Ministère des Finances du Québec.

¹ Unless otherwise indicated, this section reflects economic data available as at February 28, 2023.

□ The year 2023, a year of transition

The year 2023 will be a year of transition for the global economy. It will be the year in which the economy moves to a more stable environment.

- In early 2020, the COVID-19 pandemic caused a shock of unprecedented magnitude, sending the economy into a short but deep recession.
- Economic activity started recovering quickly. However, the sustained recovery and the imbalances between supply and demand have created an environment conducive to accelerating inflationary pressures. In addition, the war in Ukraine and fears about the global supply, of oil and grain in particular, have further supported prices.
- Over the past year, most central banks have raised policy rates rapidly and sharply to curb demand and control inflation.

The rising cost of living and deteriorating credit conditions will weigh on global economic expansion in the coming quarters.

- A majority of regions will experience a moderation or decline in economic activity in 2023.
- In Québec, real GDP growth is expected to be 0.6% for the year as a whole.

However, global economic growth is forecast to accelerate toward the end of 2023.

- Over the next few months, excess demand is expected to recede and the supply of goods and services should increase, thereby easing inflationary pressures.
- The expected slowdown in price growth could allow some central banks to start easing monetary policy toward the end of 2023.
- Controlled inflation and more advantageous credit conditions will encourage the resumption of growth.
- Real GDP growth should accordingly resume. In Québec, economic activity is expected to expand by 1.4% in 2024.

Efforts to contain price increases and maintain them at a stable and predictable level will help restore an environment conducive to sustainable growth.

■ Outlook still clouded by uncertainty

A high degree of uncertainty hangs over the economic and financial forecasts. Over the next few years, global growth will depend on the evolution of inflation and the monetary authorities' ability to contain it.

- Despite a slight decline, global inflation remains strong.
 - Prices could remain at high levels due in particular to the current labour shortage, which puts pressure on wages.
 - Excess demand or tight supply of commodities as well as supply chain disruptions are also among the factors that could boost upward pressure on prices.
- Persistently high inflation could put central banks in a dilemma. Raising policy rates too high or holding them at restrictive levels for too long would have negative effects on growth. However, insufficient tightening could lead to high inflation becoming entrenched.

Moreover, the current global situation is characterized by geopolitical tensions. The intensification or worsening of these tensions could slow global economic activity more than expected.

TABLE G.2

Consumer price index (percentage change)

	2021	2022	2023	2024
Québec	3.8	6.7	3.5	2.2
Canada	3.4	6.8	3.5	2.3
United States	4.7	8.0	3.7	2.2
World ⁽¹⁾	4.7	8.8	6.6	4.3

(1) January 2023 forecast of the International Monetary Fund.

Sources: Statistics Canada, International Monetary Fund, S&P Global and Ministère des Finances du Québec.

□ The standard of living gap with Ontario continues to narrow

The Québec government has set ambitious objectives for creating wealth and increasing Québec's economic potential.

- To this end, major steps have been taken since the fall of 2018, particularly to enhance business productivity and promote workers' integration and retention in the labour market.
- These steps are paying off. They have helped improve the standard of living for Quebecers and thus reduce the wealth gap with Ontario.

The government wishes to continue on this path and intensify its efforts to close the standard of living gap between Québec and Ontario.

Historic progress toward closing the standard of living gap between Québec and Ontario since 2018

From 2015 to 2018, Québec's average annual growth in living standards was lower than Ontario's.

- During that period, the increase in living standards averaged 1.3% annually in Québec, compared to 1.4% in Ontario.

However, since 2019, Québec has made substantial gains in relation to living standards.

- With the exception of 2020, when the COVID-19 pandemic began, changes in the standard of living have been more favourable in Québec than in Ontario.

This rapid improvement has allowed Québec to narrow the existing standard of living gap with Ontario from 16.4% in 2018 to 13.7% in 2022.

Moreover, gains will continue in the closing of the standard of living gap, despite the slowdown in economic activity.

- By 2023, the standard of living gap with Ontario is expected to narrow to 12.8%.

Standard of living

(real GDP per capita, annual percentage change and gap in percentage points)

	2015 to 2018	2018	2019	2020	2021	2022	2023	2019 to 2023
Québec	1.3	1.7	1.6	-5.8	5.7	1.7	-0.4	0.5
Ontario	1.4	1.7	0.4	-5.8	4.6	1.5	-1.1	-0.1
GAP	—	16.4	15.1	15.0	13.9	13.7	12.8	—

Note: The Ministère des Finances du Québec does not produce a forecast for Ontario. Real GDP growth for 2022 and 2023 is the average of nine private sector institutions' forecasts as at March 2, 2023. The population forecast in 2023 is for Canada excluding Québec.

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

■ Determinants of Québec's economic potential

The government has set itself the objective of creating wealth and increasing Québec's economic potential over the long term. It is by acting on the determinants of growth that the government will achieve this objective.

Population aging is a global phenomenon that is affecting economies to varying degrees. In Québec, this trend has accelerated in recent years and is expected to continue. As a result, the contribution of the **pool of potential workers** to economic activity growth is limited.

Labour market participation, which corresponds to the **employment rate**, will support growth in the coming years. However, Québec's employment rate for the population aged 15 to 64 is at an all-time high. In addition, population aging is limiting the growth of the labour force.

— However, there are still gains to be made by promoting higher levels of graduation and workforce training, as well as by facilitating immigrant integration into the labour market. In addition, the announced reduction in personal income taxes will encourage Quebecers to increase their participation in the labour market and stay in the workforce.

Against a backdrop of aging population and a labour shortage, **productivity** gains, measured by real GDP per job, offer the greatest potential for improvement to support long-term growth. However, this component will not contribute to economic growth in the short term.

— In 2021, the strong economic recovery observed boosted productivity by 1.6%, outpacing growth for the 10 years preceding the pandemic (+0.7% on average). The slowdown in economic activity combined with the rapid changes in the labour market will have a negative impact on productivity in 2022 and 2023. Starting in 2024, the pace of productivity growth will resume a dynamic pace.

TABLE G.3

Contribution of economic growth factors in Québec (average annual percentage change and contribution in percentage points)

	2010-2019	2020	2021	2022	2023	2024-2027
Real GDP	1.9	-5.0	6.0	2.8	0.6	1.5
Growth factor (contribution):						
– Potential labour pool ⁽¹⁾	0.1	-0.1	-0.2	-0.1	0.3	0.0
– Employment rate ⁽²⁾	1.0	-5.3	4.5	3.1	1.1	0.5
– Productivity ⁽³⁾	0.7	0.4	1.6	-0.3	-0.9	1.0
STANDARD OF LIVING⁽⁴⁾	1.1	-5.8	5.7	1.7	-0.4	0.8

Note: Totals may not add due to rounding.

(1) The potential labour pool represents the population aged 15 to 64.

(2) The employment rate corresponds to the total number of workers in proportion to the population aged 15 to 64.

(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.

□ Population aging limits the growth of the potential labour pool

Like many economies, Québec is faced with an aging population, a phenomenon that has accelerated in recent years.

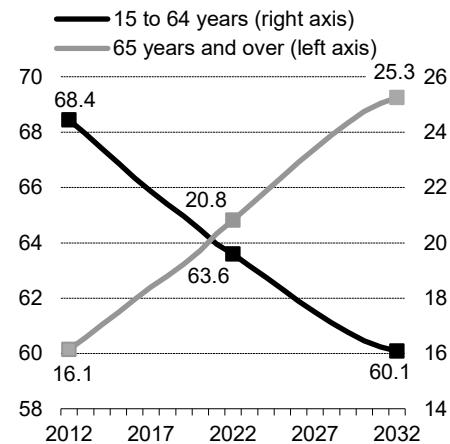
- Between 2012 and 2022, the Québec population aged 65 and over grew an average of 3.4% per year, amounting to an increase of 500 000 people over those 10 years. For its part, the population aged 15 to 64 did not grow.
- In 2012, people aged 15 to 64 represented 68.4% of Québec's entire population. That proportion dropped to 63.6% in 2022 and is expected to decline to 60.1% by 2032. At the same time, the demographic weight of the population aged 65 and over grew from 16.1% in 2012 to 20.8% in 2022 and is expected to rise to 25.3% in 2032.
- Demographic trends are hard to reverse. The most recent demographic scenarios of the Institut de la statistique du Québec show that even under optimistic assumptions, the demographic weight of the population aged 65 and over continues to grow.

The population aged 15 to 64 makes up the main pool of potential workers. The decline in its demographic weight and the stagnation of the size of this group limit the growth of the labour force and increase tensions in the labour market.

CHART G.1

Demographic weight by age group in Québec

(population share, percentage)

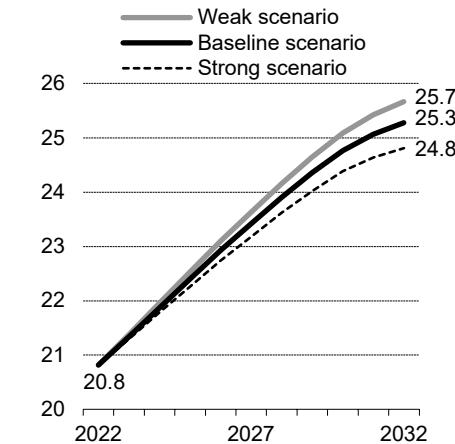


Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART G.2

Demographic weight of the population aged 65 and over in Québec

(population share, percentage)



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

□ Tightening of the labour pool, a challenge for Québec

Québec is confronted with the phenomenon of an aging population. In this context, increased labour market participation will be needed to support long-term economic growth.

The strong labour market raised employment rates in Québec. In 2022, employment rates in Québec rose to record highs for every cohort between the ages of 30 and 64.

- In addition, the employment rates for all age groups between the ages of 15 and 59 were higher in Québec than in Canada in 2022.
- An increase, albeit limited, in the employment rates for these age groups is still possible.

Despite this favourable performance, the employment rate of the population aged 15 years and over remained lower in Québec (61.5%) than in Canada (62.0%) in 2022. This is due to the fact that Québec has an older population. The employment rate drops quickly among the older age cohorts.

- Furthermore, employment rate gaps still exist with Canada and Ontario in respect of the population aged 60 and over. There is considerable room for improvement in these gaps.

TABLE G.4

Employment rate by age group, 2022

(per cent)

	Québec	Canada	Ontario
15 to 19 years	53.1 ⁽¹⁾	45.3	41.2
20 to 24 years	73.1	70.4	67.3
25 to 29 years	84.5	82.7 ⁽¹⁾	82.4
30 to 34 years	87.2 ⁽¹⁾	84.8 ⁽¹⁾	84.2 ⁽¹⁾
35 to 39 years	86.5 ⁽¹⁾	85.4 ⁽¹⁾	84.9 ⁽¹⁾
40 to 44 years	89.5 ⁽¹⁾	86.3 ⁽¹⁾	84.6
45 to 49 years	88.3 ⁽¹⁾	85.9 ⁽¹⁾	84.5
50 to 54 years	85.6 ⁽¹⁾	83.3 ⁽¹⁾	82.8 ⁽¹⁾
55 to 59 years	74.5 ⁽¹⁾	73.4 ⁽¹⁾	73.0 ⁽¹⁾
60 to 64 years	50.5 ⁽¹⁾	53.7 ⁽¹⁾	55.8 ⁽¹⁾
65 to 69 years	21.9	27.0	29.6 ⁽¹⁾
70 years and over	6.9 ⁽¹⁾	7.7	7.8
15 to 64 years	77.5⁽¹⁾	75.6⁽¹⁾	74.5
15 years and over	61.5	62.0	61.8

(1) This is an annual peak since Statistics Canada began its Labour Force Survey in 1976.

Sources: Statistics Canada and Ministère des Finances du Québec.

■ Job gains more difficult to achieve

The labour market situation has improved greatly in recent decades. Until the early 2010s, employment rates in Québec lagged significantly behind those in Ontario and Canada.

Québec's dynamic labour market has eliminated the gaps with Ontario and Canada for the main labour pool.

- The employment rate of the population aged 15 to 64, namely, the proportion of the population in this group that is employed, is now higher in Québec (77.5% in 2022) than in Ontario (74.5%) and Canada (75.6%).

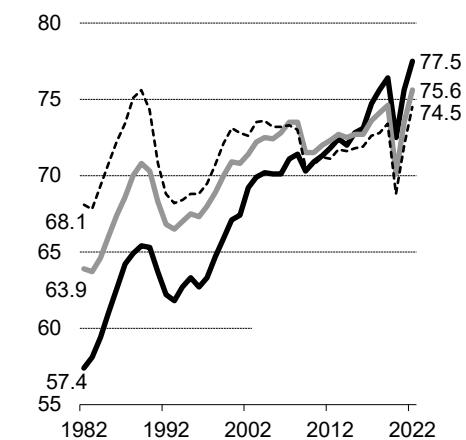
In an environment where the employment rate is already high, additional job gains will be more difficult to achieve.

However, gaps in employment rates among the population aged 60 and over still exist with Canada and Ontario. Thus, gains can still be made with respect to experienced workers.

- In 2022, the employment rate of the population aged 60 and over in Québec (21.9%) was nearly 4 percentage points lower than in Ontario (25.8%).
- If the employment rate for experienced workers in Québec had caught up to the rate seen in Ontario in 2022, Québec would have had 86 400 additional workers.
 - Nearly 90% of these additional workers—76 500 people—would have come from the 60- to 69-year-old cohort.

CHART G.3

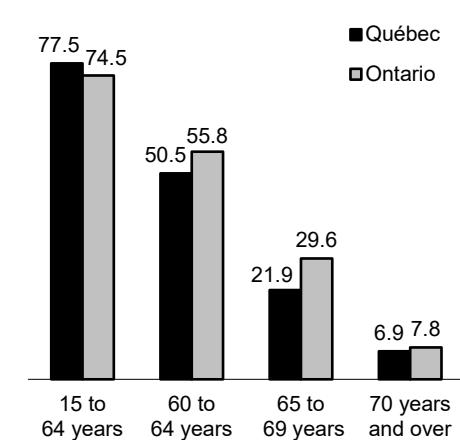
Employment rate for the population aged 15 to 64 (per cent)



Source: Statistics Canada.

CHART G.4

Employment rate in 2022 by age group (per cent)



Source: Statistics Canada.

□ Improved productivity

In recent years, Québec has recorded substantial productivity gains.

- Between 2018 and 2023, productivity will be up 0.4% on average per year. This is a higher rate of growth than in Ontario, where productivity will be down by an average of 0.4% per year during this period.
- This faster improvement in Québec narrowed the productivity gap with Ontario. The gap will fall from 16.4% in 2018 to 12.2% in 2023.

This change represents major progress. Given that employment rate increases will be more difficult in the coming years, productivity gains will be the main driver to sustain economic activity and standard of living gains.

Major steps have been taken since fall 2018 to increase Québec's economic potential. The measures introduced to improve Québec business productivity and competitiveness will narrow the standard of living gap with Ontario from 16.4% in 2018 to 12.8% in 2023.

CHART G.5

Change in productivity (chained 2012 dollars and gap as a percentage)

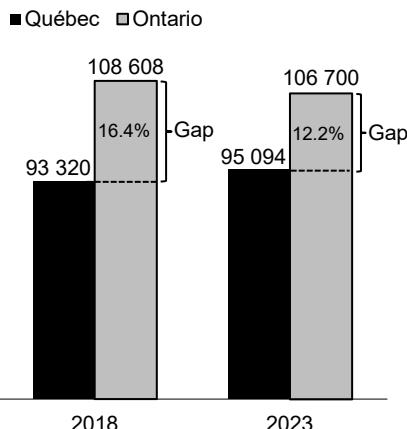
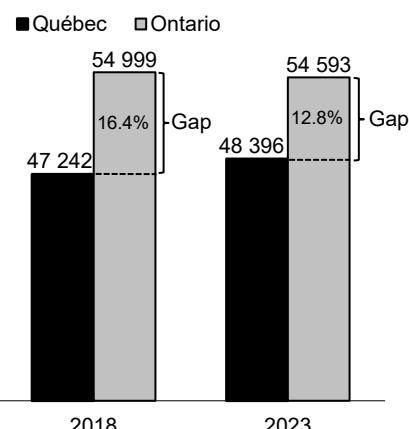


CHART G.6

Change in standard of living (chained 2012 dollars and gap as a percentage)



Note: Productivity as measured by real GDP per job.

The Ministère des Finances du Québec does not produce a forecast for Ontario. Real GDP growth for 2022 and 2023 is the average of nine private sector institutions' forecasts as at March 2, 2023. The employment forecast in 2023 is for Canada excluding Québec.

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

Note: The standard of living corresponds to real GDP per capita. The Ministère des Finances du Québec does not produce a forecast for Ontario.

Real GDP growth for 2022 and 2023 is the average of nine private sector institutions' forecasts as at March 2, 2023. The population forecast in 2023 is for Canada excluding Québec.

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

- **Increasing the Québec economy's productivity is a priority for the government**

Given the labour shortage, productivity gains hold the greatest potential for improvement to support economic growth and improving the standard of living.

In order to increase the productivity of Québec's economy, in Budget 2023-2024, the government has planned initiatives totalling \$887.6 million over five years aimed at:

- stimulating private investment to accelerate economic growth including:
 - implementing the new tax holiday for large investment projects,
 - valorizing industrial land for large-scale projects,
 - optimizing the impact of Québec's tax-advantaged funds;
- stepping up efforts in innovation;
- promoting business growth, digitization and exports.

1. QUÉBEC'S ECONOMIC SITUATION IN 2023 AND 2024

1.1 Economic activity will slow before a return to more sustained growth

Since the strong growth in economic activity in the first quarter of 2022, real GDP growth has weakened.

— This moderation coincides with the beginning of the Bank of Canada's tightening cycle in March 2022, which was aimed at curbing inflationary pressures and overheating in the Canadian economy.

The year 2023 will be a year of transition. Efforts to contain price increases and maintain them at a stable and predictable level will help restore an environment conducive to sustainable growth as soon as 2024. In this context, the Québec economy will regain momentum in the second half of 2023 and in 2024.

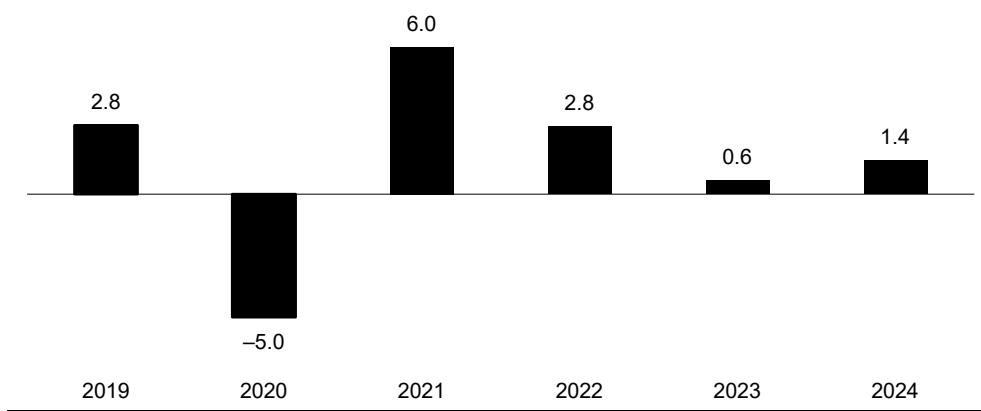
— Overall, real GDP growth is expected to be 0.6% in 2023 before rising to 1.4% in 2024.

A high degree of uncertainty is currently hanging over the economic forecasts. However, the Ministère des Finances does not expect a recession in Québec in its baseline forecast scenario.

On the other hand, while the outlook is positive, the aging population will continue to pose a challenge to Québec's potential growth.

CHART G.7

Economic growth in Québec (real GDP, percentage change)



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

Québec is not in a recession

Recent statistics confirm that Québec was not in recession at the end of 2022. Economic growth continues in Québec, but at a moderate pace.

In particular, real GDP declined by 0.5% in the third quarter of 2022.

- This decline is due to the negative contribution of the entire external sector (-0.6 percentage points). Exports (-0.2%) decreased and imports (+0.9%) increased.
- Household consumption (+0.4%) and non-residential business investment (+0.7%) continued to expand.

Economic growth will resume, as real GDP growth by industry is up 0.7% after two months in the fourth quarter.

In addition, the labour market is surprisingly strong.

- Nearly 50 000 jobs were created in the fourth quarter of 2022. Furthermore, job creation remained extremely strong in January 2023, which saw an increase of 47 400 jobs (+1.1%).
- In January, the unemployment rate stood at 3.9%, an all-time monthly low.
- This strong labour market performance partly explains the resilience of household consumption.

Accordingly, a recession is not expected in Québec despite the decline in real GDP posted in the third quarter of 2022. Note that a technical recession is defined as a decline in real GDP for at least two consecutive quarters.

Recent economic indicators in Québec

(percentage change relative to the previous period, unless otherwise indicated)

	2022-2023						
	Oct.	Nov.	Dec.	Jan.	Q3	Q4	Q1 ⁽¹⁾
Real GDP by industry	0.6	0.2	—	—	-0.5 ⁽²⁾	0.7	—
Jobs (thousands)	17.3	24.3	4.8	47.4	9.3	48.5	58.7
Unemployment rate (per cent)	4.1	3.9	4.1	3.9	4.3	4.0	3.9
Retail sales (in nominal terms)	2.8	-0.1	1.1	—	0.4	2.3	—
Consumer price index ⁽³⁾	6.4	6.8	6.3	6.2	7.0	6.5	5.0
Housing starts (thousands)	55.6	49.7	34.0	46.4	54.8	50.4	46.4
Existing home sales (thousands)	76.3	74.4	71.7	68.6	83.5	74.1	68.6
Manufacturing shipments (in nominal terms)	2.5	0.3	-0.8	—	-4.1	3.2	—

(1) Cumulative for the available periods compared to the previous year.

(2) Change in real GDP at market prices.

(3) Change from the previous year.

Sources: Institut de la statistique du Québec, Statistics Canada, Canada Mortgage and Housing Corporation and Haver Analytics.

1.2 Domestic demand will remain the main growth driver

The effects of deteriorating credit conditions will continue to be felt in the economy, leading to a moderation of all components of GDP in 2023. However, growth is expected to resume in 2024.

Domestic demand will remain the main driver of real GDP growth in 2023 and 2024. It will slow substantially, however.

- The loss of purchasing power and interest-payment shock will prompt households to exercise caution. Moreover, residential investment, a GDP component that is sensitive to variations in interest rates, will dampen economic expansion.
- Businesses will face various economic headwinds. Slowing demand, high borrowing costs and heightened uncertainty are expected to moderate non-residential investment. However, the labour shortage will encourage businesses to invest in production process automation.
- In this context, governments will continue to support economic activity.

Over the next two years, the external sector will contribute positively to real GDP growth. Export growth will be higher than import growth.

- In 2023, the external sector will be affected by the difficulties facing the global economy and weaker domestic demand. Exports and imports are projected to strengthen in 2024, as the economic recovery takes root in Québec and elsewhere in the world.

TABLE G.5

Real GDP and its major components in Québec (percentage change and contribution in percentage points)

	Change			Contribution		
	2022	2023	2024	2022	2023	2024
Domestic demand	2.5	0.6	1.2	2.6	0.6	1.3
Household consumption	4.9	1.6	1.5	2.9	1.0	0.9
Residential investment	-9.7	-7.9	-0.1	-0.8	-0.6	0.0
Non-residential business investment	3.5	0.4	2.3	0.3	0.0	0.2
Government spending and investment	1.3	1.1	0.6	0.4	0.3	0.2
External sector	—	—	—	-1.8	0.4	0.4
Exports	2.4	1.5	3.7	1.0	0.7	1.6
Imports	5.8	0.6	2.3	-2.8	-0.3	-1.2
Inventories	—	—	—	1.8	-0.4	-0.4
REAL GDP	2.8	0.6	1.4	2.8	0.6	1.4

Note: Totals may not add due to rounding.

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

1.3 The slowdown in the economy and the aging population will curb hiring

The labour market remained resilient in the face of the slowdown in growth observed since last spring. Between March 2022 and January 2023, 113 400 jobs were created (+2.6%). Furthermore, the unemployment rate reached 3.9% in January 2023, a historic monthly low.

Over the coming months, the slowdown in the economy will slow the pace of hiring. Nevertheless, the tax reduction granted by the Québec government will foster the labour supply. In addition, the high number of job vacancies will limit the deterioration of the labour market.

— Overall, following an average creation of 129 700 jobs in 2022 (+3.0%), 63 200 jobs (+1.4%) are expected in 2023. The unemployment rate is expected to climb temporarily to an average of 4.6% in 2023, while still remaining close to the historic annual low of 4.3% recorded in 2022.

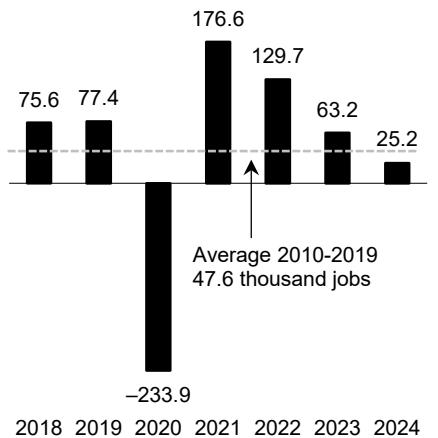
Despite a return to sustainable economic growth in 2024, job gains will be modest. Changing demographics will limit labour force growth and lessen the potential for job creation.

— As a result, 25 200 jobs (+0.6%) will be gained in 2024. At 4.2%, the unemployment rate will reach a new historic annual low.

A slowing labour market will reduce pressure on wages and salaries, which are expected to grow by 3.7% in 2023 and 3.4% in 2024, after substantial increases of 10.8% in 2021 and 9.9% in 2022.

CHART G.8

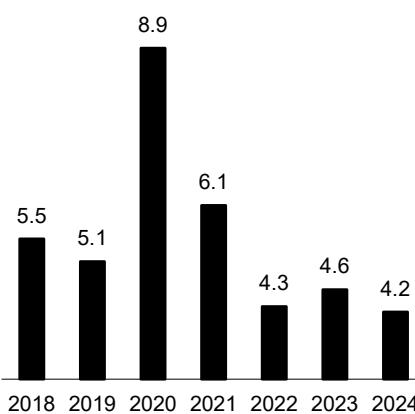
Job creation in Québec
(average annual data in thousands)



Sources: Statistics Canada and Ministère des Finances du Québec.

CHART G.9

Unemployment rate in Québec
(average annual data in per cent)



Sources: Statistics Canada and Ministère des Finances du Québec.

The Québec economy is at full employment

The Québec labour market is surprisingly strong.

- Between January 2022 and January 2023, 196 600 jobs were created in Québec, an increase of 4.6%. In comparison, Ontario saw a 4.1% rise in employment during the same period.

Labour market conditions remain exceptionally tight despite the moderation of economic growth.

- Last January, the unemployment rate fell to 3.9%, a historic monthly low. This was also the lowest rate observed in any of the provinces.
- The employment rate of the population aged 15 to 64 stood at 79.0% in January, the highest rate in Canada. This was also a historic monthly high.

Moreover, the number of people able to respond to the demand for labour is limited by the aging population.

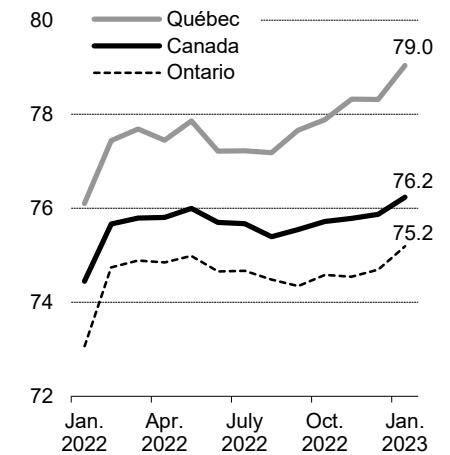
- The size of the population aged 15 to 64 remained relatively stable between January 2022 and January 2023 (+15 400 people, +0.3%). In comparison, the same group increased by 99 100 people (+1.0%) in Ontario during the same period.

Signs of severe tightness in the labour market are reflected in wage increases.

- Between January 2022 and January 2023, the average hourly wage in Québec jumped by 6.9%. This was the strongest annual growth among the provinces, equal to that of Nova Scotia.

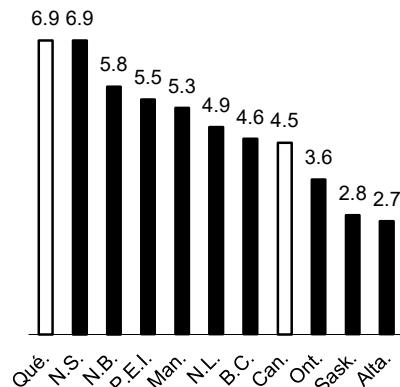
Employment rate for the population aged 15 to 64

(per cent)



Average hourly wage

(percentage change between January 2022 and January 2023)



Source: Statistics Canada.

Source: Statistics Canada.

The number of job vacancies remains high

Québec employers actively attempted to fill 232 430 job vacancies in the third quarter of 2022 (after a peak of 249 015 job vacancies in the second quarter).

- The number of vacant jobs fell by 6.7% in the third quarter. This was the first fall since the third quarter of 2019.
 - In the third quarter of 2022, the number of vacant jobs also declined in Ontario (-3.6%) and Canada as a whole (-3.3%).
- Despite this decline, the number of job vacancies remains high in Québec, up 61.8% over the first quarter of 2020.

Moreover, Québec continues to be one of the provinces with the highest vacancy rates.

- The vacancy rate, which is the number of vacant jobs expressed as a percentage of all vacant or occupied positions, stood at 5.8% in the third quarter of 2022.
- That is the highest rate among the provinces with the exception of British Columbia (6.2%).

The high vacancy rate is mainly due to the fact that Québec has fewer potential workers who can fill available positions.

- In the first quarter of 2020, Québec had 1.9 unemployed individuals per vacant job. In the third quarter of 2022, the ratio had declined to 0.9 unemployed individuals per vacation position.
- In comparison, Ontario and Canada had 1.2 and 1.1 unemployed individuals per vacant job, respectively, in the third quarter of 2022.
- Although the labour shortage affects many regions, it is more pronounced in Québec.

The high vacancy rate combined with the low unemployment rate in Québec partly explains the resilience of the labour market in recent months.

- The strong demand for workers will limit net job losses despite the moderation of economic growth.

Furthermore, the high vacancy rate will prompt businesses to step up their investments to boost labour productivity.

Number of unemployed individuals per vacant job

(number of individuals)

	First quarter of 2020	Third quarter of 2021	Third quarter of 2022
Québec	1.9	1.2	0.9
Ontario	2.5	1.9	1.2
Canada	2.4	1.7	1.1

Sources: Statistics Canada and Ministère des Finances du Québec.

1.4 Households will exercise caution

Deteriorating credit conditions and inflation will limit consumption expenditure, which will rise by 1.6% in 2023 and 1.5% in 2024.

- The loss of purchasing power and higher mortgage payments will prompt consumers to spend prudently. At the same time, high interest rates may encourage saving.

Nevertheless, households will continue to support economic activity.

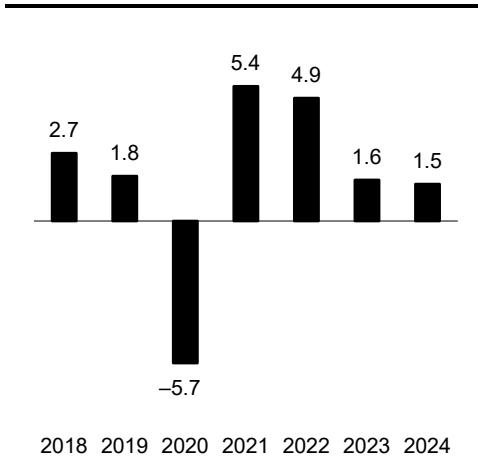
- The Québec government's personal income tax reduction will help increase household disposable income. Similarly, measures implemented since fall 2021 to protect the purchasing power of Quebecers will mitigate the effects of high inflation on their wallets.

Moreover, the financial situation of Québec households compares favourably to that of households across the country.

- The savings rate in Québec averaged 11.3% in 2022, which is higher than the rate observed before the pandemic (6.5% in 2019) and higher than the rate in Canada (6.0% on average in 2022).
- In addition, the household indebtedness ratio, that is, the value of their liabilities as a proportion of their disposable income, is significantly lower in Québec (152.1% in 2021) than in Canada (186.4%) and Ontario (203.3%). This means that Quebecers will be less impacted by rising interest payments given their relatively lower level of indebtedness.

CHART G.10

Household consumption expenditure in Québec
(percentage change, in real terms)

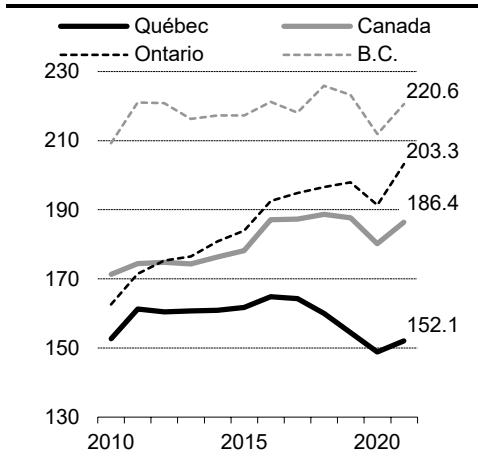


Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART G.11

Household indebtedness ratio

(total value of liabilities divided by household disposable income, in per cent)



Sources: Statistics Canada and Ministère des Finances du Québec.

1.5 The residential sector is hit by successive interest rate hikes

The frenzied activity observed in the residential sector in 2020 and 2021 has given way to a less tight market. After reaching a peak of \$33.2 billion in 2021, residential investment shrank in 2022 (-9.7%).

— Significant monetary tightening since March 2022 has led to a sharp drop in housing starts (-15.8% on average in 2022, at 57 100 units) and transactions on the resale market (-20.4% on average in 2022, at 87 100 transactions).

In 2023, residential investment will fall again (-7.9%) while the effects of deteriorating credit conditions will continue to be felt.

— High interest rates have dampened the enthusiasm of buyers on the new residential construction market and the resale market.

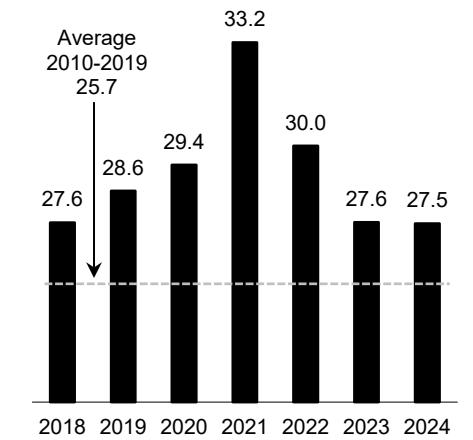
— Renovation spending is expected to decline for the second year in a row as many households moved up their home improvement projects during the pandemic and financing costs are high.

The gradual fall in mortgage rates, the ongoing tightness in the labour market and low inventories of unsold new properties will support residential activity in 2024. Residential investment is therefore projected to stabilize at \$27.5 billion, a level that will remain higher than the average of the 10 years leading up to the pandemic.

CHART G.12

Residential investment in Québec

(billions of chained 2012 dollars)

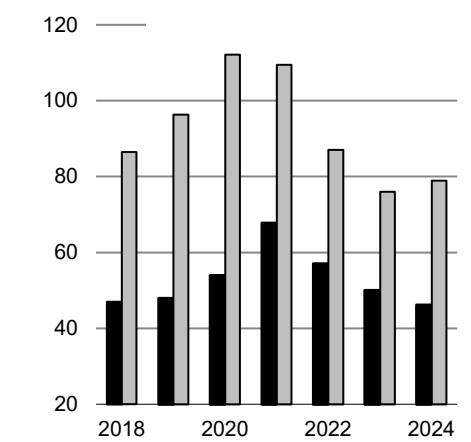


Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART G.13

Housing starts and transactions on the resale market in Québec

(thousands)



Sources: Canada Mortgage and Housing Corporation, Haver Analytics and Ministère des Finances du Québec.

