Regulatory Announcement

RNS Number: **<u>“RNS to insert number here”</u>**
Québec
27 March, 2019

RE: Quebec – Budget 2019-2020 – Amendment / Quebec 18K/A-16 – Exhibits 99.24, 99.25, 99.26, 99.27

Exhibit 99.24

Excerpts from Section G - “The Québec Economy: Recent Developments and Outlook for 2019 and 2020” of “Budget 2019-2020 - The Québec Economic Plan – March 2019”, March 21, 2019

Exhibit 99.25

Section H - “Québec’s Financial Situation” from “Budget 2019-2020 - The Québec Economic Plan – March 2019”, March 21, 2019

Exhibit 99.26

Section I - “The Québec Government’s Debt” from “Budget 2019-2020 - The Québec Economic Plan – March 2019”, March 21, 2019

Exhibit 99.27

Excerpts from “Budget Speech 2019-2020”, March 21, 2019

Exhibit 99.24

Excerpts from Section G - “The Québec Economy: Recent Developments and Outlook for 2019 and 2020” of “Budget 2019-2020 - The Québec Economic Plan – March 2019”, March 21, 2019

TABLE G.5

Economic outlook for Québec
(percentage change, unless otherwise indicated)

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

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

TABLE G.7

Canadian financial markets
(average annual percentage rate, unless otherwise indicated, end-of-the-year data in brackets)

	2018	2019	2020
Target for the overnight rate	1.4 (1.8)	1.9 (2.0)	2.2 (2.3)
3-month Treasury bills	1.4 (1.7)	1.9 (2.2)	2.2 (2.3)
10-year bonds	2.3 (2.0)	2.3 (2.6)	2.8 (3.0)
Canadian dollar (in U.S. cents)	76.9 (73.3)	76.7 (77.5)	78.6 (79.6)
U.S. dollar (in Canadian dollar)	1.30 (1.36)	1.30 (1.29)	1.27 (1.26)

Sources: Statistics Canada, Bloomberg and Ministère des Finances du Québec.

Section H

QUÉBEC'S FINANCIAL SITUATION

SUMMARY

Budget 2019-2020 enables the government to specify its fiscal policy directions and announce new initiatives that will benefit all Quebecers.

Québec's economic and fiscal policy directions include:

— measures to put money back in the pockets of Quebecers;

— actions to improve the quality of education and health services;

— initiatives to increase the potential of the economy;

— ongoing fiscal balance and continued reduction of the debt;

— additional public infrastructure investments, in particular for the education, health and transportation sectors;

— greater transparency in the management of public finances.

Budget 2019-2020 includes:

— positive adjustments in the financial framework since March 2018;

— additional investments of $1.4 billion in 2018-2019, $2.3 billion in 2019-2020 and $2.9 billion in 2020-2021 to implement new initiatives;

— a budgetary surplus of $2.5 billion for 2018-2019 and a balanced budget in 2019-2020;

— for 2019-2020, growth of 5.1% in the expenditures of the Éducation et Enseignement supérieur portfolio and 5.4% in those of the Santé et Services sociaux portfolio.

In addition, the Québec government is:

— taking steps to ensure more efficient and more transparent management of public finances, in particular through optimization measures and initiatives to improve performance in the delivery of public services;

— reiterating its requests concerning federal transfers, in particular with respect to the federal contribution for health care and social programs.

1. QUÉBEC'S FISCAL POLICY DIRECTIONS

[ ] Québec's budget for 2019-2020

In 2019-2020, the Québec government's revenue will stand at $115.6 billion, making it possible to fund:

— portfolio expenditures, that is, spending for the government's various functions, totalling $104.0 billion;

— debt service, totalling $9.0 billion;

— deposits of dedicated revenues in the Generations Fund, totalling $2.5 billion.

A balanced budget is forecast for 2019-2020.