Activity in the real estate market slows down after a record year

Housing market momentum moderates

After reaching post-pandemic peaks, housing demand has softened. In particular, the volume of transactions on the resale market fell from 105 900 in January 2022 to 68 600 in January 2023, for a drop of 35.2%.

Multiple factors account for the moderation in housing demand.

- In particular, strong demand exerted upward pressure on prices, and mortgage interest rates rose rapidly, making properties less affordable.

Meanwhile, the supply of properties on the market has increased.

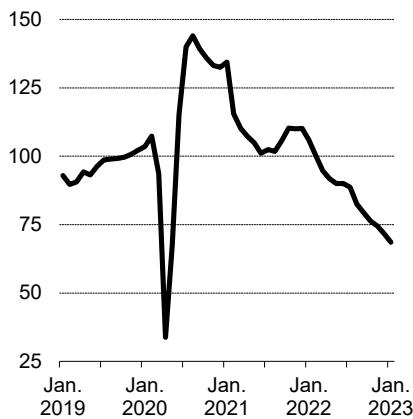
- In particular, the surge in new residential construction has increased the number of available homes. Consequently, the number of new listings on the resale market rose by an average of 0.3% in 2022, the first increase since 2014.

A market that is gradually coming into balance

As the number of transactions declines and new listings rises, overbidding is subsiding, and home prices are gradually falling.

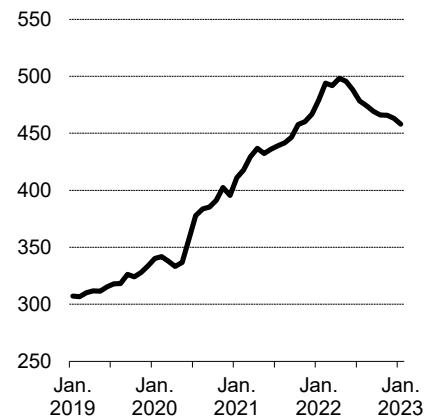
- Since peaking at \$498 300 in April 2022, the average cost of a home on the resale market has fallen by 8.1% and stood at \$457 900 in January 2023.
- Despite the decline in recent months, the average price of a home has remained above its pre-pandemic level (\$323 600 on average in 2019).

Transactions on the resale market in Québec
(thousands of units, annualized rate)



Source: Haver Analytics.

Average home price on the resale market in Québec
(thousands of dollars)



Source: Haver Analytics.

1.6 Non-residential investment growth will moderate

Non-residential business investment is expected to grow by 0.4% in 2023, after a 3.5% increase in 2022. Investment growth will be limited in the coming quarters, in particular due to:

- less favourable credit conditions;
- slowdown in economic activity, which will dampen demand and ease pressures on production capacity;
- increased uncertainty regarding future economic conditions, which could prompt businesses to exercise caution.

However, multiple factors will support a rebound in non-residential investment in 2024 (+2.3%).

- The resumption of growth and rebound in demand will put upward pressure on production capacity.
- The anticipated pullback in interest rates will facilitate financing for expansion projects.
- The labour shortage is expected to encourage entrepreneurs to invest in machinery and equipment in order to increase their productivity and automate production.
- The transition to a low-carbon economy will have a ripple effect on business investment.

CHART G.14

Non-residential business investment in Québec
(percentage change, in real terms)

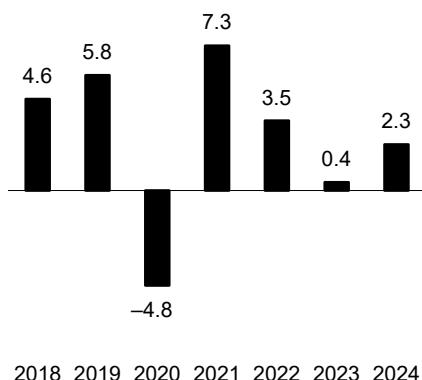
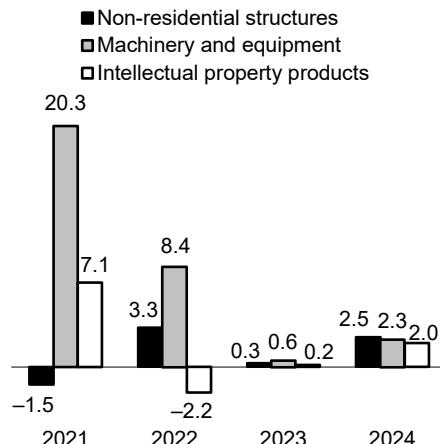


CHART G.15

Components of 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.

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

Québec among the leaders in private investment intentions in 2023

The most recent Statistics Canada Capital and Repair Expenditures Survey (CAPEX) confirms that businesses intend to increase their investments in Québec in 2023.¹

The value of total non-residential investment in the private sector in Québec is expected to amount to \$29.7 billion in 2023, up 10.3% (+8.4% in 2022).

- This growth in private investment intentions places Québec third among Canadian provinces.

In Canada, the value of private non-residential investment is expected to reach \$200.5 billion in 2023, up 5.2% (+8.9% in 2022).

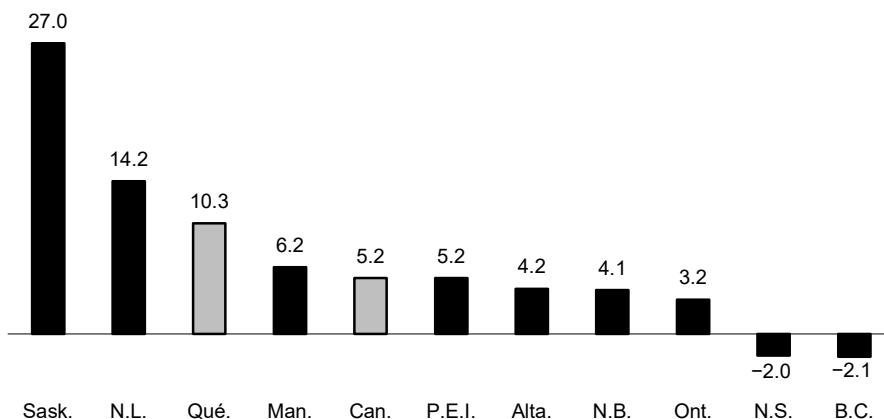
- Saskatchewan (+27.0%), Newfoundland and Labrador (+14.2%) and Québec (+10.3%) report the largest increases.

According to the survey, the main investment categories will be on the rise in Québec in 2023, as:

- private investment in non-residential construction is expected to increase by 10.7% to \$13.4 billion;
- private investment in machinery and equipment is projected to rise by 10.0% to \$16.3 billion.

Statistics Canada notes that the manufacturing sector is expected to show the largest increase among all industries due to major projects planned or under way in the primary metal, chemical and transportation equipment subsectors.

Private non-residential investment by province, outlook for 2023 (percentage change, in nominal terms)



Source: Statistics Canada.

¹ The statistics from the Capital and Repair Expenditures Survey for 2022 represent preliminary estimates. For 2023, they are investment intentions.

1.7 Governments will continue to support the economy

Following strong growth of 13.1% in 2022, the value of government investment will increase by 6.4% in 2023 and 0.4% in 2024. It is expected to reach \$24.7 billion in nominal terms in 2024.

— Governments are an important driver of economic activity in Québec. The value of government investment as a proportion of GDP was 4.1% in Québec in 2021, compared to 3.9% in Ontario.

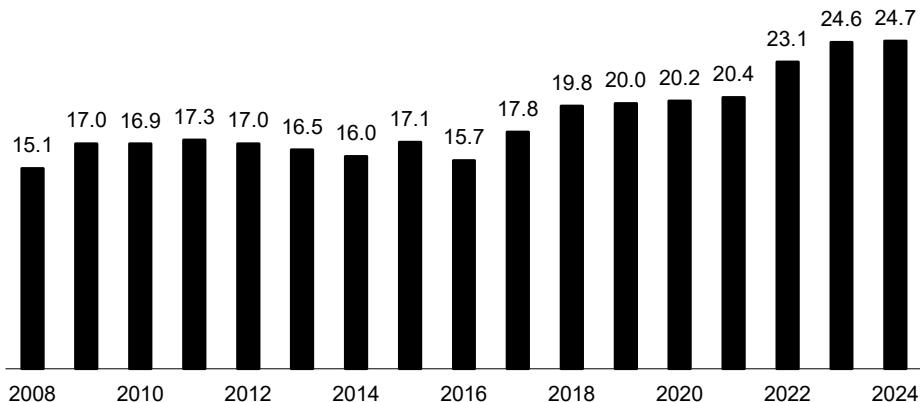
In particular, investments under the 2023-2033 Québec Infrastructure Plan (QIP) are reaching record levels.

- In Budget 2023-2024, the QIP will increase by \$7.5 billion compared to last year. As a result, the QIP will amount to \$150.0 billion over a 10-year period.
- These investments provide significant support to the economy. In particular, they make it possible to provide the population with modern, quality infrastructure.

In addition, the high levels of investment planned in Québec's major municipalities, including Montréal, Québec City and Laval, as well as the federal government's Investing in Canada Plan will support the growth in investments.

CHART G.16

Government investments in Québec
(billions of dollars, in nominal terms)



Note: Government investments include investments by the Québec government, the federal government, local public administrations and Aboriginal public administrations.

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

1.8 Export trends will be synchronized with global economic activity

Over the next two years, the external sector will contribute positively to real GDP growth. Export growth will be higher than import growth.

In 2023, Québec exports are expected to grow by 1.5% and imports by 0.6%, a significant slowdown compared to the 2022 increases (+2.4% and +5.8%, respectively).

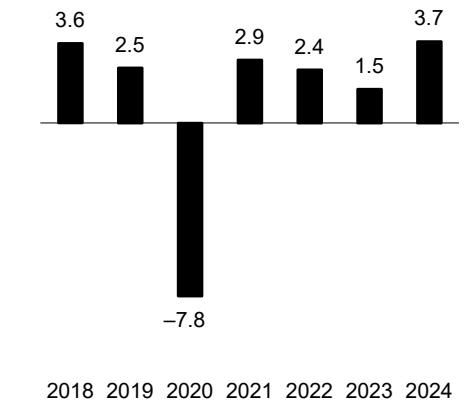
- Difficulties in the global economy will curb exports.
- International exports will be impacted by the significant slowdown in global real GDP growth, including that of the United States. In addition, waning economic growth in all Canadian provinces will moderate interprovincial exports.
- Despite the slowdown in foreign demand, export growth will be sustained by the easing of supply chain tensions and a favourable exchange rate, among other things.
- Imports will decelerate in correlation with domestic demand, particularly household consumption and investment in machinery and equipment. In addition, despite a certain degree of appreciation, the relatively weak Canadian dollar is expected to continue to limit the volume of imports.

Exports (+3.7%) and imports (+2.3%) are projected to strengthen in 2024, as the economic recovery takes root.

CHART G.17

Québec exports

(percentage change, in real terms)

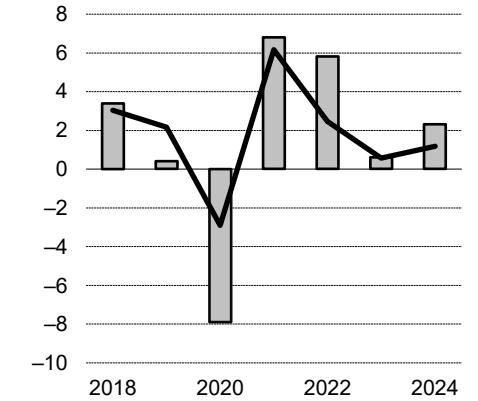


Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART G.18

Québec imports and domestic demand

(percentage change, in real terms)



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

1.9 Inflation will continue to fall

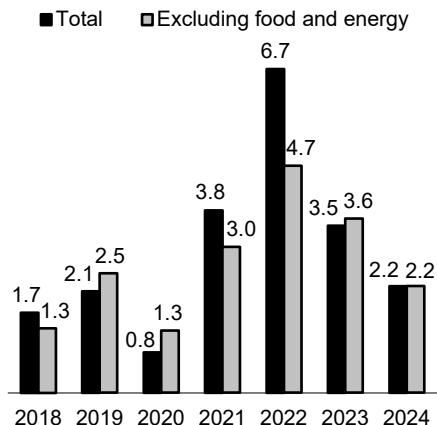
After peaking at 8.0% in June 2022, inflation is gradually decelerating and stood at 6.2% in January 2023.

- Several factors that fuelled high inflation are easing, particularly:
 - the slowdown in the rise in oil prices. The annual increase in gasoline prices fell from a peak of 61.9% in June 2022 to 4.9% in January 2023;
 - In addition to reducing household expenses, the drop in oil prices lowers the cost of transporting merchandise, alleviating the pressures on the price of goods.
 - the gradual easing of disruptions in supply chains, which is increasing the supply of goods;
 - the slowdown in global economic activity, which is curbing demand.
- Even though the inflationary surge is lessening, price growth remains high. It remains above the target range of 1% to 3% set by the Bank of Canada, which estimates that it usually takes 18 to 24 months for the effects of monetary policy adjustments to be fully reflected in the economy.

As a result, inflation will continue to moderate in the coming months as the economy adjusts to interest rate hikes. Growth in the consumer price index (CPI) is expected to fall back below the higher end (3%) of the target range as of the third quarter of 2023.

CHART G.19

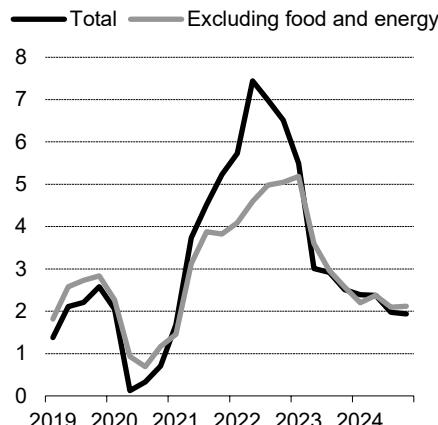
CPI in Québec
(percentage change)



Sources: Statistics Canada and Ministère des Finances du Québec.

CHART G.20

CPI in Québec
(annual percentage change)



Sources: Statistics Canada and Ministère des Finances du Québec.

Downward trend in price growth for goods

Annual inflation has decelerated since peaking in June 2022 (+8.0%). It stood at 6.2% in January 2023, the smallest change over one year since February 2022 (+5.4%).

The downward trend in the total index essentially reflects the slowdown in price growth for goods, whose annual increase dropped from 11.0% in June to 6.5% in January 2023.

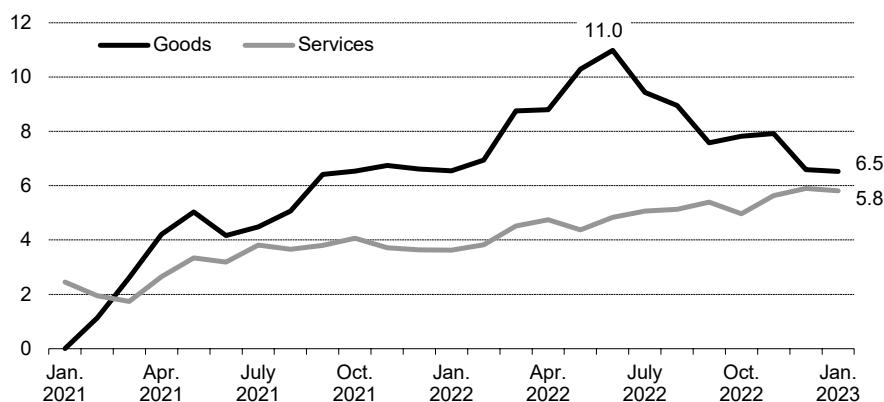
- The demand for goods has been curbed in Québec and abroad by the ongoing moderation in economic activity. The decrease in demand has particularly affected durable goods, such as household appliances and furniture.
- Commodity prices have dropped significantly, particularly the price of oil. As a result, transportation costs and gasoline prices have substantially decreased from the peaks they reached in June 2022.
- Supply chain disruptions are easing, which is contributing to an increase in the supply of goods.

The annual growth in service prices is not, however, adjusting as quickly.

- The demand for services for which physical distancing is difficult jumped after the full reopening of the economy in spring 2022.
- The labour market is tight and labour costs in the service sector are experiencing robust growth.
- Price fluctuations for services linked to housing remain particularly high in connection with rising mortgage interest costs and other factors linked to housing, including rents.

Inflation related to services could prove to be more persistent. However, the anticipated economic slowdown will moderate demand. Moreover, a slowdown in job creation will ease upward pressure on wages and salaries.

Consumer price index for selected components in Québec (annual percentage change)



Source: Statistics Canada.

1.10 After two years of sharp increases, nominal GDP growth will be less rapid

Nominal GDP growth, which is the broadest measure of the tax base, will slow down after two years of significant increases (+11.8% in 2021 and +9.7% in 2022). It is expected to stand at 2.7% in 2023 before rising to 3.8% in 2024. This slowdown will result from:

- the moderation of economic activity in real terms;
- the slowdown in GDP price growth, which will increase by 2.1% and 2.4% in 2023 and 2024, respectively, after gains of 5.5% in 2021 and 6.8% in 2022.

Like nominal GDP, the government's main tax bases are expected to experience more modest growth.

- After two years of increases of approximately 10%, wage and salary growth will moderate to 3.7% in 2023 and 3.4% in 2024 as job creation wanes.
 - Wage gains will remain strong, however, as the labour shortage continues due to an aging population.
- While high interest rates will limit nominal consumption, it will still grow by 4.5% in 2023 and 3.4% in 2024.
- The net operating surplus of corporations is expected to contract by 4.9% in 2023 before returning to growth in 2024 (+5.3%). The decline expected in 2023 follows an impressive gain of 31.9% between 2019 and 2022.
 - The end of various business subsidy programs, significant financing costs, oil prices remaining high and salary increases will limit the growth of corporate profits. In addition, the decline in world commodity prices will translate into lower natural resource export prices, which will rein in the operating surplus of corporations.

TABLE G.6

Nominal GDP in Québec (percentage change)

	2021	2022	2023	2024
Real GDP	6.0	2.8	0.6	1.4
Price – GDP deflator	5.5	6.8	2.1	2.4
NOMINAL GDP	11.8	9.7	2.7	3.8

Note: Totals may not add due to rounding.

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

1.11 Forecasts comparable to those of the private sector

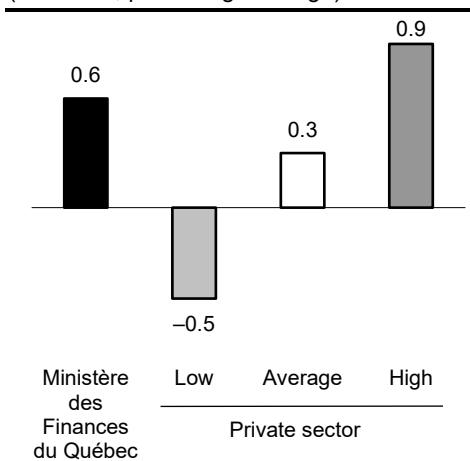
In 2023, the Ministère des Finances du Québec forecasts that the increase in economic activity (+0.6%) will outpace the average anticipated by private sector forecasters (+0.3%).

In 2024, it estimates that real GDP growth (+1.4%) will outperform the average expected by private sector forecasters (+1.1%).

The large variation in private sector forecasts reflects the uncertainty arising from the current economic situation.

CHART G.21

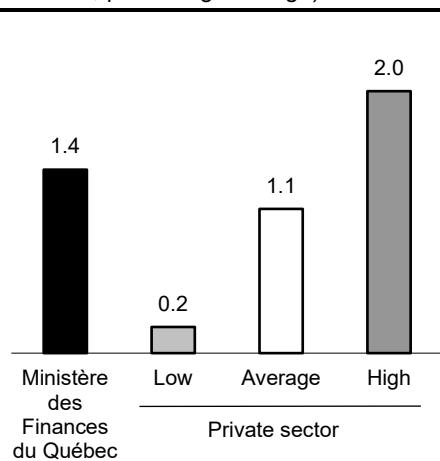
Economic growth in Québec in 2023 (real GDP, percentage change)



Source: Ministère des Finances du Québec summary as at March 2, 2023, which includes the forecasts of 11 private sector institutions.

CHART G.22

Economic growth in Québec in 2024 (real GDP, percentage change)



Source: Ministère des Finances du Québec summary as at March 2, 2023, which includes the forecasts of 11 private sector institutions.

TABLE G.7

Economic outlook in Québec – Comparison with the private sector (percentage change)

	2022	2023	2024	2025	2026	2027	Average 2023-2027
Real GDP							
Ministère des Finances du Québec	2.8	0.6	1.4	1.6	1.5	1.4	1.3
Private sector average	2.7	0.3	1.1	1.8	1.7	1.6	1.3
Nominal GDP							
Ministère des Finances du Québec	9.7	2.7	3.8	3.7	3.3	3.3	3.4
Private sector average	9.3	2.4	3.2	3.9	3.6	3.5	3.3

Note: Average may not add due to rounding.

Source: Ministère des Finances du Québec summary as at March 2, 2023, which includes the forecasts of 11 private sector institutions.

TABLE G.8

Economic outlook in Québec

(annual average, percentage change, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027
Output							
Real GDP	6.0	2.8	0.6	1.4	1.6	1.5	1.4
Nominal GDP	11.8	9.7	2.7	3.8	3.7	3.3	3.3
Nominal GDP (billions of dollars)	504.5	553.5	568.4	589.8	611.8	632.0	652.8
Components of GDP (in real terms)							
Final domestic demand	6.2	2.5	0.6	1.2	1.5	1.2	1.3
– Household consumption	5.4	4.9	1.6	1.5	1.6	1.5	1.6
– Government spending and investment	5.6	1.3	1.1	0.6	1.0	0.0	0.4
– Residential investment	12.9	-9.7	-7.9	-0.1	1.0	1.0	0.8
– Non-residential business investment	7.3	3.5	0.4	2.3	2.5	2.5	2.3
Exports	2.9	2.4	1.5	3.7	3.0	2.7	2.2
Imports	6.8	5.8	0.6	2.3	2.0	1.8	1.8
Labour market							
Population (thousands)	8 602	8 696	8 776	8 843	8 904	8 956	9 002
Population aged 15 and over (thousands)	7 099	7 156	7 238	7 303	7 363	7 413	7 460
Jobs (thousands)	4 273	4 403	4 466	4 491	4 517	4 538	4 557
Job creation (thousands)	176.6	129.7	63.2	25.2	25.2	21.7	18.3
Unemployment rate (per cent)	6.1	4.3	4.6	4.2	4.1	4.1	4.0
Other economic indicators							
(in nominal terms)							
Household consumption	8.9	10.8	4.5	3.4	3.5	3.5	3.4
– Excluding food expenditures and shelter	11.1	12.5	4.0	3.4	3.5	3.4	3.4
Housing starts (thousands of units)	67.8	57.1	50.1	46.2	44.1	43.0	42.0
Residential investment	29.8	-0.1	-7.1	2.0	3.8	3.4	3.0
Non-residential business investment	9.5	10.1	3.8	3.8	4.0	4.2	4.1
Wages and salaries	10.8	9.9	3.7	3.4	3.3	3.1	2.9
Household income	5.6	9.2	3.0	3.4	3.2	3.2	3.0
Net operating surplus of corporations	8.9	1.5	-4.9	5.3	3.9	3.5	3.6
Consumer price index	3.8	6.7	3.5	2.2	2.0	2.0	2.0
– Excluding food and energy	3.0	4.7	3.6	2.2	2.2	2.2	2.0

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

Trends in exports are largely influenced by the situation of Québec's main trading partners. The value of exports of goods and services accounted for nearly 45% of nominal GDP in 2021. As a result, Québec is sensitive to fluctuations in the global economy.

- In 2023, the Québec economy will be slowed down by the decline in global growth, including in the United States and the euro area, as well as weakening economic activity in Canada.
- Global real GDP growth is projected to strengthen in 2024 in line with the expected easing in credit conditions.

2.1 The economic situation in Canada

Canada's economy will experience a year of transition

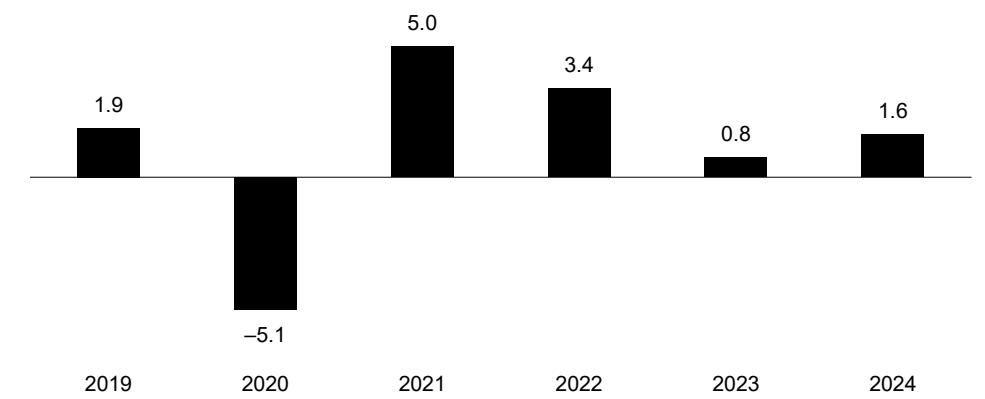
In Canada, growth is slowing. Overall, real GDP growth is expected to decline from 3.4% in 2022 to 0.8% in 2023.

- No province will escape the negative effects of high interest rates and inflation. In addition, the correction in housing markets and the deteriorating global economic environment will dampen real GDP growth.

The rise in prices is expected to fade significantly as economic activity decelerates, which could allow the Bank of Canada to ease monetary policy toward the end of 2023. Lower interest rates will provide stimulus and result in a resumption of growth in 2024 (+1.6%).

CHART G.23

Economic growth in Canada (real GDP, percentage change)



Sources: Statistics Canada and Ministère des Finances du Québec.

□ Domestic demand will remain a source of growth

Canadian economic growth will run out of steam, falling from 3.4% in 2022 to 0.8% in 2023. Real GDP will resume an upward trend in 2024 (+1.6%) as a result of monetary policy easing.

After strong gains in 2021 and 2022, growth in domestic demand will moderate in 2023 and 2024.

- The interest-payment shock and high inflation will drive down household purchases. However, tight labour market conditions will support wage growth.
- Residential investment will decline. High mortgage interest rates will keep many potential buyers out of the market. Ontario and British Columbia households will be more sensitive to the rise in borrowing costs in light of their record indebtedness ratios.
- The moderation in economic activity and resulting uncertainty will limit business investment in 2023. In 2024, business investment is expected to grow in line with strengthening demand.
- Total public spending will continue to support economic activity.

Export and import growth will slow in 2023 as a result of weakening foreign and domestic demand. However, external trade is expected to rebound in 2024. As export growth will outpace import growth, the external sector will contribute significantly to real GDP growth.

TABLE G.9

Real GDP and its major components in Canada (percentage change and contribution in percentage points)

	Change			Contribution		
	2022	2023	2024	2022	2023	2024
Domestic demand	2.7	0.7	1.6	2.6	0.7	1.6
Household consumption	4.8	1.7	2.1	2.5	0.9	1.2
Residential investment	-11.1	-7.5	-0.1	-1.1	-0.5	0.0
Non-residential business investment	6.4	1.0	2.6	0.7	0.1	0.3
Government spending and investment	2.0	1.4	0.5	0.5	0.3	0.1
External sector	—	—	—	-1.5	0.8	0.7
Exports	2.6	2.4	4.4	0.9	0.7	1.3
Imports	7.2	-0.2	2.0	-2.3	0.1	-0.7
Inventories	—	—	—	2.2	-0.8	-0.7
REAL GDP	3.4	0.8	1.6	3.4	0.8	1.6

Note: Totals may not add due to rounding.

Sources: Statistics Canada and Ministère des Finances du Québec.

■ Household consumption will slow down

Consumer spending is expected to grow by 1.7% in 2023 and 2.1% in 2024, following sharp increases of 5.1% in 2021 and 4.8% in 2022.

- Higher interest payments and the rising cost of living will tighten household budgets.
- However, wage gains and support measures announced by different levels of government to help households cope with inflation will ease growing financial pressures.

■ Residential investment will continue to decline

The interest rate hikes initiated by the Bank of Canada in March 2022 have hit the housing market hard.

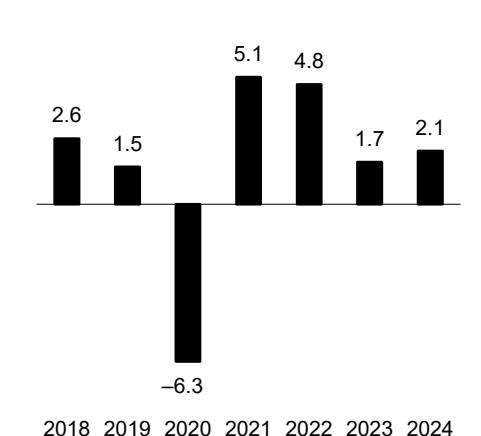
- This has resulted in weaker demand in the new housing and resale markets, and lower renovation spending.

As a result, residential investment tumbled by 11.1% in 2022. It is expected to decline by 7.5% in 2023, and then stabilize in 2024 (-0.1%).

- Despite the sharp declines recorded since 2022, investment will remain significant. High levels of immigration are expected to support housing demand.

CHART G.24

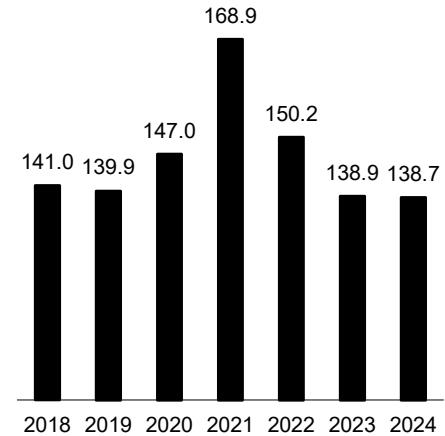
Household consumption expenditure in Canada
(percentage change, in real terms)



Sources: Statistics Canada and Ministère des Finances du Québec.

CHART G.25

Residential investment in Canada
(billions of chained 2012 dollars)



Sources: Statistics Canada and Ministère des Finances du Québec.

■ Growth in non-residential investment will decelerate

Non-residential business investment growth will weaken amid slowing demand and high financing rates. It is expected to stand at 1.0% in 2023 before gathering pace in 2024 (+2.6%).

- Despite the current climate of uncertainty, businesses will invest in machinery and equipment due, in particular, to labour shortages. In addition, 2021 and 2022 saw record corporate earnings. The accumulated surplus will allow businesses to continue investing.
- In the energy sectors, high oil and natural gas prices will fuel investment. However, investment will be constrained by uncertainty over long-term demand amid the transition to a low-carbon economy.

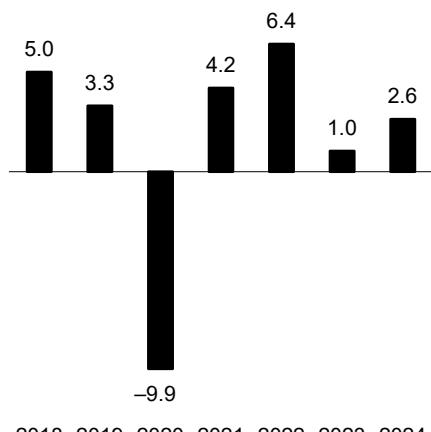
■ External sector will be a major driver of economic growth

Export and import growth will cool in 2023 due to less robust external and domestic demand. However, external trade is expected to rebound in 2024.

As export growth will outpace import growth, the external sector will be a major driver of economic activity in 2023 and 2024. Export volumes will be supported, in particular, by high energy prices and increased transportation capacity, including the commissioning of new pipelines. Meanwhile, sluggish domestic demand will dampen imports.

CHART G.26

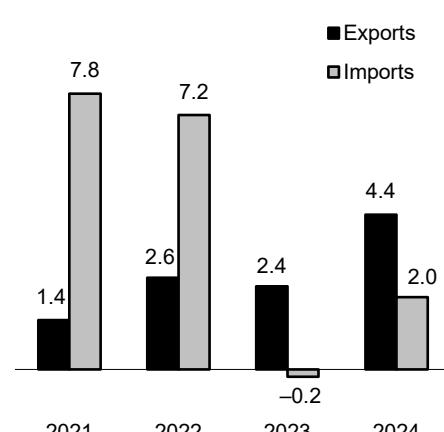
Non-residential business investment in Canada
(percentage change, in real terms)



Sources: Statistics Canada and Ministère des Finances du Québec.

CHART G.27

Exports and imports in Canada
(percentage change, in real terms)



Sources: Statistics Canada and Ministère des Finances du Québec.

2.2 The economic situation in the United States

□ Slower U.S. economic growth in 2023 but a recovery in 2024

Following an increase of 2.1% in economic activity in 2022, U.S. real GDP growth is expected to slow significantly to 0.5% in 2023. It is then forecast to accelerate to 1.3% in 2024, while remaining below its potential.

— The sluggish growth forecast for 2023 is the lowest level since 1991, excluding the recessions of 2007-2009 and 2020.

U.S. economic growth will be constrained by lacklustre growth in domestic demand, owing, in particular, to high inflation and tighter monetary policy.

— Consumption is expected to slow, particularly as a result of less favourable household financial positions.

— Residential investment will continue to decline.

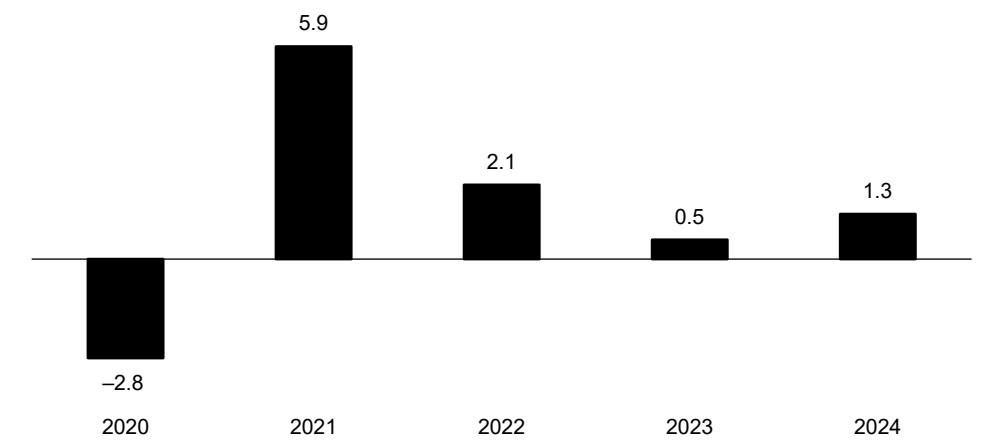
— Non-residential business investment will increase slightly.

Nevertheless, net exports are expected to contribute positively to growth in 2023.

Subsequently, an easing in inflationary pressures, lower interest rates and further supply chain improvements are expected to spur slightly stronger domestic demand, which will help accelerate growth in 2024.

CHART G.28

Economic growth in the United States
(real GDP, percentage change)



Sources: S&P Global and Ministère des Finances du Québec.

□ Temporary moderation in household consumption

Household consumption expenditure is expected to grow by 1.0% in 2023 and 1.2% in 2024, compared to 2.8% in 2022.

- It is expected to moderate, owing, in particular, to less favourable household financial positions amid significant tightening in credit conditions.

However, consumption is expected to continue to significantly support growth. Consumption stands to benefit from the savings accumulated in recent years, lower inflationary pressures and labour market conditions that remain favourable. The unemployment rate is expected to rise only slightly from 3.7% in 2022, a low not seen since 1969, to 4.0% in 2023 and to 4.6% in 2024.

□ Recovery in residential investment in 2024

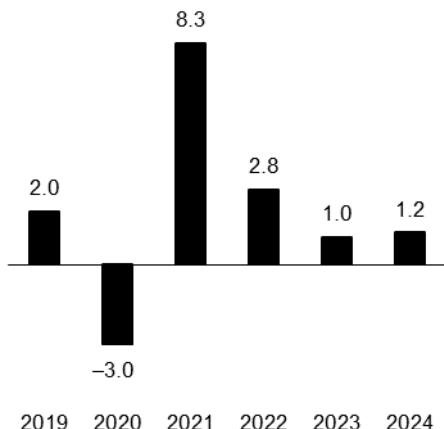
Residential investment will tumble by 6.6% in 2023, following a 10.7% drop in 2022. It is expected to start growing again in 2024 (+1.2%).

- Mortgage interest rates, which are currently near a 20-year high, and elevated housing prices have further dampened affordability conditions, discouraging some buyers.

In 2024, the anticipated decline in mortgage rates, rising household formation and low inventories of houses are expected to support residential investment.

CHART G.29

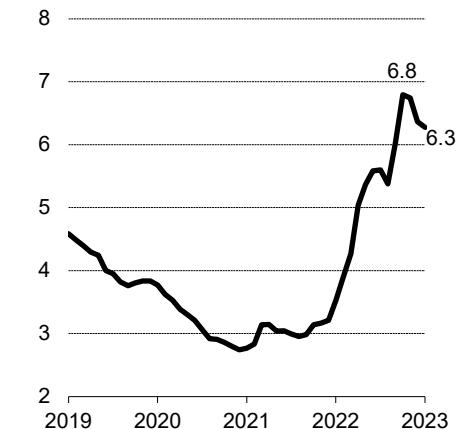
Household consumption expenditure in the United States (percentage change, in real terms)



Sources: S&P Global and Ministère des Finances du Québec.

CHART G.30

30-year mortgage rate (per cent)



Source: S&P Global.

□ Moderate increase in business investment

Non-residential business investment is expected to grow by 0.3% in 2023 (+3.8% in 2022). Investment in non-residential structures is forecast to decline, with slower investment growth anticipated in machinery and equipment and intellectual property products.

- Business investment will be constrained, in particular, by the slowdown in demand and high financing costs. In addition, concerns about the economic outlook could encourage some businesses to defer their investment projects.
- In addition, certain tax benefits granted to businesses under the December 2017 tax reform began to expire in early 2023.

However, in 2024, the improved economic outlook, more favourable financial conditions and stronger demand will support growth in business investment growth (+1.0%).

□ Exports will support growth in 2023

The external sector will contribute positively to GDP growth in 2023. The 2.7% rise in exports and 0.9% decline in imports will result in a net contribution of 0.4 percentage points to growth.

- The anticipated depreciation of the U.S. dollar is expected to support foreign demand while increasing the cost of imports, which will decline due to sluggish domestic demand.

In 2024, exports (+3.2%) and imports (+3.1%) are forecast to strengthen, supported by foreign and domestic demand, respectively.

CHART G.31

Non-residential business investment in the United States (percentage change, in real terms)

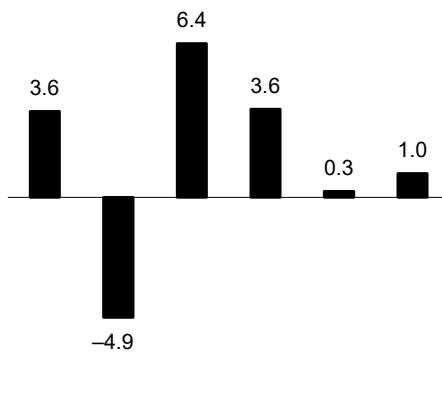
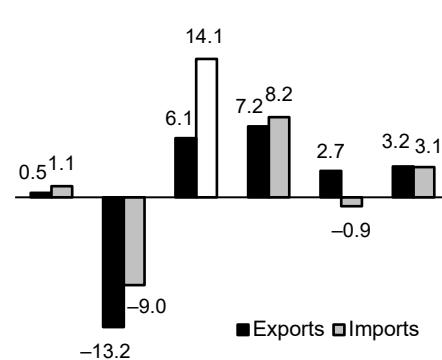


CHART G.32

Exports and imports in the United States (percentage change, in real terms)



Sources: S&P Global and Ministère des Finances du Québec.

Sources: S&P Global and Ministère des Finances du Québec.

□ Public spending rising anew

In 2022, spending by all levels of government declined for the first time since 2014 (−0.6%) and is expected to grow by 1.0% in 2023 and 0.7% in 2024.

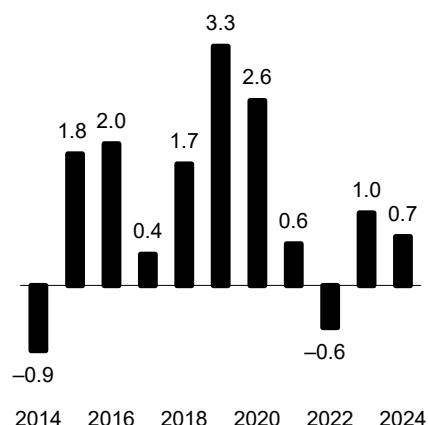
- Total public spending will be supported by the federal government, in particular.
- It will benefit, among other things, from significant accumulated reserves by state and local governments, pandemic-related federal funding amounts that have yet to be spent by these governments and the *Infrastructure Investment and Jobs Act*.

Nevertheless, the budgetary outlook in the United States is uncertain. Congress, which has been divided since the midterm elections, has begun negotiations to raise the debt ceiling. The limit set under the previous increase in December 2021 was reached in January 2023.

- However, any increase in the ceiling may be contingent on spending cuts to reduce the budgetary deficit. According to the Congressional Budget Office, the deficit is expected to reach 5.3% of GDP in 2023 and 6.1% of GDP in 2024.
- That being said, raising the debt ceiling may improve the economic climate and support growth.

CHART G.33

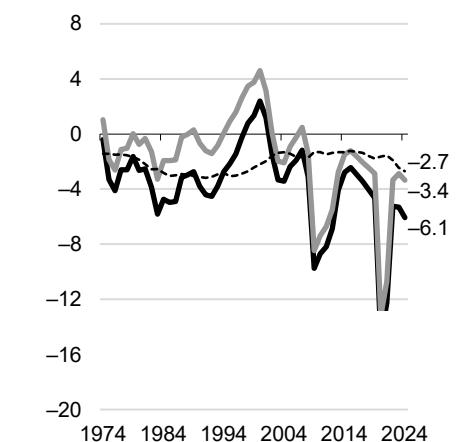
Spending by all levels of government
(percentage change, in real terms)



Sources: S&P Global and Ministère des Finances du Québec.

CHART G.34

Budgetary balances and net interest payments
(percentage of nominal GDP)



Source: Congressional Budget Office.

The medium-term economic impacts of the pandemic are emerging

The COVID-19 pandemic will be remembered in history as the biggest shock to the global economy in decades. While numerous short-term impacts were felt in the economy as soon as 2020, some will take a number of years to fade.

Shortfall of over 1 million workers in the labour market in 2023

The Congressional Budget Office, a non-partisan agency of the U.S. Congress, analyzed the effects of the pandemic on the U.S. labour market and estimated the shortfall in workers aged 16 and over at 1.1 million in 2022.

- The labour pool shrank by more than 6 million between the end of 2019 and May 2020 due, among other things, to school and business closures, early retirements, government transfers and lower immigration.

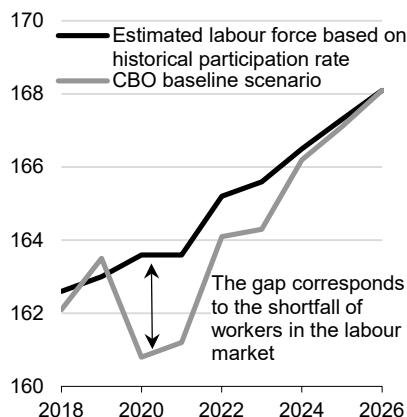
Despite an increase in the labour force, the size of the labour pool remains lower than expected if the average participation rate observed between 2015 and 2019 is applied. According to these estimates, the shortfall in workers is expected to reach 1.3 million in 2023, the equivalent of 0.8% of employment. Nevertheless, it is expected to decline gradually by 2026, which will support growth in the medium term.

Medium-term impacts on the commercial real estate market

The commercial real estate market has also felt the impact of the pandemic. Prices have moderated significantly due, in particular, to higher uptake of teleworking and a rise in e-commerce. In addition, banks have tightened their credit conditions for this sector, while credit demand has weakened.

If these behavioural changes persisted, certain market segments would remain under pressure in the short and medium terms. According to some researchers at the International Monetary Fund, stricter financial conditions trigger a decline in commercial real estate prices in the following quarter.

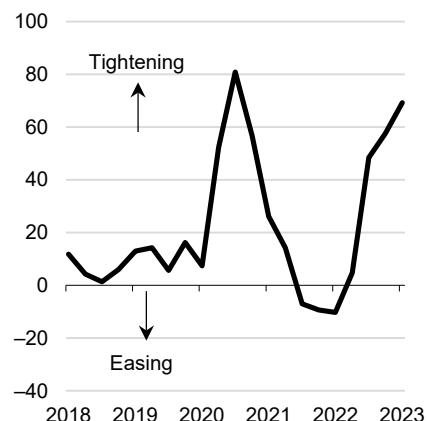
Size of the labour force in the United States from 2022 to 2026 (millions of people)



Note: The historical participation rate concerns the average participation rate between 2015 and 2019.

Source: Congressional Budget Office.

Credit conditions for the commercial real estate sector (net percentage of banks)



Source: S&P Global.

3. THE GLOBAL ECONOMIC SITUATION

□ A global economic slowdown in 2023

The global economy experienced a slowdown in 2022 after the strong recovery in 2021. In 2022, growth was limited by the central banks' efforts to counter high inflation, the war in Ukraine and China's strict containment measures following a rise in transmission of COVID-19 cases.

Global economic growth is expected to continue to slow, falling from 3.3% in 2022 to 2.4% in 2023. This slowdown will be temporary, and 2023 will be a transition period. Growth will accelerate to 3.1% in 2024.

— The ongoing war in Ukraine, high interest rates and robust inflation are expected to weigh on economic growth in 2023.

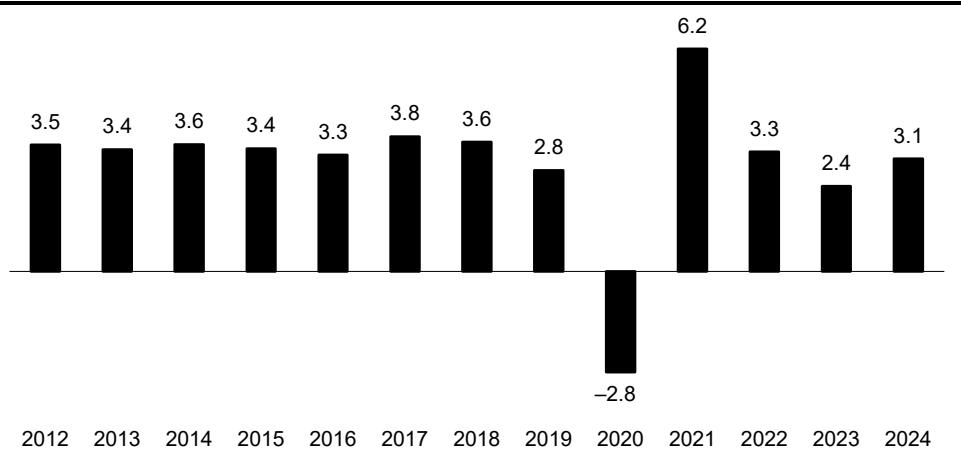
However, certain recent factors will drive global growth as of 2023 and in 2024.

— The reopening of the Chinese economy following the abandonment of the zero-COVID policy and the smaller-than-expected negative impact of the energy crisis in Europe in late 2022 and early 2023 are positive in terms of global economic growth.

— In addition, the slowdown in inflation could allow for a gradual easing of restrictive monetary policies, which should fuel growth in 2024.

CHART G.35

Global economic growth
(real GDP in purchasing power parity, percentage change)



Sources: International Monetary Fund, S&P Global, Refinitiv Datastream, Bloomberg, Eurostat and Ministère des Finances du Québec.

TABLE G.10

Outlook for global economic growth
(real GDP, annual percentage change)

	Weight ⁽¹⁾	2022	2023	2024
World⁽²⁾	100.0	3.3	2.4	3.1
Advanced economies⁽²⁾	41.9	2.7	0.6	1.5
Québec	0.3	2.8	0.6	1.4
Canada	1.4	3.4	0.8	1.6
United States	15.8	2.1	0.5	1.3
Euro area	11.9	3.5	0.3	1.5
– Germany	3.3	1.8	-0.1	1.4
– France	2.3	2.6	0.3	1.3
– Italy	1.9	3.9	0.0	1.0
United Kingdom	2.3	4.0	-0.9	0.7
Japan	3.8	1.1	1.2	1.1
Emerging and developing economies⁽²⁾	58.1	3.8	3.6	4.3
China	18.5	3.0	5.0	5.0
India ⁽³⁾	7.0	6.8	5.9	6.2

(1) Weight in global GDP in 2021.

(2) Data based on purchasing power parity.

(3) For the fiscal year (April 1 to March 31).

Sources: Institut de la statistique du Québec, Statistics Canada, International Monetary Fund, S&P Global, Refinitiv Datastream, Bloomberg, Eurostat and Ministère des Finances du Québec.

☐ Inflation has begun to slow

Price increases reached historic highs in multiple countries in 2022 due to both demand- and supply-side inflationary pressures.

- In member countries of the Organisation for Economic Co-operation and Development (OECD), inflation reached 9.6% in 2022—its highest level since 1988 and a sharp increase compared to 2021.

On the demand side, the lagged effects of government support measures and the post-pandemic economic rebound contributed to inflation. On the supply side, supply chain disruptions and the war in Ukraine, which has pushed up prices for many commodities, also contributed to high inflation.

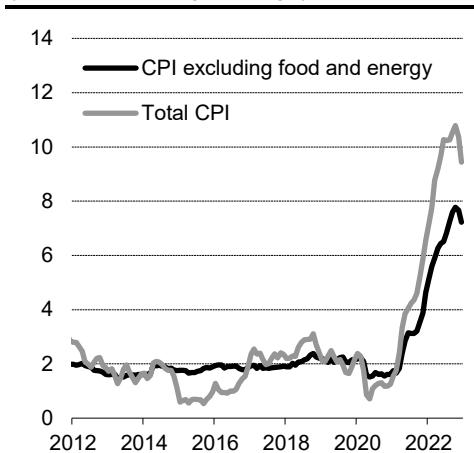
Core inflation, which excludes food and energy prices, is also very high. It is proving to be persistent due to high wage growth in strong labour markets, which is driving up business costs. In addition, in many countries, the depreciation of local currencies against the U.S. dollar is increasing import costs.

Nonetheless, global inflation is expected to have reached its peak during the third quarter of 2022. Although it remains high, it has already started to slow down. As a result, it will gradually return to more sustainable levels in 2023 and 2024.

- The effects of interest rate hikes, such as reduced demand and economic activity, as well as the easing of supply chain tensions, have contributed to the slowdown in price increases. Supply and demand rebalancing will be essential for inflation to return to central bank targets.

CHART G.36

Inflation in OECD member countries (annual percentage change)

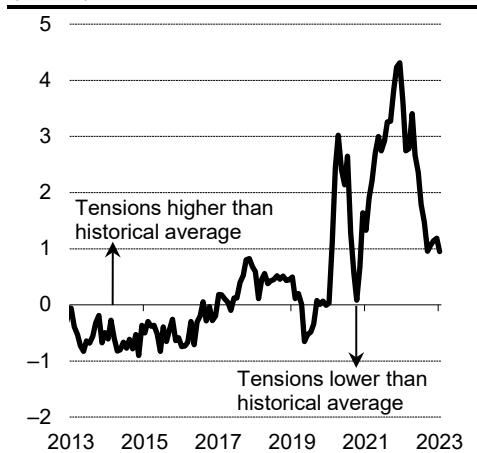


Source: Organisation for Economic Co-operation and Development.

CHART G.37

Supply chain pressure index

(points)



Note: Difference in standard deviations from the historical average.

Source: New York Federal Reserve.

☐ A more pronounced economic slowdown in advanced economies than in emerging economies

In advanced economies, real GDP will grow by 0.6% in 2023 after a 2.7% gain in 2022. In 2024, it is expected to expand by 1.5%. Current restrictive monetary policies will curb growth in 2023 and reduce inflation but will lay the foundation for sustainable economic growth in 2024.

- In the United States and the euro area, the economy is projected to slow significantly in 2023, while the United Kingdom is expected to experience a decline in its real GDP.
- On the other hand, Japan and other Asian advanced economies are expected to see relatively higher economic growth in 2023 compared to other advanced economies.

In emerging and developing economies, real GDP growth will slow from 3.8% in 2022 to 3.6% in 2023 before accelerating to 4.3% in 2024. Growth will be limited by high indebtedness, weak local currencies and the slowdown in business investment.

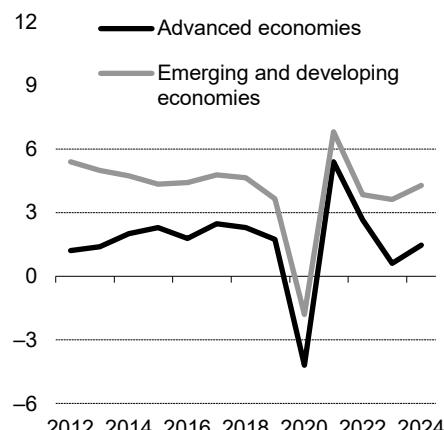
- While slower growth is anticipated in most economies in 2023, China's real GDP growth is expected to accelerate in 2023 and stabilize in 2024. The abandonment of the zero-COVID policy and government support measures will bolster the recovery in economic activity. However, possible COVID-19 outbreaks and a weak real estate sector remain significant risks.

Economic expansion in China (+5.0%) and India (+5.9%) is expected to contribute more than half of global growth in 2023.

CHART G.38

Growth in advanced and emerging economies

(real GDP, percentage change)

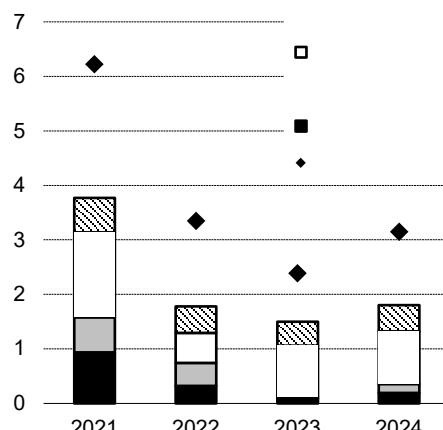


Sources: International Monetary Fund, S&P Global, Refinitiv Datastream, Bloomberg, Eurostat and Ministère des Finances du Québec.

CHART G.39

Contribution to global economic growth

(world real GDP in purchasing power parity, percentage change and contribution to growth in percentage points)



Sources: International Monetary Fund, S&P Global, Refinitiv Datastream, Bloomberg, Eurostat and Ministère des Finances du Québec.

□ A rebound in China's economic growth in 2023

Following three years of zero-COVID policy, China lifted the bulk of its health restrictions in December 2022. These restrictions had slowed economic growth significantly over the past year.

- In 2020, the year COVID-19 intensified, economic activity grew by 2.2%, a nearly 50-year low.
- Real GDP growth rebounded to 8.4% in 2021. Then, in 2022, real GDP growth moderated to only 3.0%.

In addition, the rapid lifting of health restrictions resulted in a sharp increase in the number of transmitted COVID-19 cases and limited economic activity at the end of 2022. However, this slowdown was temporary, as was the rise in COVID-19 cases, and economic activity has already accelerated, primarily in the service sector.

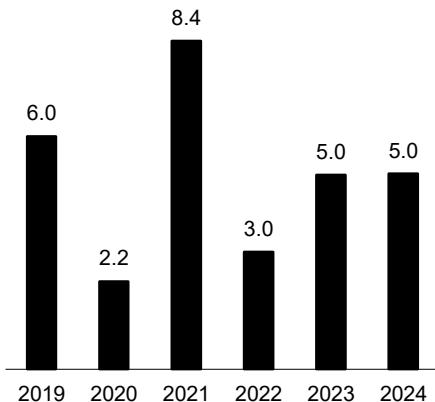
Economic growth is expected to rebound to 5.0% in 2023 and 2024, supported by improved mobility resulting from lifted health restrictions, better credit conditions, increased infrastructure spending and government measures to support the economy.

- However, the acceleration in consumption will be gradual due to the still high unemployment rate and household debt levels, as well as the real estate crisis that erupted at the end of 2021 and intensified in 2022.

CHART G.40

Economic growth in China

(real GDP, percentage change)

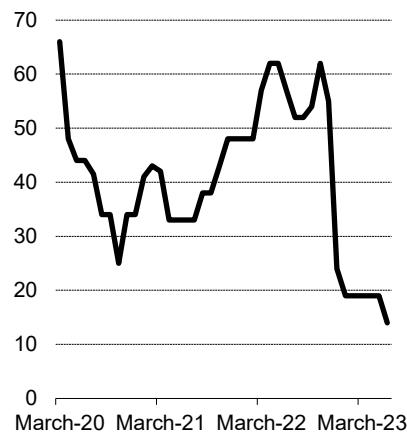


Sources: Refinitiv Datastream and Ministère des Finances du Québec.

CHART G.41

China's containment index

(index, 0 indicating no restrictions and 100 indicating tight restrictions)



Note: This represents a forecast as of January 2023.
Source: S&P Global.

■ Positive repercussions for the global economy in 2023

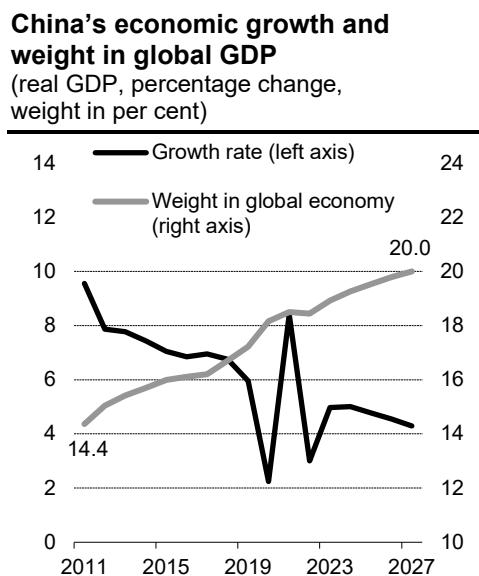
Given its relatively heavy weight in the global economy, the recovery of the Chinese economy will be crucial for global economic growth in 2023.

- China is the biggest trading partner of the European Union and many Asian countries. These economies are expected to benefit strongly from rising Chinese demand.
- In addition, Asian countries are also expected to benefit from the return of Chinese tourists.
- Supply chain tensions are projected to continue easing gradually with the zero-COVID policy being lifted.

However, the rapid rebound of the Chinese economy could fuel inflationary pressures on a global scale.

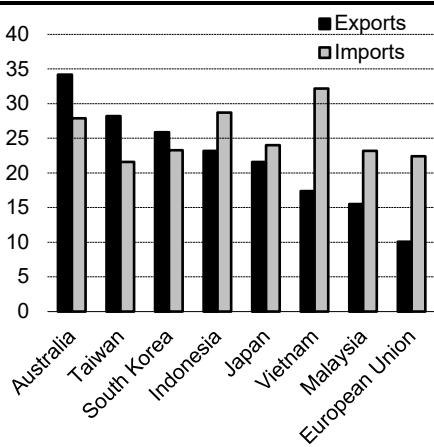
- In particular, the prices of several commodities could rise due to higher demand from China.

CHART G.42



Sources: International Monetary Fund, Refinitiv Datastream and Ministère des Finances du Québec.

CHART G.43



Source: World Trade Organization.

Demographic changes will have a significant economic impact, particularly in China

As is the case in many economies, China will see its potential economic growth slowed by various structural factors. It will suffer the effects of the decline in population, caused, in particular, by a low birth rate in recent decades.

- China's total population fell in 2022, a first in six decades. India will become the most populous country in 2023.
- According to the United Nations (UN), the populations of 61 countries or regions are forecast to decline by at least 1% from 2022 to 2050 due to low birth rates or high emigration.

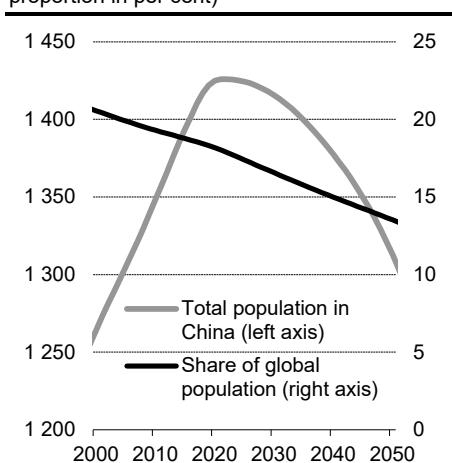
China will also have to face an aging population.

- It will not be the only country to experience this phenomenon. According to the UN, the proportion of the global population aged 65 and over is expected to grow from 10% in 2022 to 16% in 2050. In China, this proportion is expected to increase from 14% to 30% over the same period.
- Population aging will also erode the available labour pool. The decline in the labour force will affect China's competitiveness in the global market by increasing the cost of labour and the cost of goods on a global scale.

In addition to its negative impact on economic growth, the shrinking and aging population will exert pressure on public finances.

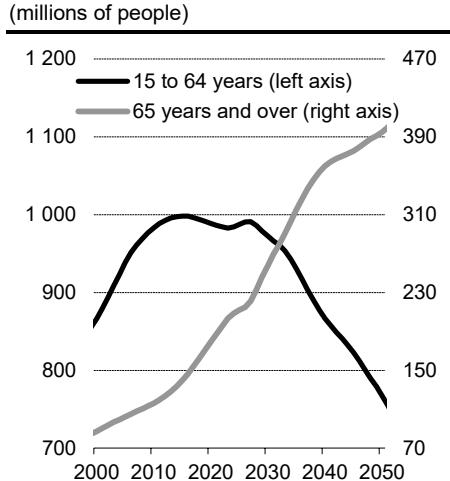
Other factors will slow long-term economic growth, in particular lower returns on capital investments and the resulting decline in productivity.

Chinese population and its share of the global population
(population in millions of people, proportion in per cent)



Sources: United Nations and Ministère des Finances du Québec.

Population by age group in China



Source: United Nations.

4. DEVELOPMENTS IN FINANCIAL MARKETS

□ The outlook for interest rates continues to have a strong influence on markets

Following 2022, a year in which most asset classes experienced significant declines, international financial markets benefitted from some renewed optimism in early 2023.

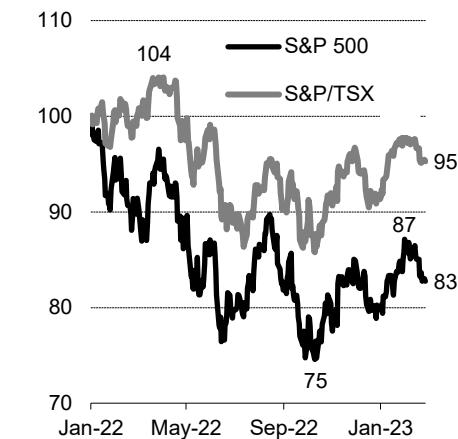
- This return in investor confidence is due, in particular, to expectations that inflation will continue to decline, which may allow central banks to pause their monetary tightening.
- These expectations have contributed to an increase in stock markets, while bond yields have fluctuated in advanced economies.
- Volatility remains high, however, as markets may quickly reassess their expectations regarding changes in interest rates based on economic statistics.

Moreover, after rallying throughout most of 2022, the U.S. dollar has generally trended downward in recent months.

Meanwhile, the prices of several commodities have been volatile since the beginning of 2023 due to global supply and demand uncertainties.

CHART G.44

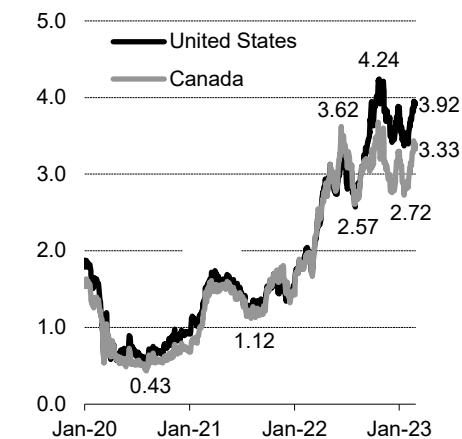
North American stock markets
(indexes, January 3, 2022 = 100)



Note: Latest data as at February 28, 2023.
Sources: Bloomberg and Ministère des Finances du Québec.

CHART G.45

Yield on 10-year federal bonds
(per cent)



Note: Latest data as at February 28, 2023.
Source: Bloomberg.

□ Bank of Canada: A pause in rate hikes

In January, the Bank of Canada raised its policy rate by 25 basis points to 4.50% and then kept it unchanged in early March. It stood at 0.25% one year ago. The effects of this exceptional monetary tightening are starting to be felt, as inflation has eased in recent months.

At the time of its most recent hike in January, the Bank of Canada announced a pause in its monetary tightening. Therefore, if the economy develops in accordance with its January outlook, the Bank will maintain the policy rate at the current level while it assesses the impact of the cumulative interest rate increases.

- In this context, the Ministère des Finances expects Canada's policy rate to remain unchanged over the coming months and that the continued moderation of inflation may allow the Bank of Canada to begin easing its monetary policy toward the end of this year.

□ Federal Reserve: The increase in interest rates is not over

In the United States, in February, the Federal Reserve decided to slow the pace of interest rate hikes with an increase of 25 basis points, bringing the policy rate within the range of 4.50%-4.75%.

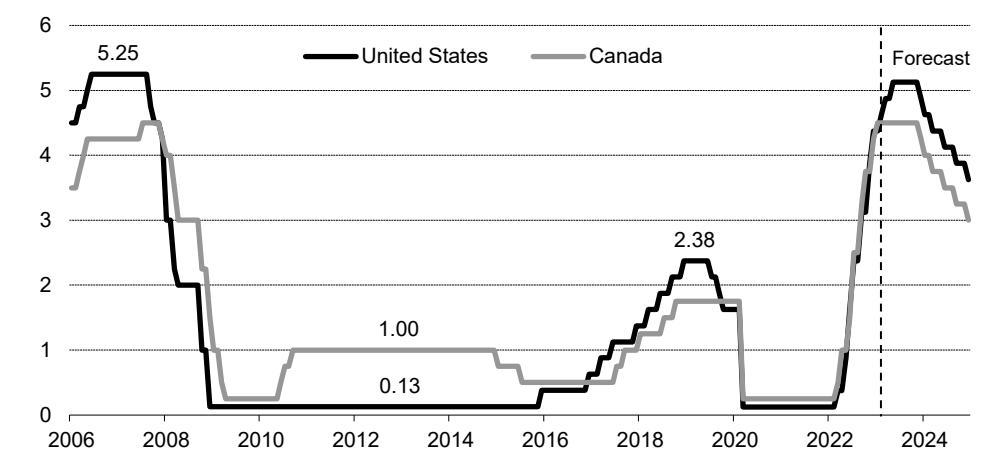
The Federal Reserve acknowledged that progress had been made in the fight against inflation, which stood at 6.4% in January compared with the peak of 9.1% reached in June 2022. However, the institution reiterated that additional monetary tightening will be necessary to bring inflation back down to the 2% target.

- As a result, the policy rate is forecast to increase further to reach a peak in the first half of 2023 and may start to decline toward the end of this year with the anticipated slowdown in inflation.

CHART G.46

Policy interest rate in Canada and the United States

(overnight rate target and federal funds target rate,⁽¹⁾ per cent)



(1) The federal funds target rate is the midpoint of the target range.

Sources: Statistics Canada, Bloomberg and Ministère des Finances du Québec.

□ High bond yield volatility

Bond yields increased sharply in 2022 due to the rapid tightening of monetary policies and may have reached a peak last fall in North America.

There has been significant variability in bond yields in recent months. They pulled back slightly from last fall's levels, as the 10-year Canadian government bond yield averaged 3.2% in February, compared to 3.4% in October.

- This decline in bond yields is mainly due to market expectations that inflation will continue to moderate. The decline is also attributable to concerns over the outlook for growth, with the North American economy expected to slow significantly in 2023.

Bond yields are expected to fluctuate near their current levels in the coming quarters. On the one hand, the monetary tightening cycle in North America is expected to end in 2023. On the other hand, the inflation normalization process could have some surprises in store, which will maintain a degree of uncertainty and volatility in bond markets.

□ The Canadian dollar is expected to strengthen

In 2022, the Canadian dollar, like other currencies, was impacted by the strong, broad-based appreciation of the U.S. dollar. However, the U.S. dollar has generally trended downward since last fall.

- The forthcoming end of monetary tightening in the United States is expected to prompt the U.S. dollar to continue its slide against the major currencies.
- Furthermore, the improvement during the year in the growth outlook for the global and Canadian economies is expected to support the Canadian dollar, which is forecast to stand at close to 76 U.S. cents at the end of this year.

TABLE G.11

Canadian financial markets

(average annual percentage rate, unless otherwise indicated,
end-of-year data in brackets)

	2022	2023	2024
Overnight rate target	2.0 (4.3)	4.5 (4.3)	3.5 (3.0)
3-month Treasury bill	2.3 (4.3)	4.4 (4.2)	3.5 (2.9)
10-year bond	2.8 (3.3)	3.1 (3.0)	3.0 (3.0)
Canadian dollar (in U.S. cents)	76.6 (73.8)	75.0 (75.6)	76.8 (78.1)
U.S. dollar (in Canadian dollars)	1.31 (1.36)	1.33 (1.32)	1.30 (1.28)

Sources: Statistics Canada, Bloomberg and Ministère des Finances du Québec.

□ Energy markets subject to multiple risks

As in 2022, oil prices have been volatile since the start of 2023. The price of West Texas Intermediate (WTI) averaged US\$77 per barrel in February, a decline of more than 30% from the peak reached in June 2022. Oil prices are expected to remain volatile in the coming months due to economic uncertainty and persistent geopolitical tensions.

Investor concerns surrounding the global economic slowdown and the effects of interest rate hikes continue to weigh on the outlook for global oil demand, which is limiting price increases.

— However, expectations of an upturn in Chinese demand with the abandonment of the zero-COVID policy, together with the end of monetary tightening in several countries in 2023, is forecast to bolster prices in the coming quarters.

In terms of supply, the western embargo on crude oil and refined products from Russia, and the possible production adjustment by OPEC and its partners could disrupt the global oil market supply.

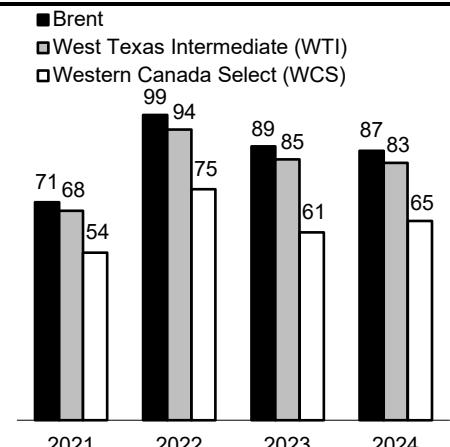
In addition, natural gas prices in North America and Europe have fallen by more than 60% since the end of 2022. This decline reflects weaker-than-expected demand due to particularly mild winter temperatures, the efforts made by certain countries to reduce their energy consumption and adequate inventory levels.

In short, energy prices are projected to average levels below those of last year, which will help drive down global inflation.