TABLE H.1

Québec's budget for 2019-2020
(millions of dollars)

	2019-2020
Consolidated revenue	
Own-source revenue	90 714
% change	*0.6* (1)
Federal transfers	24 924
% change	*6.5*
Total consolidated revenue	**115 638**
% change	***1.8***
Consolidated expenditure	
Portfolio expenditures	–104 038
% change	*5.0*
Debt service	–8 996
% change	*1.1*
Total consolidated expenditure	**–113 034**
% change	***4.7***
Contingency reserve	–100
SURPLUS(2)	**2 504**
BALANCED BUDGET ACT	
Deposits of dedicated revenues in the Generations Fund	–2 504
BUDGETARY BALANCE(3)	**—**

(1) The change amounts to 1.0% in own-source revenue excluding revenue from government enterprises and −5.8% for revenue from government enterprises. The slight variation of 0.6% in own-source revenue is due mainly to the measures implemented in recent years with respect to revenue.
(2) Balance within the meaning of the Public Accounts.
(3) Balance within the meaning of the *Balanced Budget Act*.

1.1 Recent developments in the budgetary situation

Positive adjustments have been recorded in the financial framework since March 2018.

A budgetary surplus of $2.5 billion is forecast for 2018-2019.

A balanced budget is forecast for the two subsequent years.

[ ] Improvement of the budgetary situation since March 2018

The strong economic performance has fostered a more-substantial-than-anticipated increase in tax revenues, generating leeway in the financial framework.

In particular, the *Update on Québec's Economic and Financial Situation*, published in December 2018, reported improvements of $3.5 billion in 2018-2019, $1.7 billion in 2019-2020 and $1.4 billion in 2020-2021.

Including the improvements since December 2018, the changes in Québec's economic and budgetary situation generate in the financial framework, after elimination of the use of the stabilization reserve, improvements of $4.2 billion in 2018-2019, $3.1 billion in 2019-2020 and $3.7 billion 2020-2021.

TABLE H.2

Adjustments to the financial framework since March 2018
(millions of dollars)

	2018-2019	**2019-2020**	**2020-2021**
BUDGETARY BALANCE(1) – MARCH 2018	—	—	—
Improvements presented in the December 2018 update	3 466	1 742	1 358
Improvements since the publication of the December 2018 update	2 282	2 322	2 787
Elimination of the use of the stabilization reserve	–1 587	–936	–479
Total improvements	**4 161**	**3 128**	**3 667**
December 2018 initiatives	–229	–806	–729
March 2019 initiatives	–1 432	–2 322	–2 937
Total initiatives	**–1 661**	**–3 128**	**–3 667**
BUDGETARY BALANCE(1) – MARCH 2019	**2 500**	—	—

Note: Totals may not add due to rounding.

(1) Budgetary balance within the meaning of the *Balanced Budget Act*, after use of the stabilization reserve, where applicable.

1.1.1 Change in the budgetary balance in 2018-2019

In 2018-2019, the budgetary surplus stands at $2.5 billion.

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

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

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

TABLE H.3

Change in the budgetary balance, 2018-2019
(millions of dollars)

	2018-2019
MONTHLY REPORT ON FINANCIAL TRANSACTIONS AT DECEMBER 31, 2018 (1)	**5 571**
UPCOMING RESULTS FOR JANUARY TO MARCH 2019	
Results related to the economic and budgetary situation	
– **Own-source revenue excluding revenue from government enterprises**	–362
– Results of bodies and funds	–418
– Expenditure and other revenue(2)	–656
Subtotal	**–1 435**
Balance of the initiatives of the December 2018 update still to be implemented	**–204**
Targeted initiatives for improving public services and increasing the potential of the economy - March 2019	
– Improving the quality of education and health services	–90
– Increasing the potential of the economy	–357
– Acting for the environment	–51
– Supporting communities and other initiatives	–935
Subtotal	**–1 432**
TOTAL	**–3 071**
BUDGETARY BALANCE(1) – MARCH 2019	**2 500**

Note: Totals may not add due to rounding.
(1) Budgetary balance within the meaning of the *Balanced Budget Act*.
(2) In particular, program spending and revenue from government enterprises.

[ ] **Targeted initiatives in 2018-2019**

As of 2018-2019, the government is investing additional sums mainly by implementing targeted, non-recurring measures.

- **Improving the quality of education and health services**

The government is in favour of peoples' lifelong autonomy. Therefore, as of 2018-2019, it is investing $80.0 million to offer more hours of home care and support services and develop social geriatrics, which will help to fight the social isolation of seniors, as well as $9.5 million to fund research on Alzheimer's disease.