CHART G.47

Change in oil prices

(U.S. dollars per barrel)

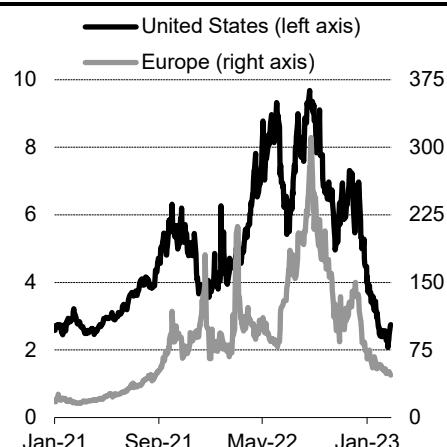


Sources: Bloomberg and Ministère des Finances du Québec.

CHART G.48

Change in natural gas prices

(U.S. dollars per MMBtu in the United States and euros per MWh in Europe)



Note: The U.S. price is for delivery to the Henry Hub in Louisiana and the European price is for delivery to the TTF virtual trading point in the Netherlands.

Source: Bloomberg.

5. MAIN RISKS THAT MAY INFLUENCE THE FORECAST SCENARIO

The economic and financial forecasts in *The Québec Budget Plan – March 2023* are based on a set of 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.

□ A different evolution of inflation

Price pressures are expected to ease gradually. If inflation persists, it could lead central banks to tighten monetary policy further or maintain high interest rates longer than forecast. In this context, the economic slowdown could be more severe than expected.

- Central banks will need to continue to be cautious. Not tightening monetary policy enough would further support price pressures and increase imbalances in the economies.
- However, overtightening would exacerbate the difficulties in the sectors that are most sensitive to changes in interest rates and could lead to a severe contraction in real GDP.

A faster-than-expected slowdown in inflation could cause central banks to adopt less restrictive monetary policies or even start reducing their policy rates sooner than forecast. Such an outcome would result in stronger-than-expected economic growth.

□ Stronger-than-forecast economic growth in the United States

In the United States, the current scenario is already based on weak growth in real GDP in 2023 and 2024. The increased geopolitical and trade uncertainty, alongside a slower-than-expected decline in inflation, could further dampen confidence, investment and household consumption.

- A sharper or longer slowdown in U.S. economic activity could trigger a greater-than-expected slowdown in global growth given the weight of the United States in the global economy.

In contrast, the U.S. economy could prove to be more resilient. Furthermore, some statistics have been surprising since the beginning of 2023, leading some analysts to assign a higher probability to a soft-landing scenario.

- Among other things, U.S. household expenditures could turn out to be higher than forecast, with early 2023 seeing a strong recovery in sales of goods and some services.
- Stronger growth in consumption, which represents 68% of U.S. GDP, could further support economic growth and would have a beneficial effect on the Québec and Canadian economies.

A more pronounced adjustment than expected in the real estate sector in Québec and Canada

The real estate market boom that took place in Québec and Canada in 2020 and 2021 resulted in an overvaluation of housing prices.

- The supply of available properties has proven to be insufficient to meet the surge in demand. This imbalance put upward pressure on prices, which reached record highs in early 2022.
- However, high prices and rising interest rates have worsened affordability, reducing demand in the process.

A larger-than-expected correction in real estate prices could occur in reaction to an increase in mortgage rates or waning demand. This could spur a greater decline than forecast in residential investment and could curb economic growth more strongly.

Such a development could generate instability in financial markets and would negatively impact the financial position of households.

Recruitment difficulties accentuated by the labour shortage

Like many developed economies, Québec is faced with an aging population, which is resulting in a shrinking pool of potential workers.

This demographic shift is putting pressure on the labour market. With the unemployment rate at a historic low and the high number of job vacancies, the labour shortage could rein in economic growth more than expected.

Stronger- or weaker-than-expected global economic growth

An economic slowdown is expected in most regions of the world. However, the moderation in global economic activity may be more pronounced than expected.

- In China, recovery could be curbed by difficulties in the real estate sector or even by production stoppages caused by waves of COVID-19 infection.
- In Europe, uncertainty is fuelled by the sharp rise in inflation, the war in Ukraine as well as the energy crisis. Fears of a recession are lurking in some countries, including Germany, which is the main economic engine of the euro area, and the United Kingdom.

Furthermore, given the weight of China (19%) and Europe (20%) in global GDP, a rapid improvement in the Chinese economy or accelerated growth in Europe would also have significant upside implications for global economic activity.

□ An increase in geopolitical tensions

The global economy has to contend with the presence of geopolitical tensions, particularly the war in Ukraine.

- Developments in energy prices and financial markets could be affected by increased geopolitical tensions. However, the magnitude of these effects remains difficult to quantify.
- The economic and financial scenario is based on the premise that the current tensions will continue but without major spillover effects.

□ A different evolution of energy prices

Oil prices are expected to continue to show high volatility in the coming months but are nevertheless expected to remain at lower levels than after Russia's invasion of Ukraine in February 2022.

- However, oil prices could differ from forecast levels due to various factors. These include the extent of the global economic slowdown, the strength of the recovery in China, the effects of the western embargo on Russian crude oil and refined product exports, the strategy adopted by OPEC or even increased geopolitical tensions.
- A change in oil prices would have significant effects on importing economies such as Québec's.

Furthermore, even though natural gas prices have fallen sharply in recent months, the energy crisis in Europe is far from over.

□ The evolution of the pandemic on a global scale

Although the global epidemiological situation has greatly improved, the World Health Organization (WHO) remains on high alert because of the continuing health risks.

- In particular, lifted health restrictions in China could lead to new waves of infection and disrupt supply chains once more.

Section H

QUÉBEC'S FINANCIAL SITUATION

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SUMMARY

Budget 2023-2024 is an opportunity for the government to report on Québec's economic and budgetary situation and to specify its policy directions regarding public finances. This section reports on recent developments in Québec's financial situation for 2022-2023 and provides a picture of the budgetary outlook up to 2027-2028.

Since March 2022, Québec's budgetary situation has improved thanks to strong economic growth in the first few months of the year. However, inflation and rapidly rising interest rates have slowed economic growth in recent months.

The Québec Budget Plan – March 2023 is based on balanced economic forecasts and a prudent and responsible financial framework.

The government is charting the course to return to a balanced budget by 2027-2028.

The financial framework shows favourable adjustments of \$5.5 billion in 2022-2023, \$6.5 billion in 2023-2024 and \$7.7 billion in 2024-2025.

- These adjustments are largely due to an increase in government revenue, in particular tax revenue, of \$7.2 billion in 2022-2023, \$7.4 billion in 2023-2024 and \$8.1 billion in 2024-2025.
- These increases are offset in part by an increase in portfolio expenditures and debt service of \$1.8 billion in 2022-2023, \$2.5 billion in 2023-2024 and \$2.4 billion in 2024-2025.

These improvements allow for new initiatives of \$6.6 billion in 2022-2023 and 2023-2024 followed by \$7.4 billion in 2024-2025, in particular to grow Québec's wealth, develop the potential of youth and make the health care system more effective and more humane.

- These amounts include the deployment of the Anti-Inflation Shield announced in the fall 2022 *Update on Québec's Economic and Financial Situation*.

In accordance with the *Balanced Budget Act*, the government will gradually eliminate the budget deficit within the next five years. The \$5.0-billion deficit forecast in 2022-2023 will gradually be eliminated at a rate of \$1 billion per year.

- The budgetary balance, within the meaning of public accounts, shows surpluses as of 2025-2026.

Returning to a balanced budget will be achieved gradually while easing the tax burden on individuals, fostering economic growth and adequately funding the government's missions.

In addition, the financial framework includes a contingency reserve of \$6.5 billion to offset the effects of a sharper-than-expected economic slowdown, should one occur.

The financial framework also includes stable, predictable funding for the government's key priorities.¹

- Spending on health and social services will grow by 7.7% in 2023-2024.
- Spending on education will grow by 6.0% in 2023-2024.
- Spending on higher education will grow by 5.0% in 2023-2024.

Financial framework

Budget 2023-2024 presents the revenue and expenditure outlook for the Québec government until 2027-2028.

Revenue amounts to \$147.7 billion in 2023-2024, with growth of 1.8%. This will increase to 2.8% in 2024-2025.

- Over the horizon of the financial framework, that is, until 2027-2028, annual revenue growth will reach 2.9% on average.

Expenditure amounts to \$147.9 billion in 2023-2024, with growth of 0.7%.² Growth will reach 2.4% in 2024-2025.

- From 2023-2024 to 2027-2028, the annual growth in expenditure will be 2.1% on average.³

The financial framework includes a contingency reserve of \$1.5 billion in 2023-2024, \$1.0 billion in 2024-2025 and 2025-2026, and \$1.5 billion in 2026-2027 and 2027-2028.

The budgetary balance, within the meaning of public accounts, shows a deficit of \$1.6 billion in 2023-2024 and \$597 million in 2024-2025, then surpluses as of 2025-2026.

According to the definition provided in the *Balanced Budget Act*, the budgetary balance presents a deficit of \$4.0 billion in 2023-2024 and will be balanced in 2027-2028.

¹ Detailed explanations for expenditure growth are presented in subsection 3.2.

² In 2023-2024, when excluding the impact of the COVID-19 support and recovery measures, the growth in expenditures is 4.3%.

³ Excluding the impact of the COVID-19 support and recovery measures, annual growth in expenditure will be 2.9% on average.

TABLE H.1

Multi-year financial framework

(millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	AAGR ⁽¹⁾
Revenue							
Personal income tax	42 670	43 126	44 749	46 470	48 153	49 873	
Contributions for health services	7 841	7 944	8 161	8 407	8 601	8 778	
Corporate taxes	13 263	13 192	14 090	14 835	15 529	16 089	
School property tax	1 112	1 184	1 292	1 374	1 387	1 432	
Consumption taxes	26 548	27 290	28 220	29 080	29 875	30 739	
Duties and permits	5 981	5 739	5 746	5 896	6 116	6 214	
Miscellaneous revenue	11 784	12 707	13 112	13 444	13 922	14 365	
Government enterprises	6 674	6 807	6 685	6 539	7 291	6 885	
Own-source revenue	115 873	117 989	122 055	126 045	130 874	134 375	
% change	5.7	1.8	3.4	3.3	3.8	2.7	3.0
Federal transfers	29 226	29 742	29 741	30 908	32 011	33 197	
% change	0.1	1.8	0.0	3.9	3.6	3.7	2.6
Total revenue	145 099	147 731	151 796	156 953	162 885	167 572	
% change	4.5	1.8	2.8	3.4	3.8	2.9	2.9
Expenditure							
Portfolio expenditures	-136 716	-138 392	-141 468	-145 445	-149 138	-152 095	
% change⁽²⁾	7.4	1.2	2.2	2.8	2.5	2.0	2.2
Debt service	-10 053	-9 464	-9 925	-9 964	-10 516	-11 135	
% change	16.4	-5.9	4.9	0.4	5.5	5.9	2.1
Total expenditure	-146 769	-147 856	-151 393	-155 409	-159 654	-163 230	
% change⁽²⁾	7.9	0.7	2.4	2.7	2.7	2.2	2.1⁽³⁾
Contingency reserve	—	-1 500	-1 000	-1 000	-1 500	-1 500	
SURPLUS (DEFICIT)	-1 670	-1 625	-597	544	1 731	2 842	

Note: Totals may not add due to rounding.

(1) Average annual growth rate, corresponding to the geometric mean over five years, from 2023-2024 to 2027-2028.

(2) In 2023-2024, when excluding the impact of the COVID-19 support and recovery measures, portfolio expenditures grow by 5.1% and total expenditure, by 4.3%.

(3) Excluding the impact of the COVID-19 support and recovery measures, annual growth in expenditure will be 2.9% on average.

■ Budgetary balance within the meaning of the *Balanced Budget Act*

Under the *Balanced Budget Act*, the budgetary balance corresponds essentially to the surplus or the deficit presented in the public accounts (book balance) reduced by the amount of revenues dedicated to the Generations Fund and adjusted to take certain accounting changes into consideration, if applicable.

For the purpose of calculating the attainment of fiscal balance, the balance must also take into account the use of the stabilization reserve, of which the sums available depend on the budgetary surpluses of previous years.

- The stabilization reserve will be fully utilized in 2022-2023, resulting in a zero balance of the reserve as at March 31, 2023.

TABLE H.2

Budgetary balance within the meaning of the *Balanced Budget Act* (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028
SURPLUS (DEFICIT)	-1 670	-1 625	-597	544	1 731	2 842
Deposits of dedicated revenues in the Generations Fund	-3 351	-2 373	-2 387	-2 524	-2 707	-2 833
BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE	-5 021	-3 998	-2 984	-1 980	-976	9
Use of the stabilization reserve	449	—	—	—	—	—
BUDGETARY BALANCE WITHIN THE MEANING OF THE BALANCED BUDGET ACT	-4 572	-3 998	-2 984	-1 980	-976	9

Note: Totals may not add due to rounding.

1. QUÉBEC'S BUDGETARY SITUATION

In 2023-2024, the budgetary balance shows a deficit of \$4.0 billion.

- Revenue stands at \$147.7 billion.
- Portfolio expenditures, or expenditures tied to the delivery of public services, stand at \$138.4 billion.
- Debt service amounts to \$9.5 billion.
- A contingency reserve of \$1.5 billion is included in the financial framework due to the uncertainty affecting the economic context and to offset the effects of a sharper-than-expected economic slowdown, should one occur.
- Deposits of dedicated revenues in the Generations Fund total \$2.4 billion.

TABLE H.3

Québec's budget – March 2023 (millions of dollars)

	2023-2024
Revenue	
Own-source revenue	117 989
% change	1.8
Federal transfers	29 742
% change	1.8
Total revenue	147 731
% change	1.8
Expenditure	
Portfolio expenditures	-138 392
% change	1.2
Debt service	-9 464
% change	-5.9
Total expenditure	-147 856
% change	0.7
Contingency reserve	-1 500
SURPLUS (DEFICIT)	-1 625
BALANCED BUDGET ACT	
Deposits of dedicated revenues in the Generations Fund	-2 373
BUDGETARY BALANCE	-3 998

1.1 Recent developments in the budgetary situation

The favourable revenue adjustments for the period covered by the financial framework make it possible, in particular, to return to a balanced budget in 2027-2028, while supporting economic growth and wealth creation.

— However, although the Ministère des Finances is not forecasting a recession, a slowdown in Québec's economic activity is expected in 2023.

Main adjustments from 2022-2023 to 2024-2025

Since Budget 2022-2023, the financial framework presents improvements of \$6.6 billion on average from 2022-2023 to 2024-2025.

For this period, the government is providing for new initiatives of \$6.6 billion in 2022-2023 and 2023-2024 followed by \$7.4 billion in 2024-2025, notably to grow Québec's wealth, develop the potential of youth and make the health care system more effective and more humane.

— These amounts include the deployment of the Anti-Inflation Shield announced in the fall 2022 *Update on Québec's Economic and Financial Situation*.

Deposits of dedicated revenues in the Generations Fund will experience more moderate growth, mainly due to the planned amendments regarding the sources of revenue dedicated to the Generations Fund as of 2023-2024.

TABLE H.4

Adjustments to the financial framework since March 2022
 (millions of dollars)

	2022-2023	2023-2024	2024-2025
BUDGETARY BALANCE⁽¹⁾ – MARCH 2022	–6 450	–3 900	–3 750
ECONOMIC AND BUDGETARY SITUATION			
Own-source revenue excluding revenue from government enterprises			
– Tax revenue	4 754	5 352	5 778
– Other revenue	946	1 010	858
Subtotal	5 700	6 361	6 636
Revenue from government enterprises	1 046	1 074	860
Subtotal – Own-source revenue	6 746	7 435	7 496
Federal transfers	436	–6	623
Subtotal – Revenue	7 182	7 429	8 119
Portfolio expenditures	–554	–1 740	–1 295
Debt service	–1 211	–739	–1 132
Subtotal – Expenditure	–1 765	–2 479	–2 427
Deposits of dedicated revenues in the Generations Fund	94	1 562	1 993
TOTAL ADJUSTMENTS TO THE ECONOMIC AND BUDGETARY SITUATION	5 511	6 512	7 685
INITIATIVES SINCE BUDGET 2022-2023⁽²⁾	–5 518	–2 287	–2 535
BUDGET 2023-2024 INITIATIVES			
Growing Québec's wealth	–502	–2 081	–2 311
Developing the potential of youth	–34	–345	–499
Making the health care system more effective and more humane	—	–1 034	–1 135
Supporting Quebecers	–514	–740	–773
Diversifying and consolidating environmental measures	–15	–122	–166
Subtotal	–1 064	–4 323	–4 885
TOTAL INITIATIVES	–6 582	–6 610	–7 419
Contingency reserve	2 500	—	500
BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE	–5 021	–3 998	–2 984
Use of the stabilization reserve ⁽³⁾	449	—	—
BUDGETARY BALANCE⁽¹⁾ – MARCH 2023	–4 572	–3 998	–2 984

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.

(2) The initiatives since Budget 2022-2023 include the measures announced in the August 2022 pre-election report and the fall 2022 *Update on Québec's Economic and Financial Situation*.

(3) The stabilization reserve will be fully utilized in 2022-2023, resulting in a zero balance of the reserve as at March 31, 2023.

■ **Adjustments related to the economic and budgetary situation**

Compared to March 2022, improvements of \$5.5 billion in 2022-2023, \$6.5 billion in 2023-2024 and \$7.7 billion in 2024-2025 are included in the financial framework. These improvements are explained, in particular, by:

- an increase in own-source revenue, excluding revenue from government enterprises, of \$5.7 billion in 2022-2023, \$6.4 billion in 2023-2024 and \$6.6 billion in 2024-2025, derived mainly from personal income tax, corporate taxes and revenue from duties and permits;
- a favourable adjustment to revenue from government enterprises of \$1.0 billion in 2022-2023, \$1.1 billion in 2023-2024 and \$860 million in 2024-2025;
 - For 2022-2023, the adjustments come primarily from the increase in the value of Hydro-Québec's electricity exports, which are offset by a decrease in Investissement Québec's anticipated results, due to the downturn in financial markets since March 2022.
 - For 2023-2024 and 2024-2025, the adjustments are essentially due to the variations in Hydro-Québec's results stemming from the increase in the value of its electricity exports and the value of sales in Québec.
- a \$436-million increase in federal transfers in 2022-2023, resulting, among other things, from a one-time \$450-million payment to eliminate the backlog of surgeries, followed by a \$6-million decrease in 2023-2024 and a \$623-million increase in 2024-2025;
 - These adjustments include the additional health funding announced by the federal government on February 7, 2023 (\$4.7 billion over five years for Québec from 2023-2024 to 2027-2028).
- an increase in portfolio expenditures:
 - of \$554 million in 2022-2023, stemming notably, from the increased spending to overcome the public health crisis and downward adjustments to the spending of certain bodies,
 - of \$1.7 billion in 2023-2024 and \$1.3 billion in 2024-2025 due to the projected indexation of expenditures, population growth and investments provided for in the Québec Infrastructure Plan;

- an increase in debt service of \$1.2 billion in 2022-2023, \$739 million in 2023-2024 and \$1.1 billion in 2024-2025, due to higher-than-anticipated interest rates and a downward adjustment of the expected return on the Retirement Plans Sinking Fund (RPSF) in 2022-2023;
- a \$94-million decrease in deposits in the Generations Fund in 2022-2023 due to lower-than-anticipated investment income, followed by decreases of \$1.6 billion in 2023-2024 and \$2.0 billion in 2024-2025 due to the planned amendments regarding the sources of revenue dedicated to the Generations Fund as of 2023-2024.

■ **Budget 2023-2024 initiatives**

In this budget, the government is providing initiatives of nearly \$4.3 billion for 2023-2024, that is:

- \$2.1 billion to grow Québec's wealth;
- \$345 million to develop the potential of youth;
- \$1.0 billion to make the health care system more effective and more humane;
- \$740 million to support Quebecers;
- \$122 million to diversify and consolidate environmental measures.

The total cost of the initiatives since Budget 2022-2023 is \$6.6 billion in 2022-2023 and 2023-2024 and \$7.4 billion in 2024-2025.

Recap of the December 2022 initiatives

In the December 2022 *Update on Québec's Economic and Financial Situation*, the government announced initiatives totalling \$5.4 billion for 2022-2023, namely:

- \$5.1 billion to implement the Anti-Inflation Shield;
- \$244 million to improve housing affordability;
- \$53 million to strengthen security in Montréal.

These initiatives will total \$2.1 billion in 2023-2024 and \$2.4 billion in 2024-2025.

December 2022 initiatives

(millions of dollars)

	2022-2023	2023-2024	2024-2025
Implementing the Anti-Inflation Shield			
– Enhancing the senior assistance amount	-1 545	-1 574	-1 605
– Granting a new one-time cost of living support payment	-3 514	—	—
– Limiting rate indexing to 3%	-32	-377	-604
Subtotal	-5 091	-1 951	-2 209
Improving housing affordability	-244	-106	-95
Strengthening security in Montréal	-53	-50	-50
TOTAL	-5 388	-2 107	-2 354

■ Other adjustments

The \$2.5-billion contingency reserve that was provided for in the March 2022 budget was not used in 2022-2023. It will be maintained at \$1.5 billion in 2023-2024 and will also be adjusted downward by \$500 million in 2024-2025.

The Ministère des Finances does not expect a recession in Québec, but several risks, both upside and downside, could impact the economic outlook in the coming months.⁴

- If the economic situation were to deteriorate, for example, due to a worsening of geopolitical tensions or persistent inflation, the financial framework includes a contingency reserve of \$6.5 billion over the period covered by the financial framework. This could offset the effects of a sharper-than-expected economic slowdown.
- The contingency reserve is adjusted over the period covered by the financial framework to take into account short-term economic risks and uncertainty that could affect longer-term forecasts.

Lastly, the balance of the stabilization reserve reduces the budgetary deficit by \$449 million in 2022-2023. The stabilization reserve will be fully utilized in 2022-2023, resulting in a zero balance of the reserve as at March 31, 2023.

⁴ Section J, “Alternative Forecast Scenarios,” presents scenarios that make it possible to assess the impacts of more moderate-than-expected or stronger-than-expected economic growth on the financial framework.

Adjustments since December 2022

Since the December 2022 *Update on Québec's Economic and Financial Situation*, the financial framework has presented adjustments, which are explained by:

- the overall improvement in the economic and budgetary situation and the reduction in deposits in the Generations Fund, which lead to adjustments of \$268 million in 2022-2023, \$2.1 billion in 2023-2024, and \$3.6 billion in 2024-2025;
- the cost of the new initiatives announced, representing \$1.1 billion in 2022-2023, \$4.3 billion in 2023-2024, and \$4.9 billion in 2024-2025;
- the decrease in the contingency reserve of \$1 billion in 2022-2023, \$500 million in 2023-2024, and \$1 billion in 2024-2025.

Adjustments to the financial framework since December 2022

(millions of dollars)

	2022-2023	2023-2024	2024-2025
BUDGETARY BALANCE⁽¹⁾ – DECEMBER 2022	-5 225	-2 267	-2 665
ECONOMIC AND BUDGETARY SITUATION			
Own-source revenue excluding revenue from government enterprises			
– Tax revenue	480	503	592
– Other revenue	534	496	354
Subtotal	1 014	999	947
Revenue from government enterprises	36	246	-159
Subtotal – Own-source revenue	1 050	1 245	788
Federal transfers	-382	455	-460
Subtotal – Revenue	668	1 700	328
Portfolio expenditures	-772	-1 106	900
Debt service	470	-77	161
Subtotal – Expenditure	-302	-1 183	1 061
Deposits of dedicated revenues in the Generations Fund	-98	1 574	2 177
TOTAL ADJUSTMENTS TO THE ECONOMIC AND BUDGETARY SITUATION	268	2 092	3 566
BUDGET 2023-2024 INITIATIVES			
Growing Québec's wealth	-502	-2 081	-2 311
Developing the potential of youth	-34	-345	-499
Making the health care system more effective and more humane	—	-1 034	-1 135
Supporting Quebecers	-514	-740	-773
Diversifying and consolidating environmental measures	-15	-122	-166
TOTAL INITIATIVES	-1 064	-4 323	-4 885
Contingency reserve	1 000	500	1 000
BUDGETARY BALANCE⁽¹⁾ – MARCH 2023	-5 021	-3 998	-2 984

Note: Totals may not add due to rounding.

(1) Budgetary balance within the meaning of the *Balanced Budget Act*, before use of the stabilization reserve.

1.2 Detailed adjustments in 2022-2023

Upward adjustments of \$1.4 billion since the March 2022 budget have reduced the budgetary deficit to \$5.0 billion in 2022-2023 before use of the stabilization reserve.

These adjustments are primarily attributable to:

- a \$6.6-billion increase in revenue, namely an increase of \$6.2 billion in own-source revenue and \$436 million from federal transfers;
- an increase in expenditures of \$7.8 billion, primarily due to:
 - an increase in portfolio expenditures of \$6.6 billion resulting from the implementation of \$6.0 billion in new initiatives, including the Anti-Inflation Shield announced in the December 2022 *Update on Québec's Economic and Financial Situation* to help Quebecers cope with the rising cost of living;
 - a \$1.2-billion increase in debt service due to rapidly rising interest rates;
- the elimination of the \$2.5-billion contingency reserve.

TABLE H.5

Adjustments to the 2022-2023 financial framework since March 2022
 (millions of dollars)

	2022-2023					
	March 2022		Adjustments			
	Economic and budgetary situation	Initiatives and other adjustments	Total			
Own-source revenue						
Tax revenue	87 212	4 754	-532	4 222	91 434	
Other revenue	16 851	946	-32	914	17 765	
Subtotal	104 063	5 700	-564	5 136	109 199	
Revenue from government enterprises	5 628	1 046	—	1 046	6 674	
Total own-source revenue	109 691	6 746	-564	6 182	115 873	
Federal transfers	28 790	436	—	436	29 226	
Revenue	138 481	7 182	-564	6 618	145 099	
Portfolio expenditures	-130 144	-554	-6 018	-6 572	-136 716	
Debt service	-8 842	-1 211	—	-1 211	-10 053	
Expenditure	-138 986	-1 765	-6 018	-7 783	-146 769	
Contingency reserve	-2 500	—	2 500	2 500	—	
SURPLUS (DEFICIT)	-3 005	5 417	-4 082	1 335	-1 670	
Deposits of dedicated revenues in the Generations Fund	-3 445	94	—	94	-3 351	
BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE	-6 450	5 511	-4 082	1 429	-5 021	
Use of the stabilization reserve	—	—	449	449	449	
BUDGETARY BALANCE⁽¹⁾	-6 450	5 511	-3 633	1 878	-4 572	

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.

Own-source revenue excluding revenue from government enterprises

For 2022-2023, own-source revenue excluding revenue from government enterprises is adjusted upward by \$5.1 billion compared to the Budget 2022-2023 forecasts and totals \$109.2 billion.

- Tax revenues are adjusted upward by \$4.2 billion, due in part to the 3.3-percentage-point upward adjustment to nominal GDP in 2022 over the Budget 2022-2023 forecasts.
- Other revenue, namely duties and permits and miscellaneous revenue, is adjusted upward by \$914 million.

TABLE H.6

Adjustments in own-source revenue excluding revenue from government enterprises
(millions of dollars)

	2022-2023
OWN-SOURCE REVENUE⁽¹⁾ – MARCH 2022	104 063
Tax revenue	
Personal income tax	1 523
Contributions for health services	542
Corporate taxes	2 381
School property tax	-66
Consumption taxes	-158
Subtotal	4 222
Other revenue	
Duties and permits	810
Miscellaneous revenue	104
Subtotal	914
Total adjustments	5 136
OWN-SOURCE REVENUE⁽¹⁾ – MARCH 2023	109 199

(1) Own-source revenue excluding revenue from government enterprises.

■ Tax revenue

For 2022-2023, revenue from personal income tax is adjusted upward by \$1.5 billion compared to the March 2022 forecast, and contributions for health services are adjusted upward by \$542 million.

- These improvements can be attributed, in particular, to wages and salaries, whose growth was adjusted upward by 1.8 percentage points in 2022, from 8.1% to 9.9%.

Revenue from corporate taxes is adjusted upward by \$2.4 billion in 2022-2023.

- This increase can primarily be attributed to the net operating surplus of corporations, whose growth was adjusted upward in 2022 by 7.9 percentage points, from -6.4% to 1.5%.

Revenue from the school property tax is adjusted downward by \$66 million in 2022-2023.

- This decrease is due in part to the additional contribution from the Québec government to limit the average increase in school taxes from 2% to 3% for 2022-2023.

Consumption tax revenue, which is derived mainly from the Québec sales tax, is adjusted downward by \$158 million in 2022-2023.

- This adjustment is explained by lower-than-expected tax revenues since the beginning of the fiscal year, despite the upward adjustment of household consumption⁵ by 0.5 percentage points in 2022.

■ Other revenue

In 2022-2023, revenue from duties and permits is adjusted upward by \$810 million compared to the March 2022 forecast.

- This improvement is mainly attributable to the increase in mining revenues due to sustained market prices for metals since 2020⁶ and more favourable than projected developments in revenue from the auction of GHG emission allowances.

Miscellaneous revenue⁷ is adjusted upward by \$104 million in 2022-2023.

- This increase stems, in particular, from the increase in revenues from fines, forfeitures and recoveries, the effect of which is partially offset by the decline in investment income of the Generations Fund.

⁵ Household consumption excluding food expenditures and shelter.

⁶ In 2022-2023, mining revenues are deposited in the Generations Fund.

⁷ Miscellaneous revenue includes revenues from interest, the sale of goods and services, as well as from fines, forfeitures and recoveries, among other things.

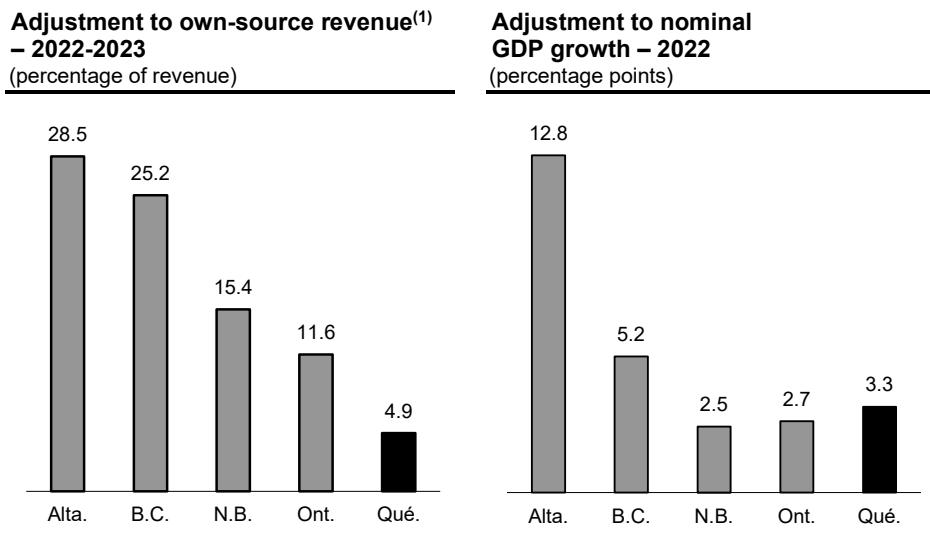
A favourable adjustment of own-source revenue in Québec and other Canadian provinces in 2022-2023

Own-source revenue¹ is adjusted by \$5.1 billion, or 4.9%, in 2022-2023 compared to the March 2022 budget forecast. In 2022, nominal GDP is adjusted upward by 3.3 percentage points, which results, in particular, in a strong improvement in revenue from personal income tax and corporate taxes in 2022-2023.

Like Québec, several provinces are forecasting an improvement in their own-source revenue due to more sustained economic activity than what was anticipated in spring 2022. In particular, British Columbia and Ontario adjusted their own-source revenue by 25.2% and 11.6%, respectively, due to a positive trend in personal income tax and corporate taxes. In addition, Alberta adjusted its revenue by 28.5%, mainly due to an increase in revenue from natural resources.

Despite the favourable adjustments observed in Québec, several risks may influence own-source revenue forecasts. For example:

- higher-than-expected energy prices could impact activity in certain sectors and adversely affect corporate profits, which would have a negative effect on revenue from corporate taxes;
- a further hike in interest rates could reduce households' disposable income and purchasing power, which would have a negative effect on revenue from consumption taxes.



(1) Own-source revenue excluding revenue from government enterprises.

Sources: 2023-2024 provincial budgets, financial report for the third quarter of 2022-2023 for Ontario and New Brunswick.

Sources: 2023-2024 provincial budgets, financial report for the third quarter of 2022-2023 for Ontario and New Brunswick.

1 Own-source revenue excluding revenue from government enterprises.

□ Revenue from government enterprises

For 2022-2023, revenue from government enterprises is adjusted upward by \$1.0 billion, to \$6.7 billion.

This increase is primarily due to Hydro-Québec's results, driven essentially by the increase in the value of its electricity exports.

This increase is partially offset by a decrease in Investissement Québec's anticipated results stemming from the unfavourable performance of its equity and venture capital portfolios as well as its investment funds due to the downturn in financial markets since March 2022. The decline in the financial markets has particularly affected companies in the technology sector, impacting the returns on investments held in this sector by Investissement Québec.

TABLE H.7

Adjustments to revenue from government enterprises (millions of dollars)

	2022-2023
REVENUE FROM GOVERNMENT ENTERPRISES – MARCH 2022	5 628
Hydro-Québec	1 275
Loto-Québec	140
Société des alcools du Québec	59
Investissement Québec	-451
Société québécoise du cannabis ⁽¹⁾	1
Other ⁽²⁾	22
Total adjustments	1 046
REVENUE FROM GOVERNMENT ENTERPRISES – MARCH 2023	6 674

(1) Revenue is allocated to the Fund to Combat Addiction.

(2) The other government enterprises are the Société ferroviaire et portuaire de Pointe-Noire, Capital Financière agricole and the Société du parc industriel et portuaire de Bécancour.

□ Federal transfers

In 2022-2023, revenues from federal transfers stand at \$29.2 billion, an upward adjustment of \$436 million compared to Budget 2022-2023.

This upward adjustment is due, in particular, to a one-time payment of \$450 million to eliminate the backlog of surgeries, announced by the federal government in March 2022.

TABLE H.8

Adjustments to federal transfer revenues (millions of dollars)

	2022-2023
FEDERAL TRANSFERS – MARCH 2022	28 790
Equalization	—
Health transfers	46
Transfers for post-secondary education and other social programs ⁽¹⁾	-237
Other programs	627
Total adjustments	436
FEDERAL TRANSFERS – MARCH 2023	29 226

(1) The downward adjustment to transfers for post-secondary education and other social programs is due to the value of the special Québec abatement, which has been adjusted upward. The special Québec abatement (16.5% of federal personal income tax collected in Québec) is deducted from federal transfer revenues.

□ Portfolio expenditures

For 2022-2023, portfolio expenditures amount to \$136.7 billion, which represents an upward adjustment of \$6.6 billion compared to the March 2022 forecasts.

The adjustment is primarily due to \$6.0 billion in new initiatives announced since the 2022-2023 budget, including:

- \$3.5 billion to grant Quebecers a new one-time cost of living support payment;
- \$1.5 billion to enhance the senior assistance amount to \$2 000;
- \$496 million in housing initiatives;
- \$200 million to support the recovery of public transit.

Other adjustments total \$554 million and are explained, in particular, by the net effect of increased spending to overcome the public health crisis and downward adjustments to the spending of certain bodies.

TABLE H.9

Adjustments to portfolio expenditures (millions of dollars)

	2022-2023
PORTFOLIO EXPENDITURES – MARCH 2022	130 144
New initiatives since March 2022	
Granting a new one-time cost of living support payment	3 514
Enhancing the senior assistance amount	1 545
Housing initiatives ⁽¹⁾	496
Supporting the recovery of public transit	200
Renewing the envelope for the short-term training program	100
Other new initiatives	164
Subtotal – New initiatives since March 2022	6 018
Other adjustments	554
Total adjustments	6 572
PORTFOLIO EXPENDITURES – MARCH 2023	136 716

Note: Totals may not add due to rounding.

(1) In particular, this amount includes the initiatives to improve housing affordability announced in December 2022 and to accelerate the start of AccèsLogis projects.

Financial situation of the Land Transportation Network Fund

The Land Transportation Network Fund (LTNF) was established in 2010 to fund road and public transit infrastructure.

The LTNF is funded by the fuel tax and driver's licence and registration fees, in particular. The allocation of this revenue to the LTNF creates a direct link between users of the road infrastructure and its funding.

- Other amounts, such as amounts from Canada-Québec infrastructure agreements or the Electrification and Climate Change Fund are also added to the LTNF, in order to develop public transit.
- In addition, budgetary appropriations are allocated to the LTNF to support funding for various financial assistance programs, including passenger transportation and local roads.

In recent years, significant investments have been made to maintain and develop land transportation networks, and these investments will remain high. Major projects are being planned or carried out, such as the extension of route 138, the refurbishment of the Louis-Hippolyte-La Fontaine Tunnel, the reconstruction of the Île-d'Orléans bridge, the extension of the Montréal metro blue line and Québec City's strategic public transit system. Since the pandemic, the government has also made significant investments to maintain transportation services.

When also considering the fact that fuel tax revenue is no longer expected to rise due to the growing popularity of electric vehicles, the result is a situation where the expenses borne by the LTNF are growing faster than the revenue deposited in the fund. As a result, it is expected that the LTNF will have an accumulated deficit starting in 2026-2027.

Solutions will need to be identified in collaboration with all stakeholders.

Multi-year financial framework of the LTNF (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	AAGR ⁽¹⁾ (in %)
Revenue	6 681	5 481	5 973	6 330	6 702	7 140	1.3
Expenditure	-6 663	-5 657	-6 239	-7 185	-7 697	-8 855	5.9
Surplus (deficit)	18	-176	-267	-855	-995	-1 715	
Accumulated surplus (deficit)	1 323	1 147	880	25	-970	-2 685	

Note: Totals may not add due to rounding.

(1) Average annual growth rate, corresponding to the geometric mean over five years, from 2023-2024 to 2027-2028.

Debt service

For 2022-2023, the debt service is adjusted upward by \$1.2 billion, to \$10.1 billion, due to increased interest rates.

- The rapid increase in interest rates in 2022-2023 results, in particular, in losses on the disposal of assets in the management of the investment activities of the Sinking Fund for Government Borrowing.

TABLE H.10

Adjustment to debt service (millions of dollars)

	2022-2023
DEBT SERVICE – MARCH 2022	8 842
Interest on direct debt ⁽¹⁾	1 136
Interest on the liability for the retirement plans and other employee future benefits ⁽²⁾	75
Total adjustments	1 211
DEBT SERVICE – MARCH 2023	10 053

(1) Interest on direct debt includes the income of the Sinking Fund for Government Borrowing. This income, which is applied against debt service, consists of interest generated on investments as well as gains and losses on disposal. The forecast for this income may be adjusted upward or downward since it is closely tied to the change in interest rates and market behaviour.

(2) This corresponds to the interest on obligations relating to the retirement plans and other future benefits of public and parapublic sector employees, minus mainly the investment income of the Retirement Plans Sinking Fund (RPSF).

2. RETURNING TO A BALANCED BUDGET

In early 2020, the pandemic caused a shock of unprecedented magnitude, sending the economy into a short but deep recession. Global economic activity quickly began to recover in a synchronized fashion, but this generated inflationary pressures that caused quick and substantial interest rate hikes.

Despite this economic volatility, the government has maintained adequate funding for the government's main missions, thus generating deficits. With the transition to a more stable economic environment, Budget 2023-2024 is an opportunity for the government to table its plan for a return to a balanced budget.

According to this plan, the deficit will be limited to \$4 billion in 2023-2024, then will be progressively reduced by \$1 billion per year until fiscal balance is achieved in 2027-2028.

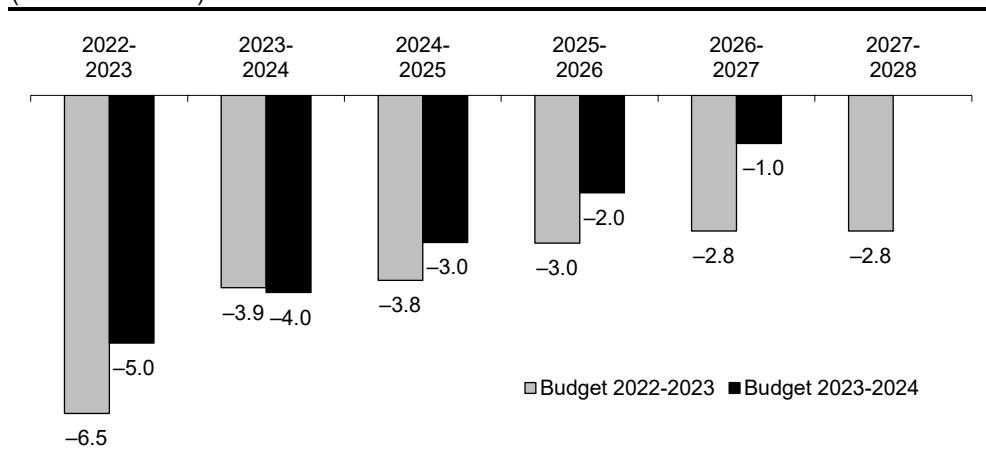
The return to a balanced budget will be achieved while:

- reducing personal income tax;
- fostering economic growth;
- adequately funding the government's missions;
- ensuring that expenditure growth is in line with revenue growth.

Sound management of public finances enables the government to eliminate the \$2.8-billion deficit that was ultimately forecast in Budget 2022-2023 and to continue reducing the debt burden.

CHART H.1

Change in the budgetary balance
(billions of dollars)



Reducing personal income tax

The return to a balanced budget can be achieved while reducing personal income tax. In Budget 2023-2024, the government is planning to reduce the two bottom tax rates, thereby increasing Quebecers' disposable income and stimulating the labour supply.

- This tax cut will be funded by more moderate growth in deposits in the Generations Fund and will not reduce the government's financial capacity to support its various missions.
- The decrease in deposits of dedicated revenues in the Generations Fund as of 2023-2024 is consistent with the new debt reduction objective announced in this budget.⁸

Fostering economic growth

Since fall 2018, the government has taken substantial steps with regard to creating wealth and increasing Québec's economic potential, mainly to enhance business productivity and promote workers' integration and retention in the labour market.

In Budget 2023-2024, the government is continuing to take action with new measures aimed at:

- increasing the productivity of Québec's economy;
- contributing to the prosperity of the regions;
- addressing the labour shortage.

Adequately funding the government's missions

The return to a balanced budget will not be achieved at the expense of the government's ability to adequately fund its various missions. The financial framework of Budget 2023-2024 guarantees stable and predictable funding for the government's missions while ensuring that the cost of renewing the various portfolios is covered and enhancing services. In particular, it includes:

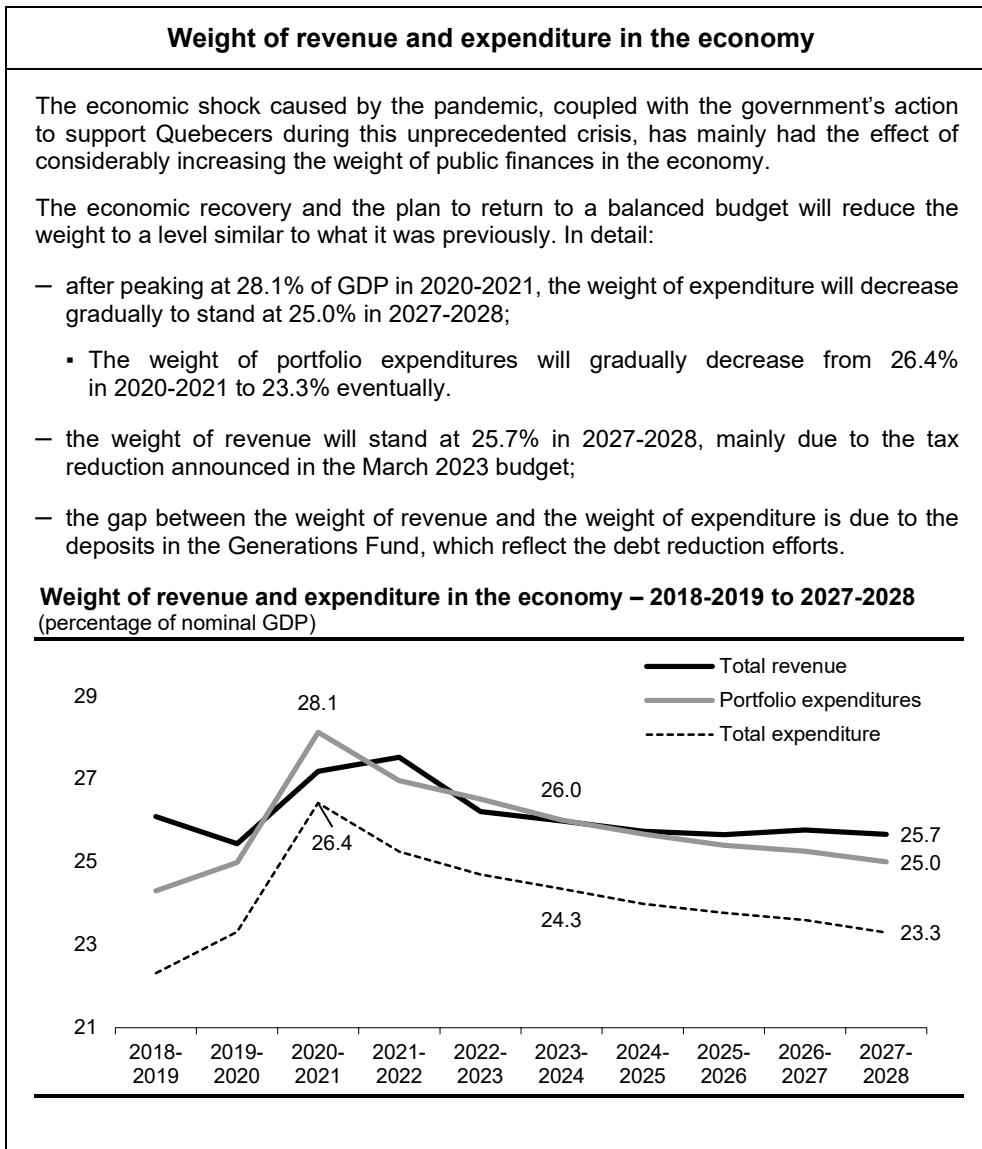
- additional investments of \$2.3 billion to develop the potential of youth;
- additional investments of \$5.6 billion to make the health care system more effective and more humane;
- an increase in investment in the Québec Infrastructure Plan (QIP) to \$150 billion.

⁸ See Section I, "The Québec Government's Debt" in the *Québec Budget Plan – March 2023*, and Section C, "Report on the Application of the Legislation Respecting a Balanced Budget, Debt Reduction and the Generations Fund" in *Additional Information – March 2023*.

□ Ensuring that expenditure growth is in line with revenue growth

The needs that arose from the pandemic have resulted in expenditure growth exceeding revenue growth. During the period covered by the financial framework, expenditure growth will gradually align with revenue growth.

- Up until 2027-2028, annual growth in revenue will reach 2.9% on average. Excluding the impact of the COVID-19 support and recovery measures, annual growth in expenditure will also be 2.9% on average.



Lifting of suspension and modernization of the *Balanced Budget Act*

Lifting the suspension of certain effects of the Act

The *Balanced Budget Act* was amended by Bill 17,¹ assented to on February 24, 2022, which temporarily suspends certain effects of the Act from 2021-2022 until the end of the fiscal year determined by the Minister, that is, no later than the fiscal 2023-2024 Budget Speech.

The desired effects of the suspension include:

- the prohibition of an actual or forecast budgetary deficit;
- the tabling of a plan to restore fiscal balance;
- the obligation to implement offsetting measures for overruns.

In order to meet the Act's requirements, the Minister of Finance is lifting the suspension of these effects as of the end of fiscal 2022-2023.

As a result, the financial framework of Budget 2023-2024 includes a plan to restore a balanced budget by 2027-2028. The plan presented, whereby the deficit will be limited to \$4 billion in 2023-2024, and thereafter progressively reduced by \$1 billion per year until fiscal balance is achieved, constitutes the government's plan for restoring fiscal balance.

- As such, the fiscal framework calls for a \$1-billion decrease in the deficit in 2023-2024 compared with 2022-2023. Considering the changing revenue outlook, the expenditure level has therefore been determined so as to reduce the deficit in accordance with the requirements of the Act.

Modernization of the *Balanced Budget Act*

Since its enactment in 1996, the *Balanced Budget Act* has been amended on several occasions, essentially to suspend some of its effects during periods of recession or economic instability.

Since experience has revealed the difficulties of enforcing the Act in a context of major economic slowdown, Budget 2023-2024 provides an opportunity to modernize certain of its provisions.

The government wishes specifically to:

- improve fiscal flexibility in determining the fiscal balance;
- update the rules requiring the tabling of a plan to offset budget overruns, including the threshold and timeframe for when such a plan is required;
- revise the rules governing the execution of this plan, including the implementation of measures to offset overruns and the time period for offsetting overruns;
- abolish the stabilization reserve.

Proposed details will be specified at a later date.

¹ An Act respecting the implementation of certain provisions of the Budget Speech of 25 March 2021 and amending other provisions (S.Q. 2022, c. 3).

3. REVENUE AND EXPENDITURE FORECASTS

Budget 2023-2024 presents the detailed change in revenue and expenditure, that is, the three-year outlook from 2022-2023 to 2024-2025.

TABLE H.11

Change in revenue and expenditure (millions of dollars)

	2022-2023	2023-2024	2024-2025	AAGR ⁽¹⁾
Revenue				
Own-source revenue excluding revenue from government enterprises	109 199	111 182	115 370	
% change	5.3	1.8	3.8	3.6
Revenue from government enterprises	6 674	6 807	6 685	
% change	12.0	2.0	-1.8	3.9
Federal transfers	29 226	29 742	29 741	
% change	0.1	1.8	0.0	0.6
Total revenue	145 099	147 731	151 796	
% change ⁽²⁾	4.5	1.8	2.8	3.0
Expenditure				
Portfolio expenditures	-136 716	-138 392	-141 468	
% change	7.4	1.2	2.2	3.6
Debt service	-10 053	-9 464	-9 925	
% change	16.4	-5.9	4.9	4.7
Total expenditure	-146 769	-147 856	-151 393	
% change ⁽³⁾	7.9	0.7	2.4	3.6
Contingency reserve	—	-1 500	-1 000	
SURPLUS (DEFICIT)	-1 670	-1 625	-597	
Deposits of dedicated revenues in the Generations Fund	-3 351	-2 373	-2 387	
BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE	-5 021	-3 998	-2 984	
Use of the stabilization reserve	449	—	—	
BUDGETARY BALANCE⁽⁴⁾	-4 572	-3 998	-2 984	

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2022-2023 to 2024-2025.

(2) Detailed explanations for revenue growth are presented in subsection 3.1.

(3) Detailed explanations for expenditure growth are presented in subsection 3.2.

(4) Budgetary balance within the meaning of the *Balanced Budget Act*, after use of the stabilization reserve.

3.1 Change in revenue

Government revenue encompasses own-source revenue, including revenue from government enterprises, as well as revenue from federal transfers.

Government revenue stands at \$145.1 billion in 2022-2023, or \$115.9 billion in own-source revenue and \$29.2 billion from federal transfers.

Government revenue will stand at \$147.7 billion in 2023-2024 and \$151.8 billion in 2024-2025, growing by 1.8% and 2.8%, respectively.

TABLE H.12

Change in revenue
(millions of dollars)

	2022-2023	2023-2024	2024-2025	AAGR ⁽¹⁾
Own-source revenue				
Own-source revenue excluding revenue from government enterprises	109 199	111 182	115 370	
% change ⁽²⁾	5.3	1.8	3.8	3.6
Revenue from government enterprises	6 674	6 807	6 685	
% change ⁽³⁾	12.0	2.0	-1.8	3.9
Subtotal	115 873	117 989	122 055	
% change	5.7	1.8	3.4	3.6
Federal transfers	29 226	29 742	29 741	
% change ⁽⁴⁾	0.1	1.8	0.0	0.6
TOTAL	145 099	147 731	151 796	
% change	4.5	1.8	2.8	3.0

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2022-2023 to 2024-2025.

(2) The change in own-source revenue excluding revenue from government enterprises reflects the slowdown in economic activity in 2023 and the 1-percentage-point decrease in the two bottom tax rates announced in Budget 2023-2024 and beginning in the 2023 taxation year.

(3) The variation in growth rates is mainly due to Hydro-Québec's exceptional results in 2022-2023 with respect to export prices.

(4) The change in federal transfers reflects, in particular, the additional amounts for health care announced by the federal government on February 7, 2023, a portion of which will be non-recurring as of 2024-2025.

3.1.1 Own-source revenue excluding revenue from government enterprises

Own-source revenue excluding revenue from government enterprises consists mainly of tax revenue, including personal income tax, contributions for health services, corporate taxes, school property tax and consumption taxes.

- Changes in own-source revenue generally reflect changes in economic activity in Québec and in the tax system.

Own-source revenue also includes other sources of revenue:

- duties and permits, in particular revenue from the carbon market;
- miscellaneous revenue, such as tuition fees and revenues from interest, the sale of goods and services, and fines, forfeitures and recoveries.

In 2022-2023, own-source revenue stands at \$109.2 billion, an increase of 5.3% compared to 2021-2022. It will reach \$111.2 billion in 2023-2024 and \$115.4 billion in 2024-2025, growing by 1.8% and 3.8%, respectively.

TABLE H.13

Change in own-source revenue excluding revenue from government enterprises – Summary (millions of dollars)

	2022-2023	2023-2024	2024-2025	AAGR ⁽¹⁾
Tax revenue	91 434	92 736	96 512	
% change	5.2	1.4	4.1	3.5
Other revenue	17 765	18 446	18 858	
% change	6.0	3.8	2.2	4.0
TOTAL	109 199	111 182	115 370	
% change	5.3	1.8	3.8	3.6

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2022-2023 to 2024-2025.

Tax revenue

In 2022-2023, revenue from personal income tax, the government's largest revenue source, stands at \$42.7 billion, up 4.3% compared to 2021-2022. It will reach \$43.1 billion in 2023-2024 and \$44.7 billion in 2024-2025, representing a change of 1.1% and 3.8%, respectively.

Among other things, this change in revenue from personal income tax reflects:

- the increase in household income, including wages and salaries, which will grow by 9.9% in 2022, 3.7% in 2023 and 3.4% in 2024, due to the strong labour market;
- all the parameters of the personal income tax system, such as indexation and the progressive nature of the tax system;
- the 1-percentage-point decrease in the two bottom tax rates announced in Budget 2023-2024 and beginning in the 2023 taxation year.

Contributions for health services stand at \$7.8 billion in 2022-2023, representing an increase of 5.9%. They will reach \$7.9 billion in 2023-2024 and \$8.2 billion in 2024-2025, representing growth of 1.3% and 2.7%, respectively.

- This favourable change is due to the expected growth in wages and salaries.
- It also takes into account the impact of the new tax holiday for large investment projects announced in Budget 2023-2024.

Corporate tax revenue will reach \$13.3 billion in 2022-2023, up 2.6% from 2021-2022. It will stand at \$13.2 billion in 2023-2024 and \$14.1 billion in 2024-2025, a change of -0.5% and 6.8%, respectively.

- These figures reflect the expected change in the net operating surplus of corporations, which stands at 1.5% in 2022, -4.9% in 2023 and 5.3% in 2024.
- It also takes into account the impact of the new tax holiday for large investment projects announced in Budget 2023-2024.

Revenue from the school property tax stands at \$1.1 billion in 2022-2023, up 3.3% compared to 2021-2022. It will reach \$1.2 billion in 2023-2024 and \$1.3 billion in 2024-2025, growing by 6.5% and 9.1%, respectively.

- The growth in revenue from the school property tax is influenced by the increase in the number of students, and the expected increase in the cost of services funded by the school property tax.
- It also reflects the additional contribution of \$173.4 million per year from the Québec government to limit the increase in school taxes from 2% to 3% on average for 2022-2023.

TABLE H.14

**Change in own-source revenue excluding revenue
from government enterprises**
(millions of dollars)

	2022-2023	2023-2024	2024-2025	AAGR ⁽¹⁾
Tax revenue				
Personal income tax ⁽²⁾	42 670	43 126	44 749	
% change	4.3	1.1	3.8	3.0
Contributions for health services	7 841	7 944	8 161	
% change	5.9	1.3	2.7	3.3
Corporate taxes ⁽³⁾	13 263	13 192	14 090	
% change	2.6	-0.5	6.8	2.9
School property tax	1 112	1 184	1 292	
% change	3.3	6.5	9.1	6.3
Consumption taxes ⁽⁴⁾	26 548	27 290	28 220	
% change	7.9	2.8	3.4	4.7
Subtotal	91 434	92 736	96 512	
% change	5.2	1.4	4.1	3.5
Other revenue				
Duties and permits ⁽⁵⁾	5 981	5 739	5 746	
% change	-1.3	-4.0	0.1	-1.7
Miscellaneous revenue	11 784	12 707	13 112	
% change ^{(6),(7)}	10.1	7.8	3.2	7.0
Subtotal	17 765	18 446	18 858	
% change	6.0	3.8	2.2	4.0
TOTAL	109 199	111 182	115 370	
% change	5.3	1.8	3.8	3.6

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2022-2023 to 2024-2025.

(2) The change in revenue from personal income tax in 2023-2024 is due to the 3.7% increase in wages and salaries in 2023 and the 1-percentage-point decrease in the two bottom tax rates announced in Budget 2023-2024 and beginning in the 2023 taxation year.

(3) The change in corporate tax revenue from 2022-2023 to 2024-2025 is due in part to the change in the net operating surplus of corporations of 1.5% in 2022, -4.9% in 2023 and 5.3% in 2024.

(4) The 7.9% increase in consumption taxes in 2022-2023 is due in part to the 12.5% increase in household consumption and the -0.1% change in residential construction investment in 2022.

(5) The decrease in revenue from duties and permits in 2022-2023 and 2023-2024 is mainly due to lower mining revenues over this period, as a result of the expected decrease in metal prices, mainly iron ore.

(6) The 10.1% growth in miscellaneous revenue in 2022-2023 is due, on the one hand, to an increase in revenues from interest, fines, forfeitures and recoveries, and, on the other hand, to an increase in revenues from non-budget-funded bodies, special funds and bodies in the health and social services, education and higher education networks.

(7) The 7.8% growth in miscellaneous revenue in 2023-2024 is due to the increase in the investment income of the Generations Fund, which was below its usual level in 2022-2023.

Consumption tax revenue totals \$26.5 billion in 2022-2023, up 7.9% compared to 2021-2022. It will stand at \$27.3 billion in 2023-2024 and \$28.2 billion in 2024-2025, an increase of 2.8% and 3.4%, respectively.

The change in consumption tax revenue mainly reflects:

- the expected growth in household consumption⁹ of 12.5% in 2022, 4.0% in 2023 and 3.4% in 2024;
- the expected change in residential construction investment of -0.1% in 2022, -7.1% in 2023 and 2.0% in 2024;
- the increase in the specific tax on tobacco products of \$8 per carton of 200 cigarettes, which was announced on February 8, 2023.

Other revenue

Revenue from duties and permits amounts to \$6.0 billion in 2022-2023, a decrease of 1.3% compared to 2021-2022. It will stand at \$5.7 billion in 2023-2024 and 2024-2025, a change of -4.0% and 0.1%, respectively.

- The decrease in revenue from duties and permits in 2022-2023 and 2023-2024 is mainly due to lower mining revenues resulting from the expected decline in metal prices.
- The change in revenue from duties and permits takes into account the effect of capping the indexation of government rates at 3% for the next four years.

Miscellaneous revenue stands at \$11.8 billion in 2022-2023, an increase of 10.1% compared to 2021-2022. It will reach \$12.7 billion in 2023-2024 and \$13.1 billion in 2024-2025, representing increases of 7.8% and 3.2%, respectively.

- The positive trend in miscellaneous revenue is due to the anticipated revenue of special funds, non-budget-funded bodies and bodies in the health and social services, education and higher education networks.
- For example, the growth in the revenue of the higher education network is influenced by, among other things, tuition fee revenues, the change in clienteles and user revenues.
- The change in miscellaneous revenue also takes into account the effect of capping the indexation of government rates at 3% for the next four years.

⁹ Household consumption excluding food expenditures and shelter.

3.1.2 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 corresponds in large part to the net earnings of these enterprises.

This revenue amounts to \$6.7 billion in 2022-2023, an increase of 12.0%, \$6.8 billion in 2023-2024, an increase of 2.0%, and \$6.7 billion in 2024-2025, a decrease of 1.8%.

TABLE H.15

Change in revenue from government enterprises (millions of dollars)

	2022-2023	2023-2024	2024-2025	AAGR ⁽¹⁾
Hydro-Québec ⁽²⁾	3 800	3 525	3 325	
Loto-Québec	1 523	1 498	1 511	
Société des alcools du Québec	1 419	1 459	1 469	
Investissement Québec	-195	216	274	
Société québécoise du cannabis ⁽³⁾	95	92	94	
Other ⁽⁴⁾	32	17	12	
TOTAL	6 674	6 807	6 685	
% change	12.0	2.0	-1.8	3.9

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2022-2023 to 2024-2025.

(2) The forecast revenue includes the impact of Hydro-Québec's domestic rate cap starting in 2023-2024. The downward trend in Hydro-Québec's revenue over the period is due to the exceptional results in 2022-2023 with respect to export prices.

(3) Revenue is allocated to the Fund to Combat Addiction.

(4) The other government enterprises are the Société ferroviaire et portuaire de Pointe-Noire, Capital Financière agricole and the Société du parc industriel et portuaire de Bécancour.

The 12.0% growth in 2022-2023 is mainly due to the increase in the anticipated results of Hydro-Québec—stemming primarily from the increase in the value of its electricity exports—and of Loto-Québec, due to its gradual return to operating at maximum capacity.

— This growth is partially offset by a decrease in Investissement Québec's anticipated results, which is due to the unfavourable performance of its equity and venture capital portfolios, as well as its investment funds, due to the expected downturn in financial markets in 2022-2023. The decline in the financial markets has particularly affected companies in the technology sector, impacting the returns on investments held in this sector by Investissement Québec.

The 2.0% growth in 2023-2024 stems principally from the return to normal of Investissement Québec's anticipated results.

— This increase is partly offset by a decline in the expected results of Hydro-Québec, stemming from the expected decrease in the value of its electricity exports.

The decrease of 1.8% in 2024-2025 is mainly due to the decline in the expected results of Hydro-Québec stemming from the decrease in the value of its electricity exports that will continue for a second year.

3.1.3 Federal transfers

Revenues from federal transfers consist of federal government revenues paid to Québec under the *Federal-Provincial Fiscal Arrangements Act*, in addition to revenues from other programs under bilateral agreements.

They include mainly equalization and revenue from the Canada Health Transfer (CHT) and from the Canada Social Transfer (CST).

On February 7, 2023, the federal government announced additional amounts for health care funding. Québec's share is estimated at \$4.7 billion over five years, from 2023-2024 to 2027-2028. These amounts are built into the financial framework.

Overall, revenues from federal transfers are expected to increase by 1.8% in 2023-2024 due to the increase in health transfers. In 2023-2024, the CHT, which is linked to Canada's nominal GDP, will increase by 9.3% for Canada as a whole, and Québec will receive its share (\$447 million) of a one-time increase in the CHT of \$2.0 billion.

Revenues from federal transfers will remain stable in 2024-2025. One of the reasons for this is the non-recurrence of the increase in the CHT of \$2.0 billion announced by the federal government for 2023-2024.

TABLE H.16

Change in federal transfers (millions of dollars)

	2022-2023	2023-2024	2024-2025	AAGR ⁽¹⁾
Equalization	13 666	14 037	14 021	
% change	4.2	2.7	-0.1	2.2
Health transfers	7 124	8 660	8 615	
% change ⁽²⁾	-13.2	21.6	-0.5	1.6
Transfers for post-secondary education and other social programs	1 294	1 366	1 382	
% change	-15.4	5.6	1.2	-3.3
Other programs	7 142	5 679	5 723	
% change ⁽³⁾	12.8	-20.5	0.8	-3.3
TOTAL	29 226	29 742	29 741	
% change	0.1	1.8	0.0	0.6

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2022-2023 to 2024-2025.

(2) Health transfers are down 13.2% in 2022-2023 due to a one-time payment in the previous year to support the health system and vaccination in the context of the pandemic.

(3) Revenues from other programs are expected to decrease in 2023-2024 due to the non-recurrence of certain types of assistance as well as the pace of completion of federally funded infrastructure projects.

Additional federal funding for health care

On February 7, 2023, the federal government announced additional amounts for health care for the provinces of \$46.1 billion over 10 years, from 2023-2024 to 2032-2033.

The federal government has committed to:

- making a one-time increase to the Canada Health Transfer (CHT) of \$2 billion in 2023-2024;
- ensuring minimum growth of 5% in the CHT until 2027-2028 (as of 2028-2029, the 3% floor will begin to apply again);
- granting the provinces \$25 billion over 10 years under bilateral agreements.

Québec's share of these additional amounts between now and 2027-2028 is estimated at \$4.1 billion.

During the announcement, the federal government also reiterated its desire to grant the provinces \$3 billion over five years, from 2023-2024 to 2027-2028, for long-term care, representing an amount of \$647 million for Québec.

- When including this amount, Québec's share of the additional federal funding for health care stands at \$4.7 billion over five years.

The federal government has also announced \$1.7 billion over five years for Canada as a whole to support the remuneration of patient-care attendants. Québec expects this envelope to be shared between the provinces on a per capita basis.

Additional federal funding for health care, Québec's share (millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total 5 years
CHT – One-time increase in 2023-2024	447	—	—	—	—	447
CHT – Floor of 5% until 2027-2028	—	—	229	380	551	1 160
Bilateral agreements	497	494	492	490	488	2 461
Long-term care	131	130	129	129	128	647
TOTAL	1 075	624	850	999	1 167	4 715

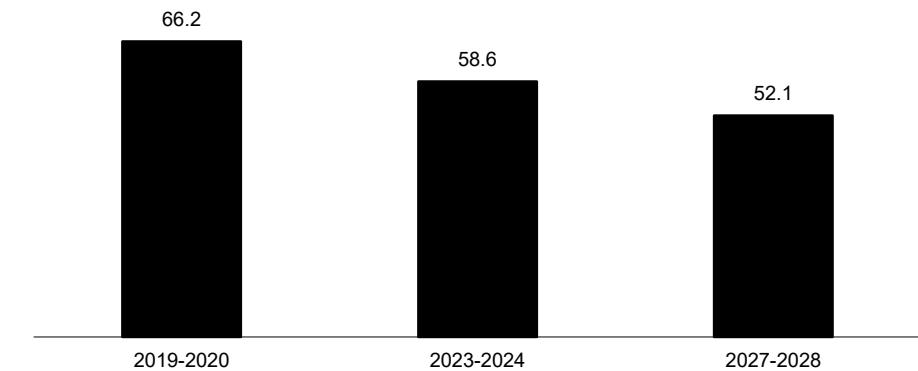
For Québec, the federal contribution is clearly insufficient. It will not catch up to the historic level of federal funding, nor will it provide sustainable health care funding. The share of provincial health care spending covered by the federal government will continue to shrink due to the larger increase in provincial health care spending. As a result, Québec intends to continue to seek an increase in health transfers.

Ongoing decline in Québec's share of the equalization envelope

Québec's share of the equalization envelope has been decreasing since 2020-2021 due to Québec's improved economic situation in comparison with the rest of Canada.

Québec's share in the equalization envelope, which was 66.2% in 2019-2020, is expected to decline to 52.1% in 2027-2028. This share could be less than 50% as of 2032-2033.

Expected change in Québec's share of the equalization envelope (per cent)



Note: A smoothing mechanism with lag is applied to determine equalization payments. For example, the equalization payments for the provinces for 2023-2024 are based on data for the years 2019-2020 (25%), 2020-2021 (25%) and 2021-2022 (50%).

Sources: Department of Finance Canada and Ministère des Finances du Québec.

Québec is the equalization recipient that receives the least per capita after Ontario

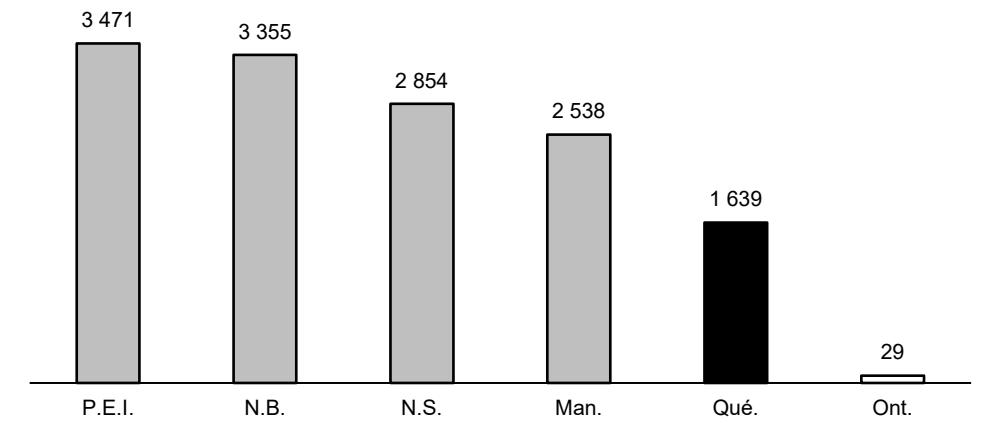
The provinces do not all have the same fiscal capacity; in other words, they do not all have the same ability to generate revenue.

Provinces whose fiscal capacity, in dollars per capita, is below the average of the ten provinces receive equalization payments. After equalization, they therefore have a fiscal capacity equivalent to the average of the ten provinces so that they can provide public services.¹⁰

In 2023-2024, six provinces will receive equalization payments: Manitoba, Ontario, Québec, New Brunswick, Nova Scotia and Prince Edward Island. Québec is the recipient that receives the least per capita (\$1 639) after Ontario.

CHART H.2

Equalization payments to the provinces – 2023-2024
(dollars per capita)



Source: Department of Finance Canada.

¹⁰ The provinces' fiscal capacity is assessed on the basis of five tax bases (personal income tax, corporate income tax, consumption taxes, property taxes and natural resources).

3.2 Change in expenditure

Expenditure consists, on the one hand, of portfolio expenditures tied to the delivery of public services, which are influenced by demographics and prices and, on the other hand, debt service, which is mainly driven by the level of debt and interest rates.

Expenditure totals \$146.8 billion in 2022-2023, or \$136.7 billion in portfolio expenditures and \$10.1 billion in debt service.

— It will stand at \$147.9 billion in 2023-2024 and \$151.4 billion in 2024-2025.

Expenditure will increase by 7.9% in 2022-2023, 0.7% in 2023-2024 and 2.4% in 2024-2025.

The growth of 7.9% in 2022-2023 results from:

- a 7.4% increase in portfolio expenditures due, in particular, to new initiatives announced in Budget 2022-2023 and the December 2022 update;
- a 16.4% increase in debt service due to rapidly rising interest rates.

From 2022-2023 to 2024-2025, expenditure will grow by an average of 3.6% per year.