- **Increasing the potential of the economy**

To increase the potential of the economy as of 2018-2019, the government is:

— allocating $220.0 million to develop strategic sites for innovative businesses;

— allocating $7.5 million to support the activities of Génome Québec, which target the development and excellence of genomics research;

— investing $2.1 million in marine biotechnologies, through support for the Quebec consortium for industrial bioprocess research and innovation;

— supporting four major initiatives in artificial intelligence by granting:

  — $35.0 million to IVADO LABS for the implementation of projects in Québec using artificial intelligence applications in all industrial sectors,

  — $15.0 million to SCALE.AI for the implementation of industrial projects in Québec that optimize supply chains through artificial intelligence,

  — $32.5 million to MILA to support its operations and the development of the artificial intelligence cluster in Québec,

  — $17.5 million to PROMPT-QUÉBEC to support businesses in collaborative projects in the field of artificial intelligence;

— investing $10.0 million to enhance the Sainte-Anne-de-Beaupré wharf, which will revitalize the municipality's commercial core;

— allocating $7.5 million for the QcRail project to study the feasibility of extending the railway network between Dolbeau-Mistassini and Baie-Comeau, particularly for exporting businesses;

— providing $4.0 million in assistance to agencies that support funding for entrepreneurship;

— enhancing by $1.0 million the local projects funding program to rapidly finance a large number of projects in all regions of Québec;

— awarding $3.0 million to help print media companies cover their selective collection costs;

TABLE H.4

Targeted initiatives in 2018-2019
(millions of dollars)

	2018-2019
Improving the quality of education and health services	**–89.5**
– Strengthening home care and support services	–80.0
– Funding research on Alzheimer's disease	–9.5
Increasing the potential of the economy	**–356.6**
– Developing strategic sites for innovative businesses	–220.0
– Increasing genomics research	–7.5
– Providing support for the Quebec consortium for industrial bioprocess research and innovation	–2.1
– IVADO LABS	–35.0
– SCALE.AI	–15.0
– MILA	–32.5
– PROMPT-QUÉBEC	–17.5
– Enhancing the Sainte-Anne-de-Beaupré wharf	–10.0
– Supporting the QcRail project	–7.5
– Providing assistance to entrepreneurship support agencies	–4.0
– Enhancing the local projects funding program	–1.0
– Supporting the print media sector	–3.0
– Providing funding for the Centre for Productivity and Prosperity of HEC Montréal	–1.5
Acting for the environment	**–50.7**
– Maintaining Québec's capacity to fight forest fires	–42.0
– Supporting international cooperation for ensuring sustainable development and combating climate change	–8.7
Supporting communities and other initiatives	**–935.2**
– Support in building AccèsLogis Québec housing units not completed	–72.8
– Support for the Montréal Reflex framework agreement	–70.0
– Support for municipalities for the regulation of cannabis	–20.0
– Reduction of the cost of living in Nunavik	–51.6
– Subsidy for the Québec airport	–2.8
– Support for paratransit	–52.0
– Government assistance program for public passenger transit	–11.7
– Assistance program for public transit development	–65.2
– Assistance for maintaining local road networks	–78.7
– Subsidy for the Autorité régionale de transport métropolitain (ARTM)	–99.0
– REM - Transitional mitigation network	–156.0
– Support for modernization of the taxi industry	–250.0
– Gradual elimination of the additional contribution for childcare	–5.4
TOTAL	**–1 432.0**

— allocating $1.5 million to fund the research activities of the Centre for Productivity and Prosperity of HEC Montréal.

- **Acting for the environment**

To act for the environment, the government will, as of 2018-2019:

— invest $42.0 million to upgrade its water-bomber fleet;

— enhance by $8.7 million its contribution to international cooperation for, in particular, ensuring sustainable development and combating climate change.

- **Supporting communities and other initiatives**

To support communities, the government is:

— allocating $72.8 million for the construction of previously announced housing units under the AccèsLogis Québec program for the Ville de Montréal;

— transferring $70.0 million to the Ville de Montréal to support its economic development under the Montréal Reflex agreement;

— transferring $20.0 million in support to municipalities for the regulation of cannabis;

— providing $51.6 million for the renewal of the Agreement on the Financing of Measures to Reduce the Cost of Living in Nunavik.