TABLE H.17

Change in expenditure

(millions of dollars)

	2022-2023	2023-2024	2024-2025	AAGR ⁽¹⁾
Portfolio expenditures	136 716	138 392	141 468	
% change ⁽²⁾	7.4	1.2	2.2	3.6
Debt service	10 053	9 464	9 925	
% change ⁽³⁾	16.4	-5.9	4.9	4.7
TOTAL	146 769	147 856	151 393	
% change ⁽²⁾	7.9	0.7	2.4	3.6

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2022-2023 to 2024-2025.

(2) In 2023-2024, when excluding the impact of the COVID-19 support and recovery measures, portfolio expenditures grow by 5.1% and total expenditure, by 4.3%.

(3) The significant increase in debt service in 2022-2023 is due to the rapid increase in interest rates in 2022-2023, which results, in particular, in losses on the disposal of assets in the management of the investment activities of the Sinking Fund for Government Borrowing. The non-recurrence of these losses explains the decrease in debt service in 2023-2024.

3.2.1 Portfolio expenditures

To achieve its objectives and carry out its activities, the government sets up programs that are administered by government entities, including departments and bodies. The set of entities under the responsibility of a minister constitutes a portfolio.

In an effort to provide more complete and detailed information, the budget documents now present the change in expenditures for nine departmental portfolios. This level of detail makes it possible, on the one hand, to ensure greater transparency and, on the other hand, to better inform parliamentarians and the public about the fiscal policy directions in the main areas of intervention.

TABLE H.18

Change in expenditure by departmental portfolio
(millions of dollars)

	2022-2023	2023-2024	2024-2025	AAGR ⁽¹⁾
Santé et Services sociaux	58 109	59 015	60 275	
% change ⁽²⁾	12.0	7.7	3.6	7.7
Éducation	19 064	20 203	20 865	
% change ⁽³⁾	10.1	6.0	3.3	6.4
Enseignement supérieur	9 981	10 480	10 969	
% change ⁽⁴⁾	14.2	5.0	4.7	7.9
Famille	7 763	8 210	8 485	
% change ⁽⁵⁾	6.7	5.8	3.4	5.3
Transports et Mobilité durable	7 048	6 957	7 963	
% change ⁽⁶⁾	0.4	-1.3	14.5	4.3
Emploi et Solidarité sociale	9 136	5 250	5 016	
% change ⁽⁷⁾	9.1	-42.5	-4.4	-15.7
Affaires municipales et Habitation	4 680	4 546	4 617	
% change ⁽⁸⁾	32.3	-2.9	1.6	9.3
Économie, Innovation et Énergie	3 278	3 680	3 289	
% change ⁽⁹⁾	6.7	12.3	-10.6	2.3
Environnement, Lutte contre les changements climatiques, Faune et Parcs	2 003	2 283	2 308	
% change ⁽¹⁰⁾	17.6	14.0	1.1	10.7
Other portfolios	15 656	17 769	17 681	
% change ⁽¹¹⁾	13.9	13.5	-0.5	8.7
TOTAL	136 716	138 392	141 468	
% change ⁽¹²⁾	7.4	1.2	2.2	3.6

TABLE H.18

Change in expenditure by departmental portfolio (cont.)

Note: Totals may not add due to rounding.

- (1) Average annual growth rate, corresponding to the geometric mean over three years, from 2022-2023 to 2024-2025.
- (2) The growth in expenditures in 2024-2025 has been adjusted to take into account non-recurring expenditures in 2023-2024 related to the pandemic, lump sum payments under the government's wage offer and the effect of program review measures. Without these adjustments, the growth for 2024-2025 would be 2.1%.
- (3) In 2022-2023, the growth is primarily due to initiatives announced in Budget 2022-2023 and a lower expenditure level than that initially expected for 2021-2022. In 2023-2024 and 2024-2025, the expenditure growth is due to the increase in the costs tied to the delivery of services in educational institutions and the initiatives announced in Budget 2023-2024.
- (4) In 2022-2023, the growth is mainly due to the introduction of Québec Perspective scholarships in September 2022, the initiatives in Budget 2022-2023 and the enhancement of the student financial assistance program. In 2023-2024, the growth is due to the effect of Québec Perspective scholarships over a full year, the increase in the costs tied to the delivery of services in educational institutions and the initiatives in Budget 2023-2024.
- (5) The growth is due to the funding of new subsidized childcare spaces and the indexation of family allowance amounts.
- (6) In 2022-2023, the change is due to the effect of anticipated public transit projects in 2021-2022. In 2023-2024, the change is due to a one-time amount to fund public transit services, in particular to maintain services. In 2024-2025, the growth is mainly due to increased investment in public transit.
- (7) In 2023-2024, the decrease is -5.2%, excluding one-time cost of living support payments. This change is due to the decrease in the number of households receiving last-resort financial assistance, which is expected to be lower in 2023-2024 following the sharp increase in 2022-2023 originating from refugee protection claimants. In 2024-2025, the change in expenditures is primarily due to the adjustment to the planned spending of the Labour Market Development Fund.
- (8) The changes are due to housing measures, including the accelerated construction of social housing in 2022-2023.
- (9) In 2023-2024, the growth is due, in particular, to the increase in the cost of tax credits and the one-time increase in expenditures related to financial initiatives. In 2024-2025, the decrease is mainly due to the effect of non-recurring expenditures in 2023-2024, particularly those for the development of the battery industry.
- (10) The growth is primarily due to the implementation of measures from the 2030 Plan for a Green Economy and, in 2023-2024, is specifically due to the implementation of initiatives from the Plan Nature 2030.
- (11) The growth is primarily due to the initiatives announced in Budget 2022-2023 and Budget 2023-2024, the investments to offer better connectivity in all regions and the expected rise in costs tied to the delivery of public services due to inflation and population growth.
- (12) Excluding the impact of the COVID-19 support and recovery measures, growth in portfolio expenditures would be 5.1% in 2023-2024.

□ Santé et Services sociaux

Expenditures of the Santé et Services sociaux portfolio consist primarily of the activities of bodies in 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 influenced by changing demographics and the aging of the population, the remuneration of health care facility staff as well as the introduction of new technologies and new medications.

In 2022-2023, the growth in expenditures of 12.0%, before taking into account COVID-19 support and recovery measures, is due in particular to the enhanced senior assistance amount of \$2 000, which represents 3.2 percentage points of expenditure growth, and Budget 2022-2023 measures to restore the health and social services system.

The 7.7% expenditure growth in 2023-2024 is due, in particular, to funding related to the recurring effects of the pandemic in the health care system and the effect of the measures to make the health care system more effective and more humane. The growth is also due to the anticipated increase in costs tied to the delivery of public services.

From 2022-2023 to 2024-2025, the Santé et Services sociaux portfolio will grow by an average of 7.7% per year.

□ Éducation

Expenditures of the Éducation portfolio are primarily devoted to the activities of preschool, primary and secondary educational institutions. This portfolio also includes programs to promote recreation and sports, and to manage national parks.

In general, this portfolio's expenditures vary according to the evolution of the clienteles and the remuneration of the personnel of the school service centres and school boards.

In 2022-2023, the 10.1% growth in expenditures is primarily due to initiatives announced in Budget 2022-2023 to support student success and retention, including enhanced tutoring for students, and a lower expenditure level than that initially expected for 2021-2022.

In 2023-2024 and 2024-2025, the expenditure growth of 6.0% and 3.3%, respectively, is due to the expected increase in the costs of school service centres and school boards in relation to enhanced services, inflation and the increase in the school population, as well as the effect of the initiatives announced in Budget 2023-2024.

□ Enseignement supérieur

Expenditures of the Enseignement supérieur portfolio are mainly devoted to the activities of educational institutions at the college and university level. This portfolio also includes student financial assistance. In general, this portfolio's expenditures vary according to changes in the clientele and in the remuneration of college and university network personnel.

In 2022-2023, the 14.2% growth in expenditures is mainly due to the introduction of Québec Perspective scholarships in September 2022, the initiatives announced to improve access to higher education and the higher education graduation rate, as well as the enhancement of the student financial assistance program.

Furthermore, the growth is due to the effect of rising interest rates on student loans as this interest is temporarily being paid by the government due to the elimination of such interest for students.

In 2023-2024, the 5.0% growth in expenditures is due to the effect of Québec Perspective scholarships over a full year, initiatives announced in Budget 2023-2024 aimed at increasing the higher education graduation rate, as well as the expected increase in the costs of the institutions in the higher education network in relation to enhanced services, inflation and the increase in the school population.

□ Famille

Expenditures in the Famille portfolio primarily include funding for educational childcare services and financial assistance for families.

From 2022-2023 to 2024-2025, expenditure will grow by an average of 5.3% per year. This growth is due to the funding of new subsidized childcare spaces, including staff salaries, as part of the measures of the action plan for completing the educational childcare services network, as well as the indexation of family allowance amounts.

□ Transports et Mobilité durable

Expenditures in the Transports et Mobilité durable portfolio primarily include the construction, maintenance and operation of road infrastructure as well as the funding of public transit services. Expenditures also include the management of the government's rolling stock, air fleet and ferry services.

In 2022-2023, the 0.4% change in expenditures is primarily due to the effect of anticipated public transit projects in 2021-2022.

In 2023-2024, the -1.3% change in expenditures is primarily due to a one-time amount provided in 2022-2023 to fund the transit system, particularly to maintain services.

In 2024-2025, the 14.5% growth in expenditures is mainly due to increased investment in public transit.

Emploi et Solidarité sociale

Expenditures in the Emploi et Solidarité sociale portfolio mainly include financial assistance programs for individuals, including last-resort financial assistance, and employment assistance programs. They also include the activities of Services Québec, the Registrar of Civil Status and the Registraire des entreprises, as well as the administration of the Québec Parental Insurance Plan.

In 2023-2024, the -42.5% change in expenditures is mainly due to the non-recurrence of the one-time cost of living support payments. It is also due to the effect caused, in 2023-2024, by the number of households receiving last-resort financial assistance following the sharp increase in 2022-2023 originating from refugee protection claimants. Lastly, the change also stems from the decrease in activities related to the Information and Communication Technology Requalification and Training Program.

In 2024-2025, the change in expenditures of -4.4% is primarily due to the adjustment to the planned spending of the Labour Market Development Fund.

Affaires municipales et Habitation

Expenditures in the Affaires municipales et Habitation portfolio mainly include financial support for municipalities, particularly for infrastructure, social housing and compensation in lieu of taxes, as well as regional and metropolitan development measures.

In 2022-2023, 2023-2024 and 2024-2025, the changes in expenditure of 32.3%, -2.9% and 1.6%, respectively, are due to the measures to construct social housing, including the accelerated construction of social housing in 2022-2023.

Économie, Innovation et Énergie

Expenditures in the Économie, Innovation et Énergie portfolio are mainly allocated to funding economic development projects and support for research, innovation and development of energy resources.

In 2023-2024, the 12.3% increase in expenditures is mainly due to the increase in the cost of tax credits and the one-time increase in expenditures related to financial initiatives.

In 2024-2025, the -10.6% change in expenditures is mainly due to the effect of non-recurring expenditures in 2023-2024, particularly those for the development of the battery industry.

Environnement, Lutte contre les changements climatiques, Faune et Parcs

Expenditures in the Environnement, Lutte contre les changements climatiques, Faune et Parcs portfolio are primarily directed at funding measures to combat climate change, protect the environment and preserve biodiversity. These expenditures also include the operation of public dams, land management of the state's water domain and conservation of wildlife resources and habitats.

In 2022-2023 and 2023-2024, the expenditure growth of 17.6% and 14.0%, respectively, is primarily due to the implementation of measures from the 2030 Plan for a Green Economy, including the initiatives announced in Budget 2020-2021 aimed at funding public transit, and the implementation of initiatives from the Plan Nature 2030 in 2023-2024.

Other portfolios

Expenditures in the other portfolios include expenditures in all other portfolios, which include, in particular, programs in the culture, immigration, tourism and natural resources sectors, as well as the activities of the judicial system, public security, international relations, the legislative branch and central agencies.

In 2022-2023, the 13.9% growth in expenditures is mainly due to the initiatives announced in Budget 2022-2023 and the investments to offer better connectivity in all regions.

In 2023-2024, the 13.5% expenditure growth is primarily due to the initiatives announced in Budget 2023-2024 and the expected rise in costs tied to the delivery of public services due to inflation and population growth.

The government offers salary increases to the unions representing public and parapublic sector employees

On December 15, 2022, the Minister Responsible for Government Administration and Chair of the Conseil du trésor presented the government's offers to unions representing public and parapublic sector employees as part of negotiations to renew the collective agreements of government employees.

- The agreements entered into with most government employees for the period 2020-2023 will expire on March 31, 2023.

The government is offering total increases of 11.50% over five years, which will ultimately correspond to an additional \$4.6 billion in remuneration spending concerning public and parapublic sector employees. These increases are included in the financial framework of Budget 2023-2024.

- Wage parameters of 9.00% are proposed over the five-year period.
- In addition, increases of 2.50% are offered over five years aimed, in particular, at meeting government priorities.

While presenting the offers, the government stressed the importance of opening up a broader discussion to support the negotiation process by engaging all stakeholders, regardless of structure. On February 22, 2023, the government tabled the contents of its priorities, representing an investment of \$700 million. These priorities are aimed at eliminating the real obstacles and challenges surrounding the desired improvements in the concerned networks and respectively focus on:

- the classroom team and, in particular, adding classroom support for teaching staff;
- the care team and, in particular, sharing tasks, implementing self-managed and atypical schedules, reducing overtime and eliminating mandatory overtime for nursing staff;
- the mental health team and, in particular, improving the service offer for the population.

In addition to the above, the government is proposing a lump sum payment of up to \$1 000 for all employees in 2022-2023, calculated based on the hours paid during that period, representing a non-recurring investment of 1.50%.

Negotiation financial framework

(per cent, unless otherwise indicated)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total 5 years
Wage parameters	3.00	1.50	1.50	1.50	1.50	9.00
Government priorities						
Sectoral measures						2.50
Other enhancements						
Total recurrent	3.50	2.00	2.00	2.00	2.00	11.50
Lump sum ⁽¹⁾	\$1 000					

(1) Based on hours paid for the period April 1, 2022 to March 31, 2023.

Source: Secrétariat du Conseil du trésor.

COVID-19 support and recovery measures

Unlike previous budget publications, the level of portfolio expenditures presented includes expenditures related to COVID-19 support and recovery measures. This new way of presenting portfolio expenditures is due to the lower volume of such measures over the period covered by the financial framework.

The measures still in place in 2022-2023 include the following in particular:

- in health, initiatives introduced to combat COVID-19, including screening, vaccination, the acquisition of antivirals and additional financial incentives for clinical staff in health care establishments;
- in education, specialized educational support to consolidate learning for elementary and secondary school students;
- in higher education, the elimination of interest on student loans;
- measures to support public transit and tourism.

Expenditures related to COVID-19 support and recovery measures total \$5.1 billion in 2022-2023.

COVID-19 support and recovery measures (millions of dollars)

	2022-2023
Santé et Services sociaux	4 058
Éducation	60
Enseignement supérieur	145
Transports et Mobilité durable	327
Other portfolios	470
TOTAL	5 060

3.2.2 Debt service

Debt service consists of interest on the direct debt as well as interest on the liability for the retirement plans and other future benefits of public and parapublic sector employees.

Debt service changes primarily according to the level of debt, interest rates and the return on the Retirement Plans Sinking Fund (RPSF). It will stand at \$10.1 billion in 2022-2023, \$9.5 billion in 2023-2024, and \$9.9 billion in 2024-2025, which represents changes of 16.4%, -5.9%, and 4.9%, respectively.

In 2022-2023, 2023-2024 and 2024-2025, interest on the direct debt will change by 19.7%, -3.2% and 7.0%, respectively, owing, in particular, to the anticipated change in interest rates.

- The rapid increase in interest rates in 2022-2023 results notably, in losses on the disposal of assets in the management of the investment activities of the Sinking Fund for Government Borrowing. The non-recurrence of these losses explains the decrease in debt service in 2023-2024.

Interest on the liability for the retirement plans and other employee future benefits is decreasing due to the increase in the investment income of the RPSF. The income of the RPSF is deducted from debt service.

- In 2021-2022, the RPSF yielded a return of 9.14%,¹¹ while a zero return is forecast in 2022-2023 due to the decline in the stock and bond markets. For subsequent years, the expected long-term RPSF return of 6.35% is used to calculate this income.
- It should be noted that yield spreads are gradually incorporated into the financial framework in accordance with generally accepted accounting principles (GAAP). The RPSF return for 2022-2023 will be known in spring 2023.

¹¹ The return based on a fiscal year, from April to March.

TABLE H.19

Change in debt service (millions of dollars)

	2022-2023	2023-2024	2024-2025	AAGR ⁽¹⁾
Interest on direct debt ⁽²⁾	9 660	9 349	10 003	
% change	19.7	-3.2	7.0	
Interest on the liability for retirement plans and other employee future benefits ⁽³⁾	393	115	-78	
TOTAL	10 053	9 464	9 925	
% change	16.4	-5.9	4.9	4.7

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2022-2023 to 2024-2025.

(2) Interest on the direct debt includes the income of the Sinking Fund for Government Borrowing. This income, which is deducted from debt service, consists of interest generated on investments as well as gains and losses on disposal. The forecast for this income may be adjusted upward or downward since it is closely tied to the change in interest rates and market behaviour.

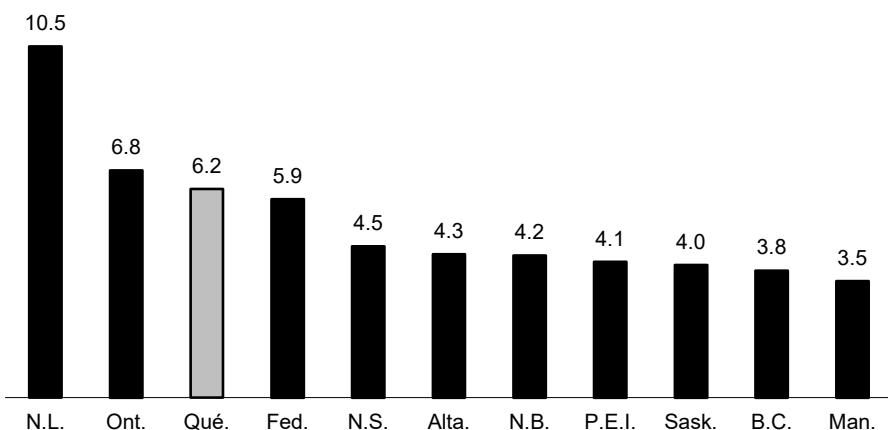
(3) This interest corresponds to the interest on obligations relating to the retirement plans and other future benefits of public and parapublic sector employees, minus mainly the investment income of the RPSF.

Comparison of the debt service of governments in Canada

In 2021-2022, Québec's debt service represented 6.2% of its revenue.

- Debt service is the government's fourth-largest expenditure category after health, education and higher education.
- Québec's debt service as a proportion of revenue is higher than in many other provinces. This is due to Québec's relatively larger debt.

Debt service of governments in Canada in 2021-2022 (percentage of revenue)



Sources: Public accounts.

Use of the Generations Fund to repay borrowings

As at March 31, 2023, the balance of the Generations Fund will stand at \$19.2 billion. The government is announcing that withdrawals of \$2.5 billion per year will be made in 2023-2024 and 2024-2025.

These withdrawals will serve to reduce the financing program and alleviate debt service in the current interest rate climate.

The savings in interest associated with these withdrawals are estimated at \$801 million over five years, from 2023-2024 to 2027-2028.

4. PUBLIC INFRASTRUCTURE INVESTMENTS

Québec has significant public infrastructure needs. To meet them, the government is announcing an increase of \$7.5 billion over 10 years under the 2023-2033 Québec Infrastructure Plan (QIP).

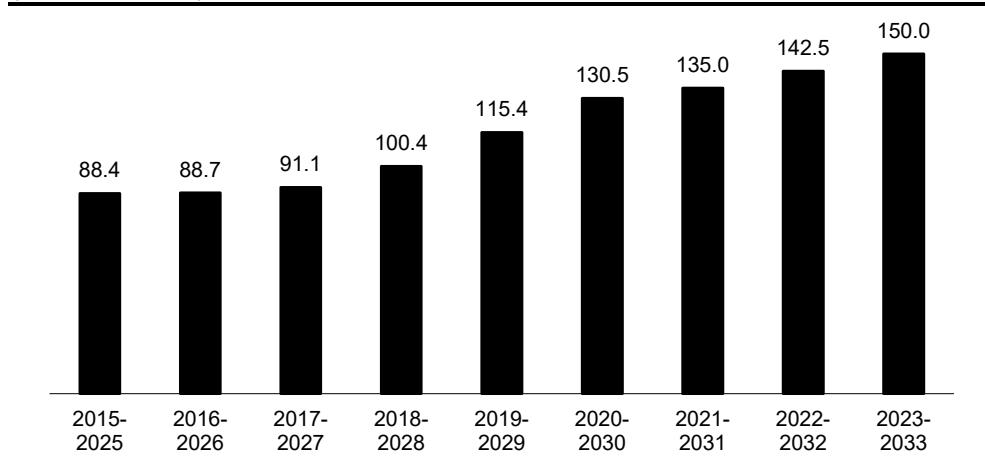
- The 2023-2033 QIP therefore amounts to \$150 billion, or \$15 billion per year on average.
- Over the past five years, the QIP has been increased each year, going from \$100.4 billion in March 2018 to \$150 billion in March 2023.

These substantial investments will serve, in particular, to repair and build schools and health care institutions, maintain the road network and develop public transit infrastructure.

- The 2023-2033 QIP allocates considerable sums to health and social services (\$24.2 billion), education and higher education (\$30.0 billion), public transit (\$15.4 billion)¹² and the road network (\$31.5 billion).¹³

CHART H.3

Change in the Québec Infrastructure Plan
(billions of dollars)



¹² These investments include those provided for in the central envelope.

¹³ The Secrétariat du Conseil du trésor's 2023-2033 Québec Infrastructure Plan provides detailed information on planned investments by sector.

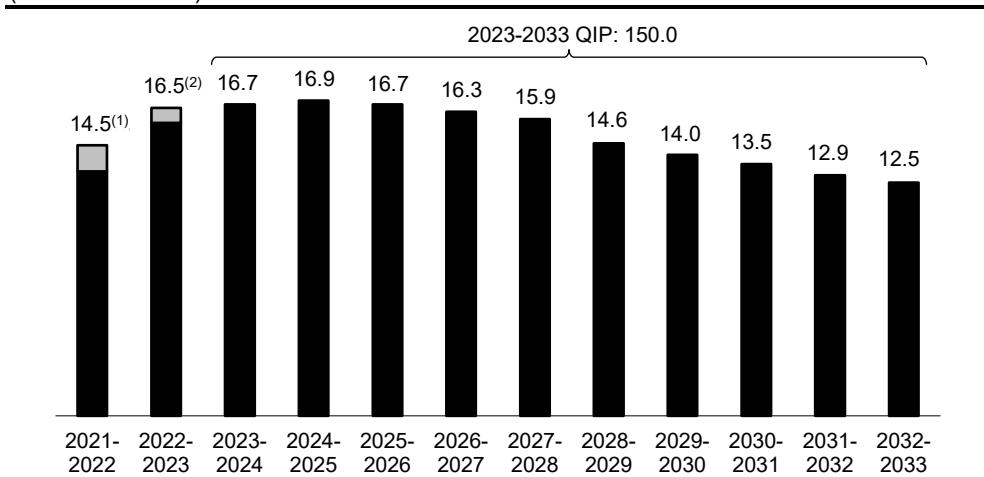
Annual investments of \$15 billion on average

Investments of \$82.5 billion are planned over the next five years, representing 55% of the 2023-2033 QIP. These record investments will contribute to increasing Québec's economic potential in the long term.

The financial impact of the increase in the QIP is estimated at \$1.0 billion over five years, from 2023-2024 to 2027-2028. This includes the impact on portfolio expenditures and debt service.

CHART H.4

Annual investments in the 2023-2033 Québec Infrastructure Plan (billions of dollars)



(1) The investments in 2021-2022 include \$1.4 billion in financial assistance advance payments for infrastructure.

(2) The investments in 2022-2023 include \$0.8 billion in financial assistance advance payments for infrastructure.

Source: Secrétariat du Conseil du trésor.

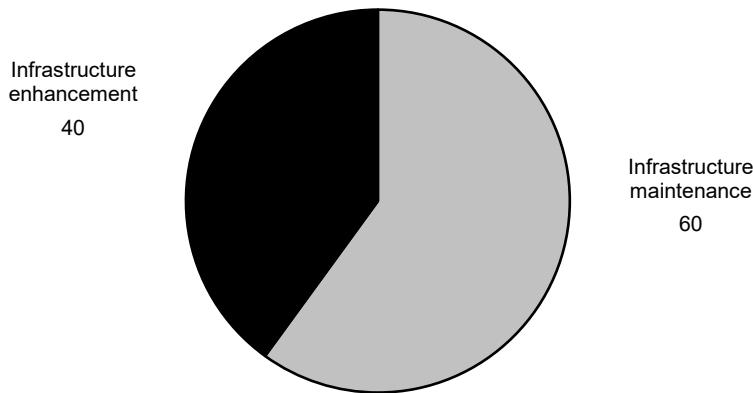
A significant share of the QIP allocated to public infrastructure maintenance

Continued significant investments are necessary to maintain public infrastructure in good condition. Some public infrastructure is aging and requires repairs.

A 60% share of the investments under the 2023-2033 QIP will be used for infrastructure maintenance.¹⁴ New infrastructure will account for 40% of the investments.

CHART H.5

**2023-2033 Québec Infrastructure Plan by type of investment
(per cent)**



Source: Secrétariat du Conseil du trésor.

¹⁴ This share excludes the central envelope.

APPENDIX 1: PORTFOLIO EXPENDITURES

TABLE H.20

Portfolio expenditure forecasts (millions of dollars)

	2022-2023	2023-2024
Affaires municipales et Habitation	4 680	4 546
Agriculture, Pêches et Alimentation	1 347	1 504
Conseil du trésor et Administration gouvernementale	1 225	2 797
Conseil exécutif	803	862
Culture et Communications	1 811	1 904
Cybersécurité et Numérique	134	173
Économie, Innovation et Énergie	3 278	3 680
Éducation	19 064	20 203
Emploi et Solidarité sociale	9 136	5 250
Enseignement supérieur	9 981	10 480
Environnement, Lutte contre les changements climatiques, Faune et Parcs	2 003	2 283
Famille	7 763	8 210
Finances	3 382	3 242
Immigration, Francisation et Intégration	442	727
Justice	1 515	1 481
Langue française	54	63
National Assembly	166	173
Officers of the National Assembly	232	139
Relations internationales et Francophonie	191	170
Ressources naturelles et Forêts	1 318	1 474
Santé et Services sociaux	58 109	59 015
Sécurité publique	2 299	2 336
Tourisme	534	503
Transports et Mobilité durable	7 048	6 957
Travail	202	220
TOTAL	136 716	138 392

Note: Totals may not add due to rounding.

APPENDIX 2: SUPPLEMENTARY INFORMATION

The digital dissemination of content reflects the department's desire to improve messages addressed to the public by using electronic documents that can be viewed on a smartphone, tablet or computer.

The Ministère des Finances is promoting the transition to digital documents. Therefore, certain supplementary budgetary information is presented only on the department's website, including:

- *Budget by the Numbers*, which presents the main budgetary data in the form of tables and interactive charts;
- sensitivity analyses, the main risks to Québec's financial position and prudence factors;
- the government's net financial surpluses or requirements.

In addition, the document *Processus et documentation budgétaires: une reddition de comptes sur les finances publiques de l'État* (in French only) provides information on the budget planning process and financial framework development carried out by the Ministère des Finances and highlights budget documents in support of the government's budgetary cycle.

This supplementary information is available on the Ministère des Finances website. To view this information, visit the Budget 2023-2024 documents page at:

www.finances.gouv.qc.ca/Budget_and_update/budget/

The document *Processus et documentation budgétaires : une reddition de comptes sur les finances publiques de l'État* (in French only) can be found on the Budget 2022-2023 page:

www.finances.gouv.qc.ca/Budget_and_update/budget/2022-2023/

Section I

THE QUÉBEC GOVERNMENT'S DEBT

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SUMMARY

As at March 31, 2023, the gross debt-to-GDP ratio will stand at 40.2%. This ratio is below the 45% objective established in the *Act to reduce the debt and establish the Generations Fund*.

This is also lower than the level that prevailed before the pandemic, which was 43.5% of GDP as at March 31, 2020. This is due to sound management of public finances and significant economic growth in 2021 and 2022.

Québec has made remarkable progress in reducing its debt load in recent decades, but remains one of the most indebted provinces.

Reducing the debt burden remains a priority for the government. In addition to promoting greater intergenerational fairness, it contributes positively to economic growth by creating a climate of confidence conducive to private investment and higher productivity.

The government is announcing that it will reduce the net debt burden, which will stand at 37.4% of GDP as at March 31, 2023, to 30% of GDP by 2037-2038.¹

Québec's net debt burden will therefore gradually move toward the current average net debt of the provinces.

The government's debt reduction strategy will rest on three key elements:

- the return to a balanced budget by 2027-2028 and the maintenance of that balance subsequently, after deposits of dedicated revenues in the Generations Fund;
- deposits in the Generations Fund which will continue to increase starting in 2024-2025;
- accelerated economic growth, stimulated by government action, that will contribute to reducing the relative weight of the debt.

Just as it did when the Generations Fund was established in 2006, the government will continue to bank on the wealth of Québec's hydroelectricity to reduce the debt.

¹ Changes to the *Act to reduce the debt and establish the Generations Fund* will be proposed in this regard.

As of 2023-2024, the Generations Fund will receive water-power royalties on an annual basis as well as \$650 million from the dividend paid by Hydro-Québec to the government. The revenue from the investment of the sums will also continue to contribute to debt reduction.

- In 2023-2024, revenues dedicated to the Generations Fund will amount to \$2.4 billion. They will increase gradually to reach \$2.8 billion in 2027-2028 and nearly \$5.0 billion in 2037-2038.
- Payments to the Generations Fund will not be subject to an annual cap.

The portion of the amounts provided for in the March 2022 budget that will not be deposited in the Generations Fund will be allocated to the financing of the 1-percentage-point reduction in the first two tax brackets as of 2023. This is a one-time gesture for the government.

As at March 31, 2023, the balance of the Generations Fund will amount to \$19.2 billion. The government is announcing that withdrawals of \$2.5 billion per year will be made in 2023-2024 and 2024-2025.

These withdrawals will serve to reduce the financing program and alleviate debt service in the current context of high interest rates.

The government is also announcing that it will begin withdrawing sums from the Retirement Plans Sinking Fund (RPSF) starting in 2024-2025 to provide for the payment of pension benefits to government employees. Indeed, it is expected that the amounts accumulated in the RPSF will exceed the government's pension liabilities in future years. These withdrawals will help reduce the financing program.

Lastly, a new accounting standard on the recognition of asset retirement obligations came into effect in 2022-2023. For Québec, the main obligation in this regard relates to the presence of asbestos in buildings and roads.

This new liability is estimated at \$7.6 billion as at April 1, 2022. It will have an equivalent impact on net debt.²

² As at April 1, 2022, the new standard will have no impact on gross debt. Capital investments and accumulated deficits will be impacted, but not debt on financial markets.

1. QUÉBEC'S DEBT

1.1 The new debt reduction objective

Québec has made remarkable progress in reducing its debt load in recent decades but remains one of the most indebted provinces. Reducing the debt burden remains a priority for the government.

The *Act to reduce the debt and establish the Generations Fund* was adopted in 2006. By reducing the debt burden, it aims to ensure the long-term financing of the government's main missions as well as a prosperous tomorrow for future generations.

Since 2010, the Act 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. These targets were set as a result of the 2008 financial crisis and changes to government accounting, which made it impossible to reach the targets established in 2006.

As at March 31, 2023, the gross debt-to-GDP ratio will stand at 40.2%, which is below the 45% objective. The accumulated deficit debt-to-GDP ratio will stand at 20.5%.

A gradual reduction of the net debt to 30% of GDP over the next 15 years

As at March 31, 2023, the net debt will stand at 37.4% of GDP. The government is announcing that it intends to gradually reduce the net debt to within a range of 27.5% of GDP to 32.5% of GDP within the next 15 years, that is, by fiscal year 2037-2038.³

— The median net debt reduction target will therefore stand at 30% of GDP.

Based on this target, Québec's net debt burden will therefore gradually move toward the current average net debt of the provinces (31% of GDP as at March 31, 2022).

The government also aims for the net debt burden to be 33% of GDP by 2032-2033. This is an intermediate target.

At a time when it is difficult to forecast how the economy will change over the long term, the government has decided to provide an interval for these two targets. This will allow it to respond to negative economic shocks or to increase investment, if necessary, in public infrastructure.

TABLE I.1

The new debt reduction targets

Net debt by 2032-2033 (intermediate target)	33% of GDP ($\pm 2.5\%$ of GDP)
Net debt by 2037-2038	30% of GDP ($\pm 2.5\%$ of GDP)

³ Changes to the *Act to reduce the debt and establish the Generations Fund* will be proposed in this regard.

The importance of setting a long-term objective

Setting a long-term debt reduction objective is an excellent way of ensuring sound management of public finances because it makes the government accountable to citizens and parliamentarians year after year, which results in more transparent, efficient government action.

This long-term orientation reduces uncertainty and contributes to economic growth. Citizens and businesses can better anticipate the government's budgetary and fiscal policies, allowing them to make better decisions.

- For example, thanks to debt reduction objectives, the government can plan its annual public infrastructure investments over a long period, that is, 10 years.

It also makes it possible to work toward achieving a common objective, which, in this case, is to ensure the long-term financing of the government's main missions and to not leave future generations with the heavy burden of repaying the debt, thus promoting greater intergenerational fairness.

Lastly, this orientation sends a positive signal to investors and credit rating agencies, since the gradual reduction of the debt burden is undoubtedly the strongest indicator of sound management of public finances.

Accountability based on net debt

Like Ontario and other provinces, Québec will focus its reporting on net debt, which is a concept also used by the OECD and the IMF. The net debt:

- takes into account the government's borrowings arising from substantial capital investments;
- subtracts financial assets that will ultimately be used to reduce the debt on financial markets;
- is readily comparable from one province to another.

However, information on all concepts of debt will continue to be presented to meet the needs of the different budget document users.

The benefits of reducing the debt burden and the elements of the strategy put in place to achieve it

Reducing the debt burden contributes to economic growth by creating a climate of confidence conducive to private investment and higher productivity.

In addition to supporting collective prosperity, reducing the debt burden will allow Québec to:

- contribute to intergenerational fairness;
- ensure stable funding for the government's main missions, including health and education;
- cope with the costs associated with an aging population;
- implement measures to fight climate change;
- fund substantial investments in public infrastructure;
- ease the tax burden of Quebecers;
- counter a new recession;
- increase its financial autonomy within the federation.

The government's debt reduction strategy will rest on three key elements:

- the return to a balanced budget by 2027-2028 and the maintenance of that balance subsequently, after deposits of dedicated revenues in the Generations Fund;
- deposits in the Generations Fund which will continue to increase starting in 2024-2025;
- accelerated economic growth, stimulated by government action, that will contribute to reducing the relative weight of the debt.

1.1.1 Revenues that will be dedicated to the Generations Fund

The Generations Fund is an important pillar of the debt reduction strategy. Just as it did when the Generations Fund was established in 2006, the government will continue to bank on the wealth of Québec's hydroelectricity.

As of 2023-2024, three sources of revenue will be dedicated to the Generations Fund:

- water-power royalties, which are paid by Hydro-Québec and private hydroelectricity producers;
- an additional contribution from Hydro-Québec, which will be set at \$650 million per year;
 - This contribution will be taken from the dividend paid by Hydro-Québec to the government. It will have no impact on hydroelectricity rates.
- income generated by the investment of the sums making up the Generations Fund.⁴

Deposits in the Generations Fund will not be subject to an annual cap.

From 2023-2024 to 2027-2028, deposits in the Generations Fund are expected to average \$2.6 billion per year. This is a higher amount than the average of the last 10 years. From 2013-2014 to 2022-2023, revenues dedicated to the Generations Fund averaged \$2.5 billion per year.

- In 2023-2024, revenues dedicated to the Generations Fund will amount to \$2.4 billion.⁵ They will increase gradually to reach \$2.8 billion in 2027-2028 and nearly \$5.0 billion in 2037-2038.
- Without these changes, revenues dedicated to the Generations Fund would have amounted to \$3.9 billion in 2023-2024 and \$5.4 billion in 2027-2028.

⁴ Changes to the *Act to reduce the debt and establish the Generations Fund* will be proposed in this regard. The revenues resulting from the indexation of the price of heritage electricity, mining revenues, an annual sum of \$500 million from the specific tax on alcoholic beverages and unclaimed property will no longer be deposited in the Generations Fund. Moreover, donations, legacies and other contributions received by the Minister of Finance may continue to be deposited in the Generations Fund.

⁵ The portion of the amounts provided for in the March 2022 budget that will not be deposited in the Generations Fund will be allocated to the financing of the 1-percentage-point reduction in the first two tax brackets as of 2023.

□ Use of the Generations Fund to repay borrowings

As at March 31, 2023, the balance of the Generations Fund will amount to \$19.2 billion. The government is announcing that withdrawals of \$2.5 billion per year will be made in 2023-2024 and 2024-2025.

These withdrawals will serve to reduce the financing program and alleviate debt service in the current context of high interest rates.

The interest savings associated with these withdrawals are estimated at \$801 million over five years, that is, from 2023-2024 to 2027-2028.

TABLE I.2

Generations Fund (millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028
Book value, beginning of year⁽¹⁾	19 180	19 053	18 940	21 464	24 171
Dedicated revenues					
Water-power royalties					
Hydro-Québec	825	845	868	932	931
Private producers	109	109	112	114	116
Subtotal	934	954	980	1 046	1 047
Additional contribution from Hydro-Québec	650	650	650	650	650
Investment income ⁽²⁾	789	783	894	1 011	1 136
Total dedicated revenues	2 373	2 387	2 524	2 707	2 833
Use of the Generations Fund to repay borrowings	-2 500	-2 500	—	—	—
BOOK VALUE, END OF YEAR	19 053	18 940	21 464	24 171	27 004
% of net debt	8.9	8.6	9.5	10.5	11.6
% of GDP	3.4	3.2	3.5	3.8	4.1

(1) For information purposes, as at December 31, 2022, the fair value of the Generations Fund was \$17.8 billion, \$0.3 billion less than its book value.

(2) The investment income of the Generations Fund corresponds to realized investment income (interest income, dividends, gains on the disposal of assets, etc.). Therefore, the forecast may be adjusted upward or downward according to when the gains or losses are actually realized. An annual return of 4.6% is expected, a rate based on six historic years.

Returns of the Generations Fund

The sums dedicated annually to the Generations Fund will continue to be deposited with the Caisse de dépôt et placement du Québec.

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 14 years out of 16.

- From 2007 to 2022, the average return was 5.3%, while the average cost of new borrowings was 3.1%, which represents a difference of 2.2 percentage points.

These returns contribute to reducing the debt burden.

Comparison of the Generations Fund's annual return and the Québec government's borrowing costs

(per cent, on a calendar year basis)

	Rate of return of the Generations Fund	Cost of new borrowings⁽¹⁾	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
2019	9.5	2.3	7.2
2020	7.0	1.5	5.5
2021	11.4	1.9	9.5
2022	-7.9	3.5	-11.4

(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.

□ A long-term forecast of the evolution of the net debt burden

The Ministère des Finances conducts detailed five-year debt forecasts. For information purposes, a forecast of the net debt-to-GDP ratio has been made up to 2037-2038.

Based on this forecast, it is expected that the net debt-to-GDP ratio may decline to less than 28% by 2037-2038.⁶

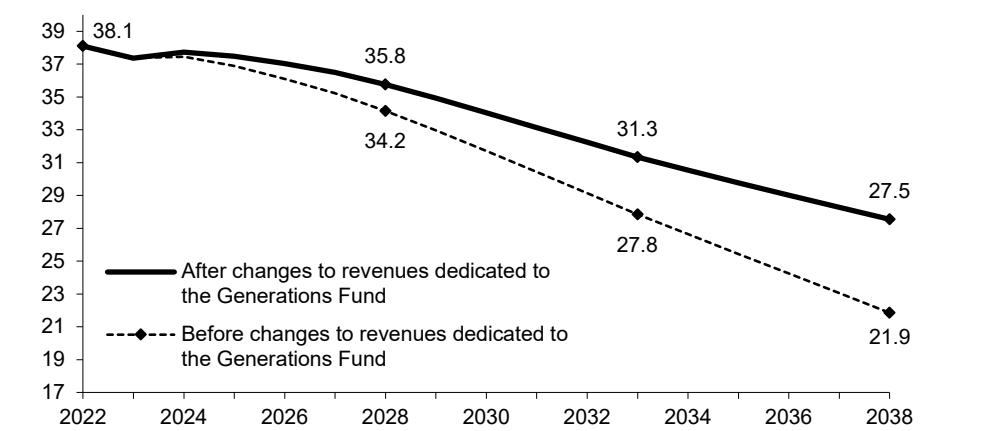
— If no changes were made to the revenues dedicated to the Generations Fund, Québec would reach this level of indebtedness five years earlier, that is, by 2032-2033.

The government's objective is to gradually reduce the net debt to within a range of 27.5% of GDP to 32.5% of GDP within the next 15 years, that is, by fiscal year 2037-2038, with a median target of 30% of GDP.

CHART I.1

Net debt projection as at March 31 before and after changes to the revenues dedicated to the Generations Fund

(percentage of GDP)



⁶ It should be noted that an additional decrease in the first two tax brackets of 0.25 percentage points per year from 2027 to 2032 would have an upward effect on the net debt burden estimated at 3.2 percentage points of GDP as at March 31, 2038.

1.2 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 gross debt.
 - As at March 31, 2023, Québec's gross debt will stand at \$222.6 billion, or 40.2% of GDP.
- **Net debt** corresponds to the government's liabilities as a whole, less its financial assets. Several other provinces use this concept to present the change in their debt.⁷
 - As at March 31, 2023, Québec's net debt will stand at \$206.8 billion, or 37.4% of GDP.
- **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. This is the concept that the federal government uses to present the change in its debt.
 - As at March 31, 2023, Québec's debt representing accumulated deficits will stand at \$113.3 billion, or 20.5% of GDP.

TABLE I.3

Québec government debt as at March 31 according to various concepts (millions of dollars)

	2022	2023	2024
GROSS DEBT⁽¹⁾	210 952	222 606	235 600
% of GDP	41.8	40.2	41.5
Less: Financial assets, net of other liabilities ⁽²⁾	-18 744	-15 761	-21 156
NET DEBT	192 208	206 845	214 444
% of GDP	38.1	37.4	37.7
Less: Non-financial assets	-87 016	-93 533	-99 507
DEBT REPRESENTING ACCUMULATED DEFICITS	105 192	113 312	114 937
% of GDP	20.9	20.5	20.2

(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 (e.g., Hydro-Québec) and accounts receivable. Other liabilities (e.g., accounts payable) are subtracted.

⁷ The OECD and the IMF compare countries' debt using, in particular, their net debt.

1.3 Gross debt

Gross debt corresponds to the amount of debt contracted on financial markets (direct debt) plus the net liability for the pension plans and other future benefits of public and parapublic sector employees, minus the balance of the Generations Fund.

The gross debt burden will stand at 40.2% of GDP as at March 31, 2023, which is below the 45% objective set in the *Act to reduce the debt and establish the Generations Fund*. This objective was set in 2010.

This is also lower than the level that prevailed before the pandemic, which was 43.5% of GDP as at March 31, 2020.

The gross debt is expected to remain stable over the next five years.

Furthermore, as of 2025-2026, sums accumulated in the Retirement Plans Sinking Fund (RPSF) to cover the retirement benefits of government employees are projected to exceed the government's liability in this regard.

- Therefore, the government will be in a net asset position with regard to retirement plans and other employee future benefits.
- In this context, the government is announcing that it will begin withdrawing sums from the RPSF to provide for the payment of pension benefits to government employees. An initial withdrawal of \$1 billion will take place in 2024-2025. These withdrawals, which will help reduce the financing program, will gradually increase thereafter.

TABLE I.4

Gross debt as at March 31

(millions of dollars)

	2022	2023	2024	2025	2026	2027	2028
Direct debt	217 324	234 916	251 130	262 871	274 855	285 048	295 435
Plus: Retirement plans and other employee future benefits ⁽¹⁾	9 457	6 870	3 523	654	-1 370	-2 728	-3 236
Less: Generations Fund	-15 829	-19 180	-19 053	-18 940	-21 464	-24 171	-27 004
GROSS DEBT	210 952	222 606	235 600	244 585	252 021	258 149	265 195
% of GDP	41.8	40.2	41.5	41.5	41.2	40.8	40.6

(1) A positive entry represents a net liability while a negative entry represents a net asset.

Withdrawals from the Retirement Plans Sinking Fund as of 2024-2025

The government contributes to its employees' pension plans, which are mainly cost-shared plans (50-50). Each year, for active employees, the government charges itself an expense (included in the budgetary balance) and a liability (included in the gross debt). For these employees, no money is disbursed, as disbursements are not made until after the employee retires.

These disbursements, which are for retired employees, currently result in a funding requirement, which is reflected in an increase in the financial markets debt, and an equivalent decrease in the liability for retirement plans (no impact on the gross debt).

In 1993, the government established the Retirement Plans Sinking Fund (RPSF) and has been accumulating sums in this fund since then to provide for retirement benefits. As at March 31, 2022, the RPSF was equal to 87% of the actuarial obligations in respect of retirement plans. It is anticipated that the RPSF will exceed 100% of the obligations in 2026.

In this context, the government is announcing that it will begin withdrawing sums from the RPSF to provide for the payment of pension benefits to government employees. An initial withdrawal of \$1 billion will take place in 2024-2025. These withdrawals, which will help reduce the financing program, will gradually increase thereafter. They are presented in the financing program.

The use of the RPSF to pay retirement benefits will reduce the government's borrowing needs and its debt on financial markets. However, it will have no effect on the gross debt.

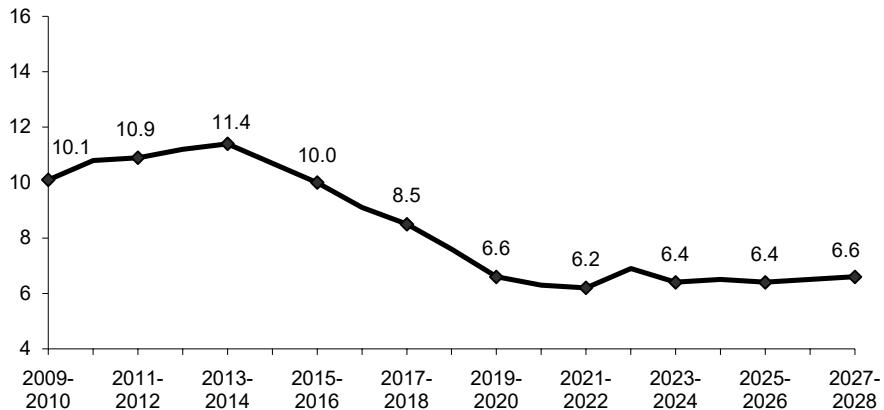
Illustration of the impact on the government's gross debt of a \$1-billion withdrawal from the RPSF in 2024-2025 to pay for retirement benefits (millions of dollars)

	Gross debt as at March 31, 2025, <u>prior to the \$1-billion withdrawal from the RPSF</u>	Gross debt as at March 31, 2025, <u>after the \$1-billion withdrawal from the RPSF</u>	Change
(A) Direct debt	263 871	262 871	-1 000
Liability for retirement plans and other future benefits	128 065	128 065	—
Less: RPSF and other funds	-128 411	-127 411	1 000
(B) Net liability for retirement plans and other future benefits	-346	654	1 000
(C) Generations Fund	-18 940	-18 940	—
(D) Gross debt (D = A + B + C)	244 585	244 585	—

The proportion of revenue dedicated to debt service is increasing, but remains at historically low levels

Debt service as a proportion of revenue is expected to rise slightly in future years as interest rates increase. It is projected to stand at 6.6% in 2027-2028, compared to 6.2% in 2021-2022 and over 10% during the early 2010s.

Debt service
(percentage of revenue)



Sensitivity of debt service to a rise in interest rates

The high level of debt requires prudence and sound management of public finances, because a greater-than-anticipated rise in long-term interest rates would have a substantial impact on the financial framework.

A greater-than-anticipated rise in interest rates of 1 percentage point over a full year would increase interest expenditure by \$522 million in the first year and nearly \$1.9 billion in the fifth year.

The impact is increasing, as only a portion of the debt is refinanced each year. The average maturity of the debt was 11 years as at March 31, 2022.

Such a rise in interest rates starting in 2023-2024 would put the proportion of revenue dedicated to debt service at 7.8% in 2027-2028, as against the currently anticipated ratio of 6.6%.

Impact on interest expenditure of a 1-percentage-point rise in interest rates
(millions of dollars)

	1st year	2nd year	3rd year	4th year	5th year
Impact	522	920	1 275	1 578	1 879

TABLE I.5

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 ⁽¹⁾	Other factors ⁽²⁾	Deposits in the Generations Fund	Total change	Debt, end of year	% of GDP
2018-2019	201 071	-4 413	-250	3 002	3 165	-3 477	-1 973	199 098	45.3
2019-2020	199 098	523	402	3 737	-1 224	-2 606	832	199 930	43.5
2020-2021	199 930	7 539	6 352	4 351	-3 631	-3 313	11 298	211 228	46.8
2021-2022	211 228	772	4 135	5 080	-6 646	-3 617	-276	210 952	41.8
2022-2023	210 952	5 021	-2 275	5 417	6 842	-3 351	11 654	222 606	40.2
2023-2024	222 606	3 998	4 973	5 974	422	-2 373	12 994	235 600	41.5
2024-2025	235 600	2 984	3 393	6 045	-1 050	-2 387	8 985	244 585	41.5
2025-2026	244 585	1 980	2 041	5 974	-35	-2 524	7 436	252 021	41.2
2026-2027	252 021	976	2 313	5 830	-284	-2 707	6 128	258 149	40.8
2027-2028	258 149	-9	1 564	5 687	2 637	-2 833	7 046	265 195	40.6

(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. The decrease in debt for other factors in 2021-2022 and an increase in 2022-2023 are due in part to the one-time cost of living amount of \$500 per adult announced in the March 2022 budget. This measure resulted in an expenditure in 2021-2022, but an outflow in early 2022-2023.

Net capital investments

Net capital investments consist of the government's gross investments minus depreciation expenses.

Even though gross investments have an impact on 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 2023-2024 to 2027-2028, net capital investments will increase gross debt by \$5.9 billion per year on average.

Net capital investments (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028
Gross investments ⁽¹⁾	10 291	10 731	11 080	11 268	11 402	11 567
Less: Depreciation	-4 874	-4 757	-5 035	-5 294	-5 572	-5 880
Net capital investments	5 417	5 974	6 045	5 974	5 830	5 687

(1) These investments exclude the Québec government's contribution to the projects of partners (e.g., municipalities), whereas this contribution is included in the annual investments of the Québec Infrastructure Plan and portfolio expenditures.

Investments, loans and advances

Investments, loans and advances refer to investments made by the government in enterprises, mainly government enterprises.

A government enterprise may be authorized to keep part of its net earnings.

- For example, every year, Hydro-Québec pays the government a dividend corresponding to 75% of its net earnings. Hydro-Québec uses the portion of net earnings not paid to the government (25%) to finance its requirements.
- For the government, this constitutes an investment that creates a financial requirement and thus an increase in gross debt.

Note that investments, loans and advances may vary from one year to another, particularly because of temporary investments made and redeemed.

1.4 Net debt

Net debt corresponds to the government's liabilities minus its financial assets. Several other provinces use this concept to present the change in their debt.

As at March 31, 2023, Québec's net debt will stand at \$206.8 billion, or 37.4% of GDP. A decrease to 35.8% of GDP is expected by 2027-2028.

The return to a balanced budget, deposits in the Generations Fund and the growth of the economy will contribute to reducing the net debt.

TABLE I.6

Factors responsible for the change in net debt
(millions of dollars)

	Debt, beginning of year	Budgetary deficit (surplus)	Net capital investments	Other ⁽¹⁾	Deposits in the Generations Fund	Total change	Debt, end of year	% of GDP
2018-2019	188 130	-4 413	3 002	1 293	-3 477	-3 595	184 535	42.0
2019-2020	184 535	523	3 737	-2 372	-2 606	-718	183 817	40.0
2020-2021	183 817	7 539	4 351	-2 149	-3 313	6 428	190 245	42.2
2021-2022	190 245	772	5 080	-272	-3 617	1 963	192 208	38.1
2022-2023	199 758 ⁽²⁾	5 021	5 417	—	-3 351	7 087	206 845	37.4
2023-2024	206 845	3 998	5 974	—	-2 373	7 599	214 444	37.7
2024-2025	214 444	2 984	6 045	—	-2 387	6 642	221 086	37.5
2025-2026	221 086	1 980	5 974	—	-2 524	5 430	226 516	37.0
2026-2027	226 516	976	5 830	—	-2 707	4 099	230 615	36.5
2027-2028	230 615	-9	5 687	—	-2 833	2 845	233 460	35.8

(1) These changes in net debt are mainly due to other comprehensive income of government enterprises. These other items are excluded from the government's annual results and are recorded directly in the accumulated deficit. This factor also includes the change in inventories.

(2) A new liability for asset retirement obligations will have to be recorded in the government's financial statements for the first time as at March 31, 2023. As at April 1, 2022, this liability is estimated at \$7.6 billion. It increases net debt by the same amount.

Recognition of asset retirement obligations: an estimated increase in net debt of \$7.6 billion

Asset retirement obligations

A new accounting standard on the recognition of asset retirement obligations came into effect on April 1, 2022 for all Canadian provinces and territories.

This standard requires the recognition of a liability when a government has a legal obligation to perform specific activities upon retirement of a capital asset.

For Québec, the main obligation in this regard relates to asbestos in buildings and roads. Applicable laws and regulations require Québec to implement specific measures to ensure the safe handling and disposal of materials containing asbestos when working on, for example, a capital asset.

This new liability is estimated at \$7.6 billion as at April 1, 2022. It will have an equivalent impact on net debt and an estimated impact of \$6.5 billion on the debt representing accumulated deficits,¹ but not on gross debt.

Financial instruments

New standards establishing a framework for the recognition and presentation of financial instruments also came into effect on April 1, 2022. These standards will have an impact on the government's debt as, for example, derivative financial instruments will now have to be measured at fair value. Temporary changes in the debt are expected. The annual impact of these changes will be reported in the new statement of remeasurement gains and losses.

The revised impact of these new standards and the presentation of the new financial statement will be included in the public accounts for the fiscal year ending March 31, 2023.

¹ The differential impact is due to the fact that the standard will have an upward effect on capital investments.

The net debt is lower than it was before the pandemic

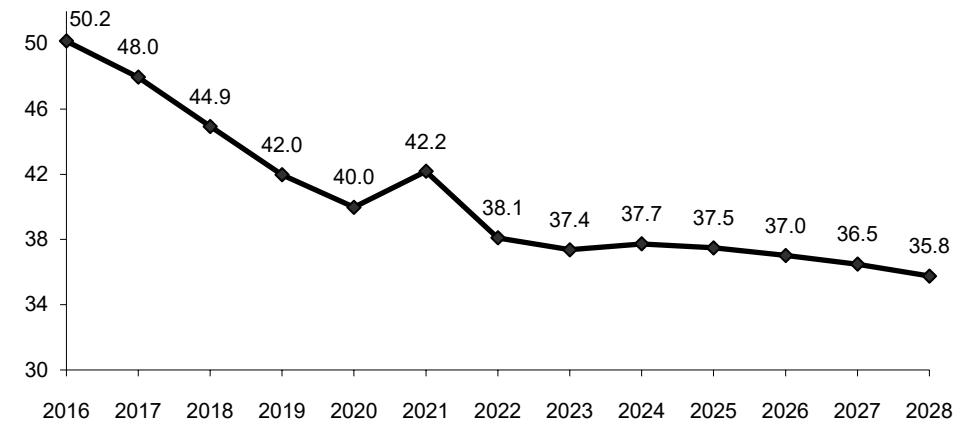
The net debt burden will be 37.4% of GDP as at March 31, 2023. This is lower than the pre-pandemic level of 40.0% of GDP as at March 31, 2020.

The net debt-to-GDP ratio is expected to decline gradually starting in 2024-2025.

CHART I.2

Net debt as at March 31

(percentage of GDP)

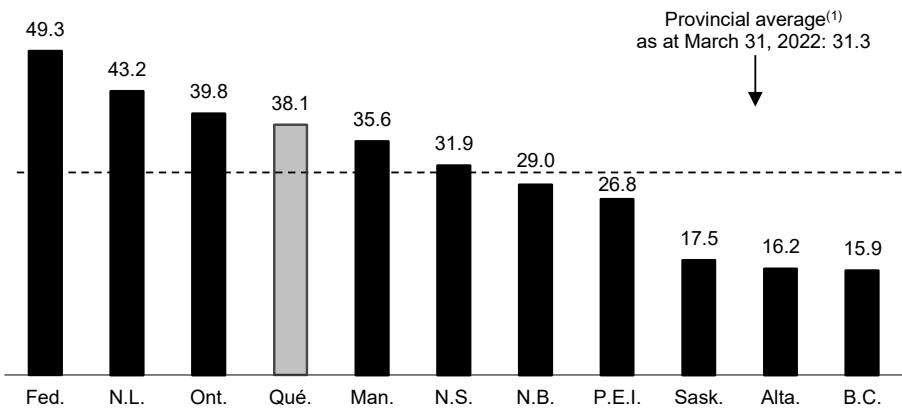


□ Comparison of the net debt of governments in Canada

As at March 31, 2022, Québec's net debt burden stood at 38.1% of GDP, compared with the provincial average of 31.3%.

CHART I.3

Net debt of governments in Canada as at March 31, 2022 (percentage of GDP)



(1) This average is obtained by dividing the sum of provincial debts by the sum of provincial GDP.
Sources: Public accounts and Statistics Canada.

1.5 Debt representing accumulated deficits

Debt representing accumulated deficits consists of accumulated deficits figuring in the government's financial statements. It is the debt that does not correspond to any assets. The federal government uses this concept to present the change in its debt.

As at March 31, 2023, the debt representing Québec's accumulated deficits will stand at \$113.3 billion, or 20.5% of GDP.

The debt burden representing accumulated deficits is expected to decline to 16.9% of GDP as at March 31, 2028.

TABLE I.7

Factors responsible for the change in debt representing accumulated deficits (millions of dollars)

	Debt, beginning of year	Budgetary deficit (surplus)	Accounting adjustments ⁽¹⁾	Deposits in the Generations Fund	Total change	Debt, end of year	% of GDP
2018-2019	119 057	-4 413	1 258	-3 477	-6 632	112 425	25.6
2019-2020	112 425	523	-2 632	-2 606	-4 715	107 710	23.4
2020-2021	107 710	7 539	-3 208	-3 313	1 018	108 728	24.1
2021-2022	108 728	772	-691	-3 617	-3 536	105 192	20.9
2022-2023	111 642 ⁽²⁾	5 021	—	-3 351	1 670	113 312	20.5
2023-2024	113 312	3 998	—	-2 373	1 625	114 937	20.2
2024-2025	114 937	2 984	—	-2 387	597	115 534	19.6
2025-2026	115 534	1 980	—	-2 524	-544	114 990	18.8
2026-2027	114 990	976	—	-2 707	-1 731	113 259	17.9
2027-2028	113 259	-9	—	-2 833	-2 842	110 417	16.9

(1) These changes in the debt representing accumulated deficits are due to other comprehensive income of government enterprises. These other items are excluded from the government's annual results and are recorded directly in the accumulated deficit.

(2) A new liability for asset retirement obligations will have to be recorded in the government's financial statements as at March 31, 2023. As at April 1, 2022, the impact of this liability on the debt representing accumulated deficits is estimated at \$6.5 billion.

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, 2023, Québec's public sector debt will stand at \$304.6 billion, or 55.0% of GDP. These figures must, however, be seen in 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.

Public sector debt as at March 31

(millions of dollars)

	2020	2021	2022	2023
Government's gross debt	199 930	211 228	210 952	222 606
Hydro-Québec	43 839	44 955	46 225	49 881
Municipalities	29 424	30 020	31 263	30 753
Universities other than the Université du Québec and its constituents	1 639	1 452	1 379	1 379
PUBLIC SECTOR DEBT	274 832	287 655	289 819	304 619
<i>% of GDP</i>	<i>59.8</i>	<i>63.8</i>	<i>57.5</i>	<i>55.0</i>

2. FINANCING

2.1 Financing program

The financing program corresponds to long-term borrowings contracted during the fiscal year. The program is used to, among other things, repay maturing borrowings and to meet net financial requirements, which include the government's capital investments and the budgetary deficit.

For 2022-2023, the program stands at \$24.2 billion, which is \$3.5 billion less than projected in the March 2022 budget.

The decrease is mainly due to a reduction in net financial requirements and an increase in the outstanding amount of Québec Treasury bills. However, the decrease is partially offset by an increase in the repayment of borrowings.

As at March 1, 2023, the government had completed its financing program.

TABLE I.8

Government's financing program in 2022-2023 (millions of dollars)

	March 2022	Adjustments	March 2023
Net financial requirements	19 096	-6 393	12 703
Repayments of borrowings	14 444	4 562	19 006
Use of the Generations Fund to repay borrowings	—	—	—
Withdrawal from the Accumulated Sick Leave Fund	—	-155	-155
Use of pre-financing	-5 925	-1 222	-7 147
Change in cash position	—	713	713
Transactions under the credit policy ⁽¹⁾	—	1 047	1 047
Pre-financing	—	—	—
Increase in the outstanding amount of Québec Treasury bills	—	-2 000	-2 000
TOTAL	27 615	-3 448	24 167⁽²⁾

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

(1) The credit policy is designed to limit financial risk with respect to counterparties. Under this policy, the government disburses or receives sums that fluctuate with the market value of the contracts. The amounts transacted do not affect the debt.

(2) Borrowings contracted as at March 1, 2023.

The financing program will amount to \$29.5 billion in 2023-2024.

For the four subsequent years, from 2024-2025 to 2027-2028, it will average \$26.4 billion per year.

TABLE I.9

Government's financing program from 2023-2024 to 2027-2028
(millions of dollars)

	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028
Net financial requirements	18 647	15 671	14 899	14 101	15 227
Repayments of borrowings	13 396	16 477	16 630	13 666	12 915
Use of pre-financing	—	—	—	—	—
Use of the Generations Fund to repay borrowings	—2 500	—2 500	—	—	—
Retirement Plans Sinking Fund withdrawals	—	—1 000	—2 500	—3 500	—4 500
TOTAL	29 543	28 648	29 029	24 267	23 642

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

2.2 Borrowings contracted in 2022-2023

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.

Thus far in 2022-2023, the government has contracted 19% of its borrowings on foreign markets, compared to an average of 27% over the last 10 years. Québec plans to continue to take advantage of opportunities to issue on foreign markets. However, the government keeps no exposure of its debt to foreign currencies in order to neutralize the effects of their fluctuations on debt service.

In 2022-2023, conventional bonds in Canadian dollars were the main debt instrument used.

The average cost of transactions in 2022-2023 was 3.80% with an average maturity of borrowings of 17 years, while the cost of the entire debt was 3.06% with an average remaining maturity of 11 years as at March 31, 2022.

TABLE I.10

Summary of long-term borrowings contracted in 2022-2023

Currencies	\$million	%
CANADIAN DOLLAR		
Conventional bonds	16 517	68.5
Green bonds	1 799	7.4
Savings products issued by Épargne Placements Québec	1 090	4.5
Immigrant investors ⁽¹⁾	275	1.1
Subtotal	19 681	81.5
OTHER CURRENCIES		
Euro	3 241	13.4
Pound sterling	1 189	4.9
Australian dollar	56	0.2
Subtotal	4 486	18.5
TOTAL	24 167	100.0

Note: Borrowings contracted as at March 1, 2023.

(1) These borrowings are from sums advanced by immigrant investors. These sums are lent to the government through Investissement Québec.

Green Bond program

In 2017, the government introduced a Green Bond program to fund 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.

The program draws on the Green Bond Principles, a set of guidelines created to bring more transparency to the issuance, disclosure and reporting process.

The Québec Green Bond program's framework, which was updated in July 2022, received the highest rating possible from CICERO (Center for International Climate Research).

Eight issues totalling \$5.1 billion have been made since the program was launched, including two issues totalling \$1.8 billion in May and November 2022. Given the demand for Québec's Green Bonds and the government's commitment to the environment, Québec has pledged to be a regular issuer of Green Bonds.

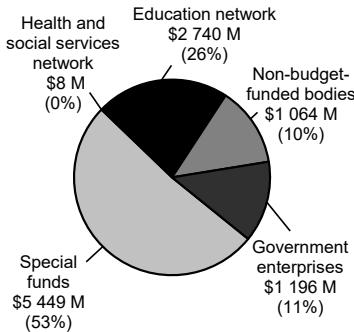
For more information, visit

http://www.finances.gouv.qc.ca/department/environment_green_economy/green_bonds/.

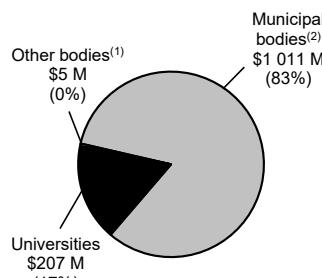
Funding of public bodies

The main mission of the Financing Fund and Financement-Québec is to offer Québec's public sector bodies financing at the lowest possible cost. The clientele of the Financing Fund consists of public bodies included in the government reporting entity. In fiscal 2022-2023, the Financing Fund's long-term loan program amounts to nearly \$10.5 billion, and that of Financement-Québec, to \$1.2 billion.

Financing Fund's long-term loan program in 2022-2023



Financement-Québec's long-term loan program in 2022-2023



(1) Montreal Museum of Fine Arts.

(2) Municipal transit authorities.

As a result of the change in the application of the accounting standard respecting transfer payments, the government has decided to modify the terms and conditions for the payment of grants related to infrastructure projects. Grants related to subsidized investments will now be paid in cash as repayment of temporary loans contracted with the Financing Fund or Financement-Québec rather than as repayment of debt service on long-term loans.

This change in payment terms is implemented gradually. As of 2022-2023, the Ministère de la Santé et des Services sociaux and the Ministère du Tourisme have started making cash payments. As such, no new long-term loans are planned in connection with these grants.

Long-term financing from the Financing Fund and Financement-Québec will remain for non-subsidized investments.

Essentially, the government continues to finance its infrastructure through long-term borrowing on the financial markets regardless of whether it chooses to finance the grant recipient entity on a long-term basis or to pay cash for its grant.

2.3 Debt management strategy

The government's debt management strategy aims to minimize financing costs while taking into consideration the risks associated with fluctuations in 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 debt by currency

As at March 31, 2023, before taking swaps into account, 77% of the debt is expected to be in Canadian dollars, 12% in euros, 8% in U.S. dollars, 1% in pounds sterling, 1% in Australian dollars, 1% in Swiss francs and less than 1% in other foreign currencies (yen, New Zealand dollars and Swedish krona).

After taking swaps into account, the entire debt is denominated in Canadian dollars.

Since 2012-2013, the government has maintained no exposure of its debt to foreign currencies.

The contracted swaps neutralize exposure to foreign currency fluctuations on debt service.

TABLE I.11

Structure of debt by currency as at March 31, 2023 (per cent)

	Before swaps	After swaps
Canadian dollar	77	100
Euro	12	0
U.S. dollar	8	0
Pound sterling	1	0
Australian dollar	1	0
Swiss franc	1	0
Other (yen, New Zealand dollar and Swedish krona)	0 ⁽¹⁾	0
TOTAL	100	100

Note: This is the debt issued on financial markets by the government and Financement-Québec, minus the balance of the Sinking Fund for Government Borrowing.

(1) The proportion of debt attributable to other currencies before swaps is less than 1%.

□ Structure of debt by interest rate

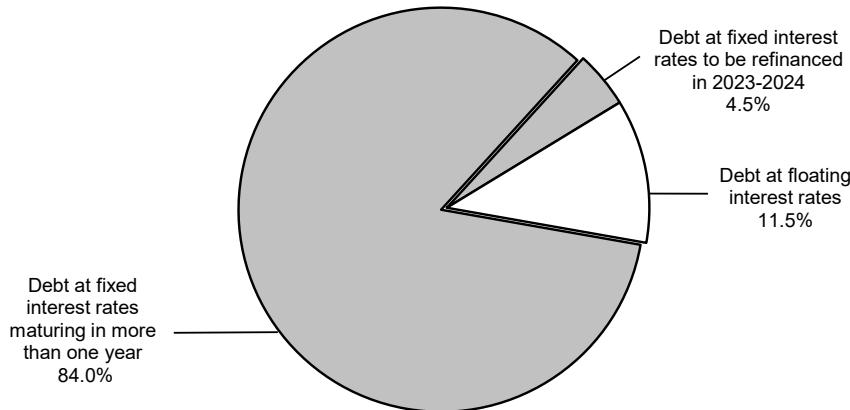
The government keeps part of its debt at fixed interest rates and part at floating interest rates.

As at March 31, 2023, after taking swaps into account, the proportion of debt at fixed interest rates⁸ is expected to be 88.5%, and the proportion at floating interest rates is expected to be 11.5%.

Moreover, as at March 31, 2023, the share of debt subject to an interest rate change in 2023-2024 is expected to stand at 16.0%. This share includes debt at floating interest rates (11.5%) as well as debt at fixed rates to be refinanced in 2023-2024 (4.5%).

CHART I.4

Structure of debt by interest rate as at March 31, 2023



Note: This is the debt issued on financial markets by the government and Financement-Québec, minus the balance of the Sinking Fund for Government Borrowing.

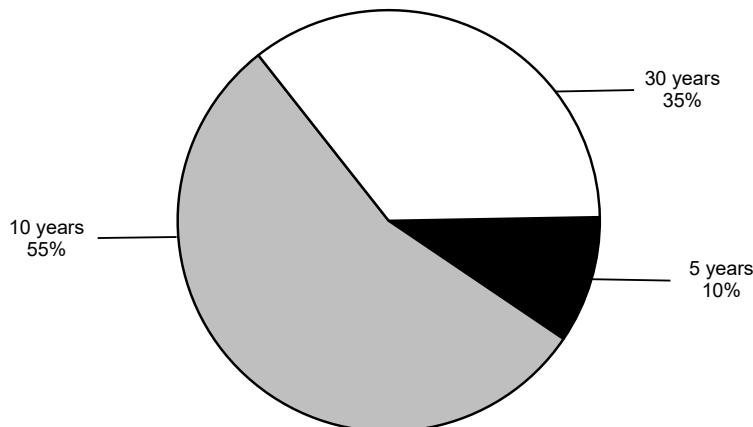
⁸ This proportion includes debt at fixed interest rates maturing in more than one year (84.0%) as well as debt at fixed interest rates to be refinanced in 2023-2024 (4.5%).

□ Debt maturity

Maturities of new borrowings are distributed over time so as to stabilize the refinancing profile and ensure the government's regular presence on capital markets. To date, approximately 90% of the borrowings contracted in 2022-2023 had a maturity of 10 years or more. The average share of issues for this term over the last 10 years represents 73%. The average maturity of borrowings is 17 years in 2022-2023.