Québec also has substantial transportation needs. Therefore, the government is acting quickly to:

— provide transit bodies and municipalities with $309.4 million in support through, in particular, assistance programs for paratransit, public transit and maintenance of local road networks, as well as a subsidy to the Autorité régionale de transport métropolitain (ARTM);

— ensure funding for temporary services during construction work on the Réseau express métropolitain (REM) thanks to a sum of $156.0 million;

— support modernization of the taxi industry thanks to a sum of $250 million.

The additional contribution for childcare will start to be gradually eliminated in 2019, with a reduction of $0.70 per day in the contribution. This initiative will enable the government to put $5.4 million back in the pockets of Quebecers in 2018-2019.

Budgetary surpluses tied to strong revenue performance in the last two years

In the last four years, surpluses amounting to roughly $2.4 billion have been recorded. That represents just over 2% of the government's annual budget.

– Whereas the surpluses in 2015-2016 and 2016-2017 were mainly attributable to lower-than-expected spending, the surpluses in the last two years stem primarily from the strong performance of government revenue.

In 2015-2016 and 2016-2017, the differences in expenditure were $2.1 billion and $1.6 billion, respectively. The differences in revenue for the same two years were −$37 million and $318 million, respectively.

The budgetary surpluses in 2017-2018 and 2018-2019 stem primarily from an average adjustment of about $3.0 billion resulting from increases in the tax revenues for the government's main sources of own-source revenue, associated with the steady economic growth.

– The minor differences in expenditure in the last two years are largely due to the implementation of targeted initiatives aimed at improving public services and supporting the economy.

– Improvements in 2018-2019 have also made it possible to avoid using $1.6 billion from the stabilization reserve as projected in the March 2018 budget.

This budget is reinvesting the recurring share of improvements in revenue, amounting to roughly $2.5 billion, starting in 2019-2020.

Differences in the budgetary balance, 2015-2016 to 2018-2019
(millions of dollars)

	2015-2016	**2016-2017**	**2017-2018**	**2018-2019**
Revenue	–37	318	2 096	3 960
Portfolio expenditures(1) and debt service	2 095	1 616	231	742
Other adjustments affecting the budgetary balance	133	427	295	–615
Elimination of the stabilization reserve	—	—	—	–1 587
Budgetary balance(2)	**2 191**	**2 361**	**2 622**	**2 500**

Note: The differences in the budgetary balance correspond to differences between the initial budget forecasts and the results in the Public Accounts. For 2018-2019, the Budget 2018-2019 forecasts are compared with those of Budget 2019-2020.
(1) The differences in expenditure take into account the implementation of targeted initiatives amounting to $2 199 million in 2017-2018 and $1 617 million in 2018-2019 (initiatives totaling $1 661 million minus $44 million in revenue).
(2) Budgetary balance within the meaning of the *Balanced Budget Act*.

1.1.2 Main adjustments to the financial framework

[ ] **Adjustments related to the economic and budgetary situation**

The adjustments attributable to the economic and budgetary situation are explained by, in particular:

— an increase of $3.5 billion in own-source revenue excluding revenue from government enterprises in 2018-2019, $2.6 billion in 2019-2020 and $2.7 billion in 2020-2021:

  — tax revenue, which includes, among other things, personal income tax and corporate taxes, is adjusted upward by over $2 billion a year owing to the recurrence of the more-favourable-than-anticipated results for 2017-2018,

  — other revenue is adjusted upward by $1.1 billion in 2018-2019, $120 million in 2019-2020 and $10 million in 2020-2021. These adjustments are explained in part by the higher-than-anticipated results for carbon market auctions and an upward adjustment of $586 million in the investment income of the Generations Fund in 2018-2019;

— an increase of $741 million in revenue from government enterprises in 2018-2019, $208 million in 2019-2020 and $131 million in 2020-2021, because of, in particular, an increase in the results of Hydro-Québec in 2018-2019 related to the cold weather in recent months and an extraordinary gain tied to the partial disposal of the TM4 subsidiary;

— a decline of $263 million in revenue from federal transfers in 2018-2019 and an increase of $160 million in 2019-2020 and $304 million in 2020-2021, attributable in part to the signing of the Integrated Bilateral Agreement (IBA) on the federal infrastructure plan, Investing in Canada;