CHART I.5

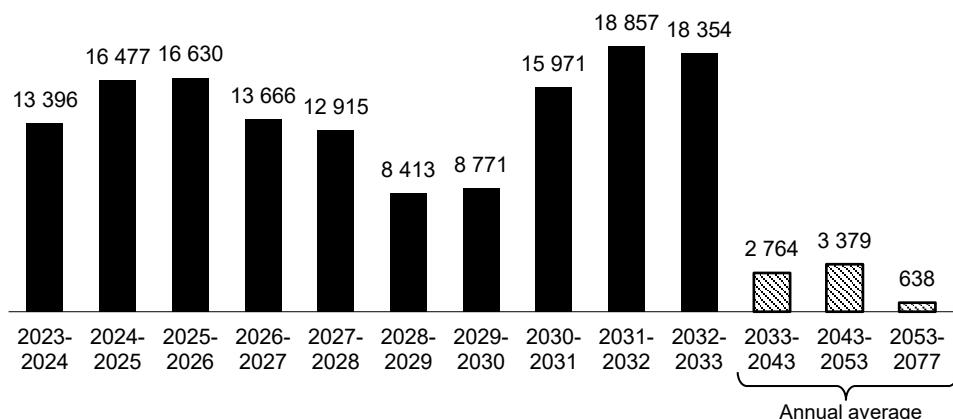
Maturity of transactions carried out in 2022-2023



The diversification of borrowings by term is reflected on the maturity of the debt as shown in the following chart. As at March 31, 2023, the average maturity of the debt is expected to be 12 years.

CHART I.6

Maturity of long-term debt as at March 31, 2023 (millions of dollars)



Note: This is the debt issued on financial markets by the government and Financement-Québec, minus the balance of the Sinking Fund for Government Borrowing.

2.4 Yield on Québec's debt securities

The recent interest rate hike brings the yield of Treasury bills to 4.6%, while the yield on 10-year Québec government securities is 4.1% after reaching a low of 1.2% in July 2020.

CHART I.7

Yield on the Québec government's securities (per cent)

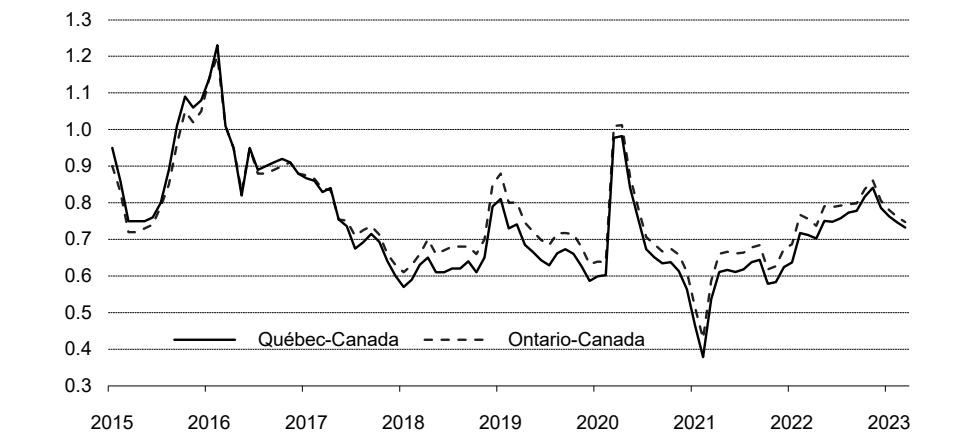


Sources: PC-Bond and Ministère des Finances du Québec.

Since June 2017, a spread in favour of Québec has been observed between the yield on 10-year securities of Québec and those of Ontario. This spread now stands at about 2 basis points.

CHART I.8

Yield spread on long-term (10-year) securities (percentage points)



Source: PC-Bond.

3. INFORMATION ON RETIREMENT PLANS AND FUNDS DEPOSITED BY THE MINISTÈRE DES FINANCES WITH THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

3.1 Net liability for retirement plans

The Québec government covers its share of the funding of its employees' retirement plans, which are defined-benefit plans.

In its financial statements, it discloses the pension obligation, which corresponds to the present value of the retirement benefits that it will pay to its employees. This obligation is re-evaluated annually using a method that gradually factors in differences observed relative to forecasts.⁹ The result is the retirement plans liability.

Sums are accumulated in the Retirement Plans Sinking Fund (RPSF) and other funds to pay retirement benefits. The value of these assets is subtracted from the liability to measure the government's net commitment, called the net retirement plans liability. This amount is included in gross debt.

As at March 31, 2022, net liability for retirement plans and other employee future benefits stood at \$9.5 billion.

TABLE I.12

Net liability for retirement plans and other employee future benefits as at March 31, 2022 (millions of dollars)

Retirement plans	
Retirement plans liability ⁽¹⁾	116 569
Less: Retirement Plans Sinking Fund (RPSF) and other funds ⁽²⁾	-106 963
Net retirement plans liability	9 606
Other employee future benefits	
Other employee future benefits liability	1 416
Less: Funds dedicated to other employee future benefits	-1 565
Net other employee future benefits asset	-149
NET LIABILITY FOR RETIREMENT PLANS AND OTHER EMPLOYEE FUTURE BENEFITS	
	9 457

(1) Mainly the Government and Public Employees Retirement Plan (RREGOP) and the Pension Plan of Management Personnel (PPMP).

(2) The value of the RPSF is \$100.4 billion. The other funds consist mainly of that of the Pension Plan of the Université du Québec. For the RPSF, this is the book value. For information purposes, as at December 31, 2022, the book value of the RPSF was \$107.5 billion.

⁹ The value of obligations relating to accrued retirement plan benefits undergoes actuarial valuations every three years. The value is extrapolated between two valuations.

The Retirement Plans Sinking Fund in proportion to actuarial obligations

The Retirement Plans Sinking Fund (RPSF) was created by the Québec government in 1993. It is an asset that was established for the payment of retirement benefits of public and parapublic sector employees.

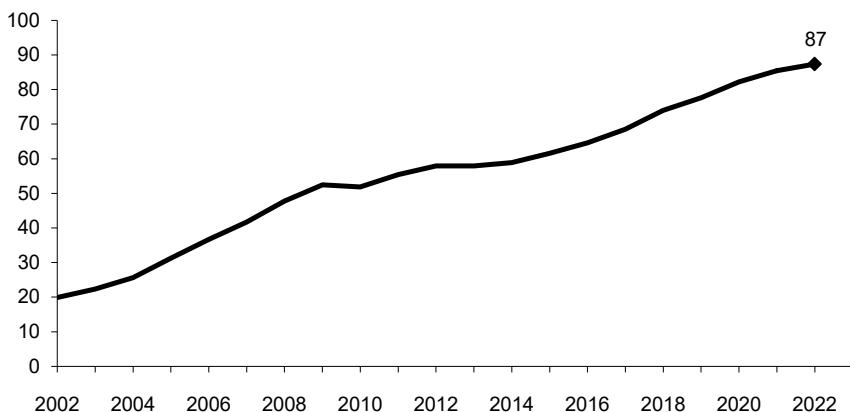
In December 1999, as part of the agreement concluded for the renewal of its employees' collective agreements, the government set the objective of ensuring that the book value of the sums accumulated in the RPSF would be equal, in 2020, to 70% of its actuarial obligations in respect of the retirement plans of public and parapublic sector employees.

- The objective was reached as at March 31, 2018, that is, two years sooner than anticipated.
- As at March 31, 2022, the RPSF was equal to 87% of the actuarial obligations in respect of retirement plans.

It is expected that the sums accumulated in the RPSF to pay the retirement benefits of government employees will exceed the government's retirement plans liability in 2026. In this context, the government is announcing that it will begin withdrawing sums from the RPSF to provide for the payment of pension benefits to government employees. An initial withdrawal of \$1 billion will take place in 2024-2025. These withdrawals will help reduce the financing program and Québec's debt on financial markets.

Book value of the RPSF in proportion to the government's actuarial obligations in respect of the retirement plans of public and parapublic sector employees as at March 31

(per cent)



3.2 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 (RPSF, Generations Fund and Accumulated Sick Leave Fund) are managed in accordance with investment policies established by the Ministère des Finances in cooperation with representatives of the Caisse.

These investment policies are established based on several factors, including 10-year return forecasts, standard deviations and correlations for various categories of assets, opportunities for investing in these assets and recommendations of the Caisse.

In 2022, the return on funds deposited by the Ministère des Finances with the Caisse was -4.6% for the RPSF, -7.9% for the Generations Fund and -4.6% for the Accumulated Sick Leave Fund.

- The year 2022 was a challenging one for both stocks and bonds. In this difficult environment, the Caisse managed to outperform its benchmark portfolio.
- The lower return for the Generations Fund is due to differences in investment policies. The Generations Fund, by its very nature, holds more liquid investments such as stocks and bonds.

The investment policies of these three funds are presented on the next page.

TABLE I.13

2022 return on and market value of funds deposited by the Ministère des Finances with the Caisse de dépôt et placement du Québec

	Rate of return (%)	Market value as at December 31, 2022 (\$billion)
Retirement Plans Sinking Fund (RPSF)	-4.6	107.5
Generations Fund	-7.9	17.8
Accumulated Sick Leave Fund	-4.6	1.2

□ Comparison of investment policies

TABLE I.14

Investment policies as at January 1, 2023 (per cent)

Specialized portfolios	RPSF and ASLF	Generations Fund	Average benchmark portfolio of depositors as a whole ⁽¹⁾
Short-Term Investments	1.0	1.0	1.3
Rates ⁽²⁾	9.5	10.0	11.0
Credit ⁽³⁾	22.5	28.0	19.7
Total – Fixed Income	33.0	39.0	32.0
Infrastructure	12.0	8.0	9.7
Real Estate	11.5	8.0	12.2
Total – Real Assets	23.5	16.0	21.9
Equity Markets	27.5	36.0	31.1
Private Equity	16.0	9.0	15.3
Total – Equities	43.5	45.0	46.4
Leverage Product	—	—	-0.3
TOTAL	100.0	100.0	100.0

RPSF: Retirement Plans Sinking Fund.

ASLF: Accumulated Sick Leave Fund.

(1) Data as at December 31, 2021, drawn from the *2021 Annual Report* of the Caisse de dépôt et placement du Québec.

(2) This portfolio consists of government bonds.

(3) Broader range of instruments with fixed income securities characteristics.

4. CREDIT RATINGS

4.1 Québec's credit ratings

A credit rating measures the ability of a borrower, such as the Québec government, to pay interest on its debt and repay the principal at maturity.

A high credit rating means access to a broader pool of investors and advantageous borrowing costs.

Québec's credit rating is evaluated by six credit rating agencies.

In July 2022, Japan Credit Rating Agency (JCR) raised Québec's credit rating from AA+ to AAA, the highest possible rating. This is the highest rating that the agency has ever given to Québec. According to the Japanese agency, the strength of Québec's economy has allowed for a strong recovery and a lowering of the debt burden from the pre-pandemic level.

The five other agencies that rate Québec confirmed its credit rating, with a stable outlook.

Overall, the credit rating agencies emphasized that Québec had a strong and diversified economy, and that the government's commitment to returning to a balanced budget demonstrated sound management of public finances. The agencies also noted that the government's commitment to reducing the debt burden was a positive element.

TABLE I.15

Québec's credit ratings

Credit rating agency	Credit rating	Outlook
Standard & Poor's (S&P)	AA-	Stable
Moody's	Aa2	Stable
Fitch Ratings	AA-	Stable
DBRS Morningstar	AA (low)	Stable
Japan Credit Rating Agency (JCR)	AAA	Stable
China Chengxin International (CCXI) ⁽¹⁾	AAA	Stable

Note: Québec's credit ratings as at March 1, 2023.

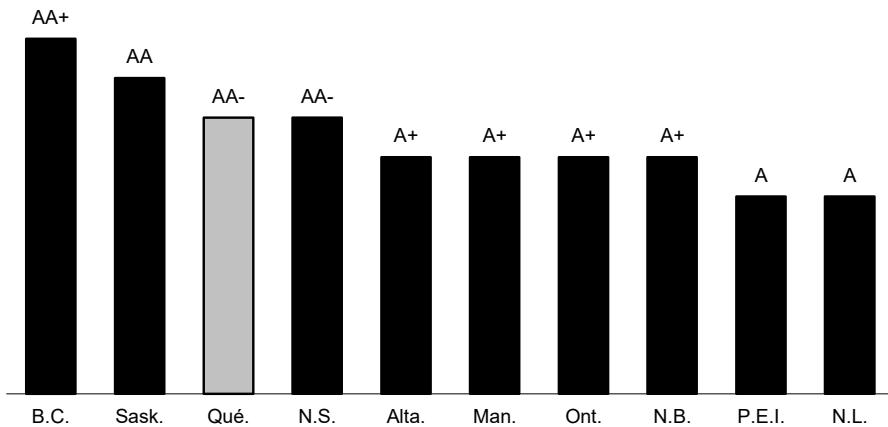
(1) Credit rating for bond issues on the Chinese market.

4.2 Comparison of the credit ratings of Canadian provinces

The following charts show the credit ratings of Canadian provinces by Standard & Poor's and Moody's.

CHART I.9

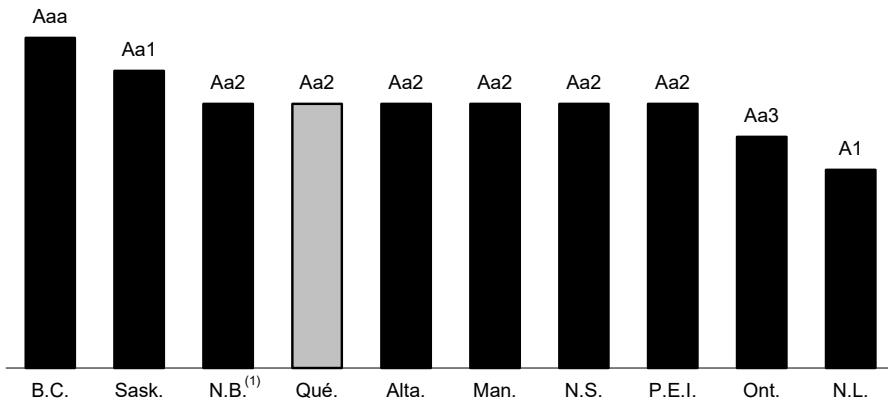
Credit ratings of Canadian provinces – Standard & Poor's



Note: Credit ratings as at March 1, 2023.

CHART I.10

Credit ratings of Canadian provinces – Moody's



Note: Credit ratings as at March 1, 2023.

(1) This province has a positive outlook.

Section J

ALTERNATIVE FORECAST SCENARIOS

Summary	J.3
1. An economic forecast in an uncertain environment:	
Two alternative scenarios	J.5
1.1 Two alternative economic forecast scenarios.....	J.6
1.2 Alternative scenarios and changes in the main economic indicators	J.9
2. Potential impacts on the financial framework	J.11
2.1 Potential impact on the budgetary balance	J.11
3. Potential impacts on Québec's net debt	J.15

SUMMARY

In Québec, like elsewhere in the world, economic activity is taking place in an uncertain environment. Several risks, both upside and downside, could impact the economic outlook in the coming months. Such risks include the worsening of geopolitical tensions, the evolution of inflation or even a stronger global economic growth due to the zero-COVID policy being abandoned in China.

In this context, the Ministère des Finances is presenting two alternative economic forecast scenarios in Budget 2023-2024 to estimate the impacts of more moderate-than-expected or stronger-than-expected economic growth on the financial framework and the Québec government's debt, that is:

- a scenario forecasting a recession, in which economic activity is expected to decline by 0.8% in 2023, followed by a slight 0.6% increase of real GDP in 2024;
 - The negative gaps in comparison to the baseline scenario are 1.4 percentage points in 2023 and 0.8 percentage points in 2024.
- a scenario forecasting strong growth, in which the rise in economic activity is stronger than that expected in the baseline scenario (2.0% in 2023 and 2.1% in 2024).
 - The positive gaps in comparison to the baseline scenario are 1.4 percentage points in 2023 and 0.7 percentage points in 2024.

If the economic situation were to deteriorate, use of the contingency reserve built into the financial framework would avoid delaying the return to a balanced budget.

The financial framework includes a contingency reserve of \$6.5 billion over five years, which could offset the effects of a more pronounced-than-forecast economic slowdown.

Conversely, an improvement in the economic situation could reduce the anticipated deficits, allowing a return to a balanced budget before 2027-2028.

Lastly, as at March 31, 2028, the net debt-to-GDP ratio would be up 0.7 percentage points or down 0.8 percentage points compared to the baseline scenario in Budget 2023-2024.

- The latter projects a ratio of 35.8%, whereas the ratio is forecast to be 36.5% in the recession scenario or 35.0% in the strong growth scenario.

1. AN ECONOMIC FORECAST IN AN UNCERTAIN ENVIRONMENT: TWO ALTERNATIVE SCENARIOS

In recent months, inflationary pressures and tightened credit conditions have weakened the global economy. As a result, the baseline economic forecast scenario in the *Québec Budget Plan – March 2023* is based on a slowdown in global economic activity in 2023.

In Québec, economic growth is also expected to run out of steam. After increasing by 2.8% in 2022, real GDP is forecast to grow by 0.6% in 2023. In 2024, an increase of 1.4% is expected.

However, a high degree of uncertainty surrounds the economic forecasts. As a result, although the forecast is balanced and comparable to that of the private sector, it is not shielded from events that could impact the economic outlook, both on the downside and the upside.

Economic activity in Québec is taking place in a very uncertain environment

The economic forecast scenario helps the Québec government establish the budgetary framework.

These forecasts are based on a number of assumptions that reflect the current economic situation and expected changes in the economy as closely as possible. Although the assumptions concerning real GDP growth are reasonable and prudent, a high degree of uncertainty surrounds developments in economic activity.

— In particular, the *Québec Budget Plan – March 2023* reflects the context of the global economic slowdown triggered by various factors over which the Québec government has little influence.

Therefore, the baseline forecast scenario is based on assumptions that are associated with various risks. If these risks were to materialize, real GDP growth could be either stronger or weaker than forecast in the baseline scenario.

1.1 Two alternative economic forecast scenarios

When the *Update on Québec's Economic and Financial Situation* was published in fall 2022, the risks potentially weighing on Québec's economic outlook were on the downside, suggesting a possible recession.

However, recent economic indicators reveal that the global economy is showing resilience and some risks are also on the upside. In particular, the faster-than-expected moderation of inflation and the stronger-than-expected economic growth in China due to the zero-COVID policy being abandoned are factors with the potential to boost global real GDP growth.

- As a result, Québec's economic growth could be more pronounced than forecast in the baseline scenario.

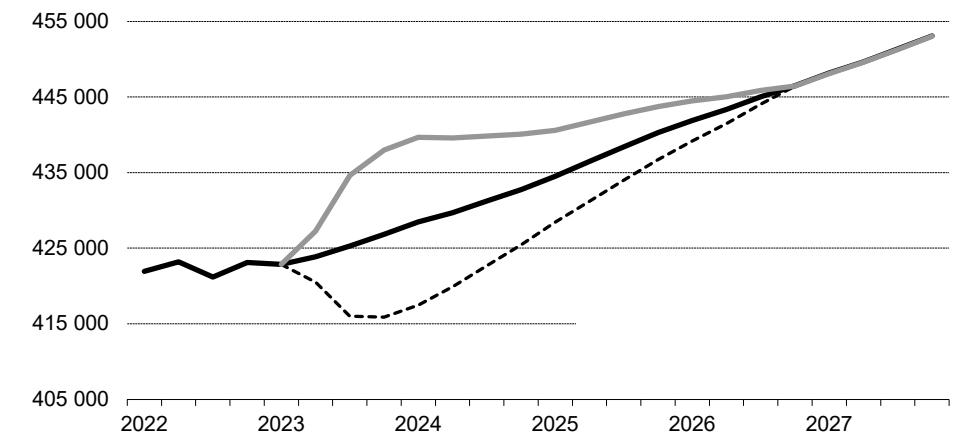
In this context, the Ministère des Finances has drawn up two alternative growth scenarios that could materialize in the coming months, namely:

- a scenario forecasting a recession;
- a scenario forecasting strong growth.

These scenarios allow the impacts of more moderate-than-expected or stronger-than-expected economic growth on the financial framework and the Québec government's debt to be assessed.

CHART J.1

Change in real gross domestic product according to the scenarios in Québec (millions of chained 2012 dollars)



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

□ Recession scenario

The recession scenario reflects a more pronounced economic slowdown in the short term than forecast in the baseline scenario. This scenario reflects the occurrence of certain risks. For example:

- persistent inflation could prompt central banks to further tighten their monetary policy and could lead to a contraction in the economy;
- worsened geopolitical tensions could prolong supply chain disruptions and lead to a rise in the prices of goods traded on international markets;
- households and businesses could exercise greater caution. This situation would lead to a sharp decline in residential and non-residential investment, as well as in household consumption, which would significantly dampen economic activity.

Under this scenario, Québec would experience a recession in 2023. Economic activity would decline by 0.8%, before increasing by 0.6% in 2024. This represents negative gaps of 1.4 percentage points in 2023 and 0.8 percentage points in 2024 compared to the baseline scenario.

- This shock would be followed by a rebound in 2025 and 2026 such that real GDP would return to a level equivalent to the baseline scenario by the end of 2026.

□ Strong growth scenario

The strong growth scenario reflects a stronger increase in economic activity than forecast in the baseline scenario. Various factors could contribute individually or simultaneously to an improvement in the outlook.

- A faster moderation of inflation than forecast in the baseline scenario could prompt central banks to accelerate the pace of monetary policy easing.
- Higher-than-forecast economic growth would incite companies to hire more. A more favourable labour market could lead to a sharper rise in consumer spending.
- Companies, especially those facing recruiting difficulties, could be encouraged to invest more in automating their production. These investments would result in increased productivity.
- Households could also use up a greater portion of the wealth and savings they accumulated during the initial months of the pandemic. In such a situation, their spending would rise more sharply than forecast in the baseline scenario.
- In addition, several global factors could lead to a more pronounced than expected strengthening of international economic growth, in particular the abandonment of the zero-COVID policy in China.

Under this scenario, economic activity in Québec would grow by 2.0% in 2023 and 2.1% in 2024. This represents a positive gap of 1.4 percentage points in 2023 and 0.7 percentage points in 2024 compared to the baseline scenario.

- Real GDP would return to a level equivalent to the baseline scenario by the end of 2026.

TABLE J.1

Real GDP – Québec
(percentage change, shock in percentage points)

	Baseline scenario	Recession scenario		Strong growth scenario	
	Change	Shock	Change	Shock	Change
2023	0.6	-1.4	-0.8	+1.4	2.0
2024	1.4	-0.8	0.6	+0.7	2.1
2025	1.6	+1.1	2.7	-1.1	0.5
2026	1.5	+0.9	2.4	-0.8	0.7
2027	1.4	+0.3	1.7	-0.3	1.1

Source: Ministère des Finances du Québec.

1.2 Alternative scenarios and changes in the main economic indicators

The assumptions regarding the economic outlook affect all the components of the forecast, including real GDP, nominal GDP and employment.

The recession scenario has a negative impact on the main economic indicators

The recession scenario forecasts a 0.8% decline in real GDP in 2023. Under this scenario, households and businesses would exercise greater caution and limit their consumption and investment expenditures, leading to a decline in employment and an increase in the unemployment rate. Particularly, in 2023:

- nominal GDP growth would fall from 2.7% to 1.3%, a negative gap of 1.4 percentage points compared to the baseline scenario;
- a 0.7% increase in employment is expected compared to 1.4% under the baseline scenario;
- the unemployment rate would average 5.0%, a higher level than in the baseline scenario (4.6%);
- more moderate job creation than that expected in the baseline scenario would lead to a more modest increase in wages and salaries (2.5% compared to 3.7% in the baseline scenario);
- the net operating surplus of corporations would decline by 8.7%, a larger contraction than that expected in the baseline scenario (-4.9%);
- growth in consumption, excluding food expenditures and shelter, would stand at 3.4%, while growth of 4.0% is projected in the baseline scenario.

A strong growth scenario that improves the forecasts for most of the economic indicators

The strong growth scenario forecasts real GDP growth of 2.0% in 2023. This represents sharper growth than that in the baseline scenario (+0.6%). Under this scenario, the labour market would remain strong, household expenditures would remain robust and greater demand for goods and services would boost business optimism. In 2023:

- nominal GDP growth would increase from 2.7% to 4.1%, a positive gap of 1.4 percentage points compared to the baseline scenario;
- job creation would be expected to stand at 2.1% compared to 1.4% in the baseline scenario;
- the unemployment rate would average 4.2%, a lower level than in the baseline scenario (4.6%);

- the strength of the labour market would lead to a sharper increase in wages and salaries, which would grow by 5.0% compared to the increase of 3.7% projected in the baseline scenario;
- the net operating surplus of corporations would decline by 1.0%, a smaller contraction than that expected in the baseline scenario (−4.9%);
- growth in consumption, excluding food expenditures and shelter, would stand at 4.7%, while growth of 4.0% is projected in the baseline scenario.

TABLE J.2

Economic indicators in Québec in 2023 and 2024

(percentage change, unless otherwise indicated)

	Baseline scenario		Recession scenario		Strong growth scenario	
	2023	2024	2023	2024	2023	2024
GDP, in real terms	0.6	1.4	−0.8	0.6	2.0	2.1
Consumer price index	3.5	2.2	3.1	2.0	3.8	2.4
Employment	1.4	0.6	0.7	−0.2	2.1	1.3
Unemployment rate (per cent)	4.6	4.2	5.0	5.1	4.2	3.3
GDP, in nominal terms	2.7	3.8	1.3	3.0	4.1	4.5
Wages and salaries, in nominal terms	3.7	3.4	2.5	2.7	5.0	4.0
Net operating surplus of corporations, in nominal terms	−4.9	5.3	−8.7	3.1	−1.0	7.4
Consumption, excluding food expenditures and shelter, in nominal terms	4.0	3.4	3.4	3.1	4.7	3.8

Source: Ministère des Finances du Québec.

2. POTENTIAL IMPACTS ON THE FINANCIAL FRAMEWORK

2.1 Potential impact on the budgetary balance

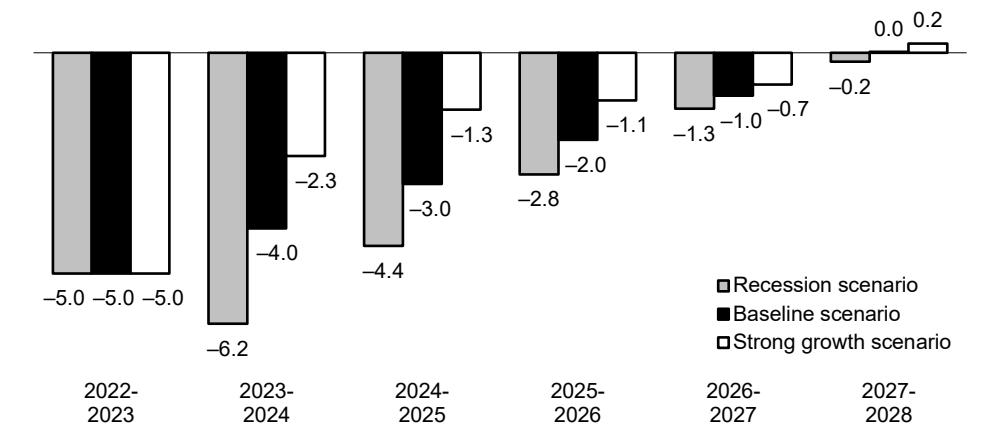
The Québec Budget Plan – March 2023 forecasts a return to a balanced budget by 2027-2028.¹ According to the baseline scenario, the budgetary balance shows a deficit of \$5.0 billion in 2022-2023, after deposits in the Generations Fund. An improvement of \$1.0 billion is forecast each year starting in 2023-2024 until a balanced budget is reached in 2027-2028.

The alternative scenarios forecasting a recession or strong growth illustrate how achieving a balanced budget could be affected if the economic situation were to take a different trajectory than that expected in Budget 2023-2024.

- If the economic situation were to deteriorate, use of the contingency reserve built into the financial framework would avoid delaying the return to a balanced budget.
- Conversely, an improvement in the economic situation could reduce the anticipated deficits, or even allow a return to a balanced budget before 2027-2028.

CHART J.2

Return to a balanced budget – Baseline scenario and alternative scenarios
(billions of dollars)



¹ The return to a balanced budget by 2027-2028 is presented in more detail in subsection 2 of Section H, “Québec’s Financial Situation.”

□ Impact on the financial framework

If one of the two alternative scenarios were to materialize, an additional impact of approximately \$4.8 billion over five years would be expected on the budgetary balance.

Specifically, an upward or downward variation in own-source revenue amounting to approximately \$4.1 billion would be expected over the period covered by the financial framework, while debt-servicing costs would vary by about \$675 million.

The additional impact of the alternative scenarios on own-source revenue would be higher in 2023-2024 and 2024-2025, and would then gradually diminish starting in 2025-2026, as real GDP returns to a level equivalent to that forecast in the baseline scenario.

— In 2027-2028, the alternative scenarios would have very little impact on own-source revenue compared to the baseline scenario.

The impact of the alternative scenarios on debt service would gradually increase over the period covered by the financial framework, in line with the increase or decrease in the budgetary deficits.

— For example, a deterioration of the budgetary deficits caused by the temporary decline in economic activity expected in the recession scenario would ultimately increase debt service by \$193 million.

TABLE J.3

Additional impact of the alternative scenarios on the budgetary balance (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	Total
Budgetary balance⁽¹⁾ – Baseline scenario	–5 021	–3 998	–2 984	–1 980	–976	9	
Additional impact of the recession scenario							
Own-source revenue	—	–2 125	–1 297	–631	–113	–19	–4 185
Debt service	—	–44	–117	–161	–183	–193	–698
Total additional impact	—	–2 169	–1 414	–792	–296	–212	–4 883
Adjusted budgetary balance^{(1),(2)}	–5 021	–6 167	–4 398	–2 772	–1 272	–203	
Additional impact of the strong growth scenario							
Own-source revenue	—	1 615	1 586	743	75	14	4 034
Debt service	—	34	101	153	176	185	649
Total additional impact	—	1 649	1 687	896	251	199	4 683
Adjusted budgetary balance^{(1),(3)}	–5 021	–2 349	–1 297	–1 084	–725	208	

Note: Totals may not add due to rounding.

(1) Budgetary balance within the meaning of the *Balanced Budget Act*, before use of the stabilization reserve.

(2) The budgetary balance projected in the recession scenario excludes the financial impacts of possible government intervention to stimulate the economic recovery.

(3) The budgetary balance projected in the faster growth scenario excludes the financial impacts of any additional measures that may be announced.

■ Details of the adjustments by source

The recession and strong growth scenarios have an impact on own-source revenue and debt-servicing costs.

- Changes in own-source revenue, mainly tax revenue, are closely tied to changes in the main economic indicators.
- Debt-servicing costs are linked to budgetary deficits and interest rates.

Compared to the baseline scenario, the alternative scenarios would result in an increase or decrease in:

- revenue from personal income tax of nearly \$1.6 billion over five years² due to the stronger or weaker growth of wages and salaries forecast in these scenarios;
- revenue from corporate taxes of approximately \$1.4 billion over five years² due to a larger contraction or a stronger recovery of the net operating surplus of corporations;
- revenue from consumption taxes of approximately \$515 million over five years² due to the growth in consumption excluding food expenditures and shelter forecast in the alternative scenarios;
- debt-servicing costs of about \$675 million over five years² due to the change in the budgetary deficits.

TABLE J.4

Additional impact by source – 2023-2024 and total over five years (millions of dollars)

	Recession scenario		Strong growth scenario	
	2023-2024	Total over 5 years	2023-2024	Total over 5 years
Own-source revenue				
– Personal income tax	–766	–1 627	773	1 594
– Corporate taxes	–830	–1 438	313	1 329
– Consumption taxes	–207	–516	208	514
– Other revenue	–322	–604	322	597
Total – Own-source revenue	–2 125	–4 185	1 615	4 034
Debt service	–44	–698	34	649
TOTAL ADDITIONAL IMPACT	–2 169	–4 883	1 649	4 683

Note: Totals may not add due to rounding.

² Average in absolute value of the impacts of the two alternative scenarios over five years.

<h2>Possible actions amid an economic slowdown or strong growth</h2>
<h3>Recession scenario</h3>
<p>In the context of a sharper-than-expected economic slowdown, the government could intervene to stimulate economic recovery through the implementation of targeted measures.</p>
<p>In particular, the government's intervention could consist of a spending stimulus. Government assistance would then be determined based on the source of the economic slowdown.</p>
<p>The size of the spending stimulus would depend on the desired impact on economic activity. A stimulus equivalent to 0.25 percentage points of GDP would amount to approximately \$1.5 billion.</p>
<p>As a result, the financial impacts of the targeted measures, combined with the additional effects of the sharper-than-expected economic slowdown on own-source revenue and debt service, would have a downward impact on the budgetary balance of approximately \$6.4 billion.</p>
<ul style="list-style-type: none"> – However, the financial framework presented in the <i>Québec Budget Plan – March 2023</i> includes a contingency reserve totalling \$6.5 billion over five years. – This reserve could be used to offset these pressures.
<h3>Strong growth scenario</h3>
<p>If economic growth were stronger than forecast in the baseline scenario, the expected improvements in the budgetary balance could:</p>
<ul style="list-style-type: none"> – result in an earlier return to a balanced budget; – provide some leeway for implementing initiatives in relation to the government's missions; – accelerate the reduction of the debt burden.

3. Potential impacts on Québec's net debt

Under the baseline scenario in the *Québec Budget Plan – March 2023*, Québec's net debt will stand at \$206.8 billion as at March 31, 2023, or 37.4% of GDP. A decline to 35.8% of GDP is forecast by 2027-2028.

Under the recession scenario, the net debt-to-GDP ratio would be 1.4 percentage points higher in 2024-2025, bringing it to 38.9%.

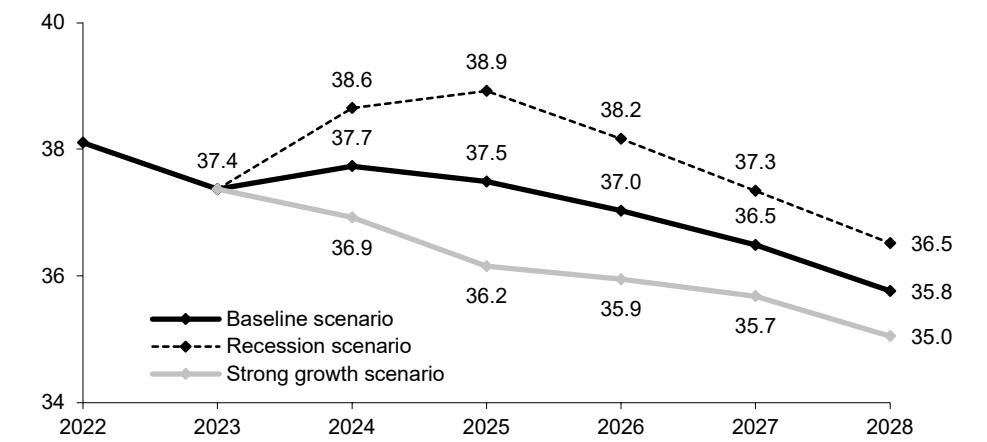
— The ratio would then gradually decline to reach 36.5% of GDP as at March 31, 2028, that is 0.7 percentage points of GDP or \$4.9 billion higher than in the baseline scenario.

Under the strong growth scenario, the net debt-to-GDP ratio would decrease gradually each year.

— As at March 31, 2028, the ratio would stand at 35.0% of GDP, or 0.8 percentage points of GDP lower than in the baseline scenario.

CHART J.3

**Net debt as at March 31 – Baseline scenario and alternative scenarios
(percentage of GDP)**



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