— a reduction of $1.9 billion in portfolio expenditures in 2018-2019, which is explained essentially by the more-gradual-than-expected implementation of certain infrastructure projects, in particular by the Land Transportation Network Fund and the Société de financement des infrastructures locales du Québec. The increase of $232 million in 2020-2021 results primarily from the signing with the federal government of the agreement on the infrastructure plan, Investing in Canada, in particular for public transit projects;

— a decline of $441 million in debt service in 2018-2019, $83 million in 2019-2020 and $127 million in 2020-2021 owing, in particular, to the lower-than-forecast interest rates.

TABLE H.5

Adjustments to the financial framework since March 2018
(millions of dollars)

	2018-2019	2019-2020	2020-2021
BUDGETARY BALANCE(1) – MARCH 2018	—	—	—
ECONOMIC AND BUDGETARY SITUATION			
Own-source revenue excluding revenue from government enterprises			
– Tax revenue	2 429	2 454	2 692
– Other revenue	1 097	120	10
Subtotal	3 526	2 574	2 702
Revenue from government enterprises	741	208	131
Federal transfers	–263	160	304
Portfolio expenditures	1 878	3	–232
Debt service	441	83	127
Deposits of dedicated revenues in the Generations Fund	–615	203	307
Elimination of the use of the stabilization reserve	–1 587	–936	–479
Subtotal	**4 121**	**2 295**	**2 860**
OPTIMIZATION MEASURES			
Additional effort from government enterprises	—	100	150
Elimination of the debt service reserve	—	150	150
Savings generated by accelerated debt repayment	40	193	117
Efficient expenditure management	—	390	390
Subtotal	**40**	**833**	**807**
TOTAL IMPROVEMENTS	**4 161**	**3 128**	**3 667**
MARCH 2019 INITIATIVES			
Putting money back in the pockets of Quebecers	–5	–271	–419
Improving the quality of education and health services	–90	–1 031	–1 164
Increasing the potential of the economy	–357	–505	–679
Acting for the environment	–51	–395	–491
Supporting communities	–930	–105	–162
Other	—	–15	–22
Subtotal	**–1 432**	**–2 322**	**–2 937**
DECEMBER 2018 INITIATIVES	**–229**	**–806**	**–729**
TOTAL INITIATIVES	**–1 661**	**–3 128**	**–3 667**
BUDGETARY BALANCE(1) – MARCH 2019	**2 500**	—	—

Note: Totals may not add due to rounding.

(1) Budgetary balance within the meaning of the *Balanced Budget Act*, after use of the stabilization reserve, where applicable.

[ ] **Optimization measures**

The government has pledged to manage taxes paid by taxpayers in a disciplined manner, in particular by implementing measures to improve efficiency and productivity in its public service offering. To that end, the financial framework provides for optimization measures of $833 million in 2019-2020 and $807 million in 2020-2021.

These optimization measures are as follows:

— the additional effort from government enterprises, reaching $100 million in 2019-2020 and $150 million in 2020-2021;

— elimination of the debt service reserve of $150 million in 2019-2020 and 2020-2021;

— savings of $193 million in 2019-2020 and $117 million in 2020-2021 arising from accelerated debt repayment;

— spending management efficiencies leading to savings of $390 million in 2019-2020 and 2020-2021.

[ ] **Initiatives**

The improvements in the financial framework are being reinvested to implement strategic initiatives for improving the quality of life of Quebecers and increase the potential of Québec's economy.

These initiatives provide for additional investments to, in particular:

— put money back in the pockets of families;

— offer quality education and health services;

— increase the potential of the economy;

— act for the environment;

— support communities.

The additional investments announced in Budget 2019-2020 amount to $1.4 billion in 2018-2019, $2.3 billion in 2019-2020 and $2.9 billion in 2020-2021.

These investments are in addition to those announced in the December 2018 *Update on Québec's Economic and Financial Situation*, that is, $229 million in 2018-2019, $806 million in 2019-2020 and $729 million in 2020-2021.

Adjustments to the financial framework since December 2018

The acceleration in the economy has led to positive adjustments to the financial framework for 2018-2019 and subsequent years relative to the data presented in the December 2018 *Update on Québec's Economic and Financial Situation.*

– Overall, adjustments related to the economic and budgetary situation total $2.3 billion in 2018-2019, $1.7 billion in 2019-2020 and $2.1 billion in 2020-2021.

The improvements in the financial framework are enabling the government to fund initiatives totalling $1.4 billion in 2018-2019, $2.3 billion in 2019-2020 and $2.9 billion in 2020-2021.

Adjustments to the financial framework since December 2018
(millions of dollars)

	2018-2019	2019-2020	2020-2021
BUDGETARY BALANCE(1) – DECEMBER 2018	**1 650**	**—**	**150**
ECONOMIC AND BUDGETARY SITUATION			
Own-source revenue excluding revenue from government enterprises	1 242	1 068	1 224
Revenue from government enterprises	433	113	89
Federal transfers	–588	–291	86
Portfolio expenditures	1 217	722	488
Debt service	233	75	207
Deposits of dedicated revenues in the Generations Fund	–255	–5	3
Subtotal	**2 282**	**1 682**	**2 097**
OPTIMIZATION MEASURES			
Additional effort from government enterprises	—	100	150
Elimination of the debt service reserve	—	150	150
Spending management efficiencies	—	390	390
Subtotal	**—**	**640**	**690**
TOTAL IMPROVEMENTS	**2 282**	**2 322**	**2 787**
MARCH 2019 INITIATIVES			
Putting money back in the pockets of Quebecers	–5	–271	–419
Improving the quality of education and health services	–90	–1 031	–1 164
Increasing the potential of the economy	–357	–505	–679
Acting for the environment	–51	–395	–491
Supporting communities	–930	–105	–162
Other	—	–15	–22
TOTAL INITIATIVES	**–1 432**	**–2 322**	**–2 937**
BUDGETARY BALANCE(1) – MARCH 2019	**2 500**	**—**	**—**

Note: Totals may not add due to rounding.
(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

Recap of the December 2018 initiatives

In the December 2018 *Update on Québec's Economic and Financial Situation*, the government announced additional initiatives totaling $229 million in 2018-2019, $806 million in 2019-2020 and $729 million in 2020-2021.

These initiatives provide for additional investments to:

– further support families through the payment of a more generous family allowance and a freeze on the additional contribution for childcare;

– introduce an assistance amount for low-income seniors aged 70 or over;

– incentivize businesses to invest more thanks to initiatives aimed at accelerating the depreciation of businesses following the initiatives announced by the federal government;

– encourage the acquisition of electric vehicles through additional funding for rebate programs for the purchase of new or used vehicles.

December 2018 initiatives
(millions of dollars)

	2018-2019	2019-2020	2020-2021
Further support for families	–62	–251	–259
Introduction of the senior assistance amount	–102	–108	–114
Acceleration of business investment	–44	–448	–357
Encouragement of acquisition of electric vehicles	–21	—	—
TOTAL	**–229**	**–806**	**–729**

Note: Totals may not add due to rounding.

1.2 Budgetary outlook

This subsection presents Québec's budgetary outlook for the years 2018-2019 to 2023-2024.

— The government forecasts a balanced budget from 2019-2020 to 2021-2022, and small surpluses in 2022-2023 and 2023-2024.

1.2.1 Five-year financial framework

Consolidated revenue amounts to $115.6 billion in 2019-2020, with growth of 1.8% .[1] In 2020-2021, it will grow by 3.2% .

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

The financial framework provides for a contingency reserve of $100 million per year as of 2019-2020.

Deposits of dedicated revenues in the Generations Fund amount to $2.5 billion in 2019-2020 and will reach $2.7 billion in 2020-2021.

1 This growth is explained in particular by the impact of the measures announced in previous publications and Budget 2019-2020, which affect mainly corporate taxes, personal income tax and the school property tax.

The shares of government revenue and expenditure in the economy generally follow similar paths.

From 2008-2009 to 2013-2014, the share of expenditure in the economy exceeded that of revenue owing to deficits. The share of expenditure rose steadily until 2013-2014, when it reached 26.1% .

From 2014-2015 to 2018-2019, the share of revenue exceeded that of expenditure because of the budgetary surpluses recorded and efforts to reduce the debt through deposits of dedicated revenues in the Generations Fund.

In 2019-2020, the share of expenditure will rise to 25.1% of GDP. This increase reflects the investments made by the government to implement its priorities.

In subsequent years, the difference between the shares of revenue and expenditure as a percentage of GDP will hold steady within nearly 1 percentage point, mainly as a result of debt reduction efforts.

Change in the shares of consolidated revenue and expenditure in the economy, 2000-2001 to 2023-2024
(percentage of GDP)

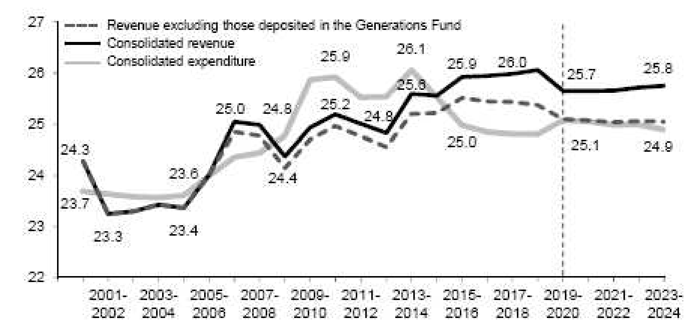


TABLE H.6
Consolidated financial framework, 2018-2019 to 2023-2024
(millions of dollars)

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

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

[ ] **Stabilization reserve**

Under the *Balanced Budget Act*, a recorded surplus, that is, a budgetary balance that is greater than zero, must be allocated to the stabilization reserve.

— As at March 31, 2019, the stabilization reserve will amount to $9.7 billion.

TABLE H.7

Stabilization reserve
(millions of dollars)

Fiscal year	**Balance, beginning of year**	**Allocations**	**Uses**	**Balance, end of year**
2015-2016	—	2 191	—	2 191
2016-2017	2 191	2 361	—	4 552
2017-2018	4 552	2 622	—	7 174
2018-2019	7 174	2 500	—	9 674

[ ] **Margins of prudence**

The stabilization reserve as at March 31, 2019 and all the provisions included in the financial framework will make it possible to cover risks that could influence the financial framework and to thus respond to an unexpected decline in revenue or increase in expenditure of $11.2 billion.

TABLE H.8

Margins of prudence
(millions of dollars)

	2019-2020-	**2020-2021-**	**2021-2022-**	**2022-2023-**	**2023-2024-**	**Total**
Contingency reserve	100	100	100	100	100	500
Contingency Fund reserve	200	200	200	200	200	1 000
Subtotal - Reserves	**300**	**300**	**300**	**300**	**300**	**1 500**
Stabilization reserve as at March 31, 2019						9 674
TOTAL	**300**	**300**	**300**	**300**	**300**	**11 156**

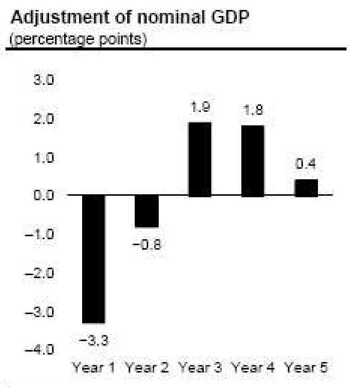
The importance of maintaining a stabilization reserve: illustration of the impact of a recession

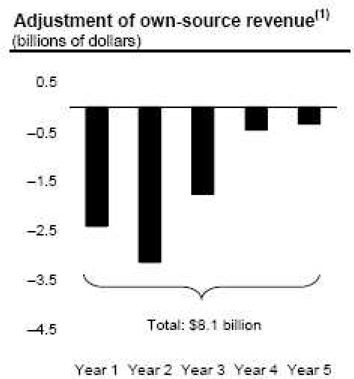
Past experience shows that Québec is not shielded from events that could impact its financial framework, such as an economic downturn.

An analysis of historical data indicates that, in Québec, an average recession could lead to a −3.3 -percentage-point adjustment of nominal GDP in the first year the effect is felt and a −0.8 -percentage-point adjustment the year after relative to a reference scenario. Given that economic recovery usually follows a slowdown, nominal GDP would be adjusted upward as of the third year.

The impact of such a downturn on the government's own-source revenue could lead to a revenue loss of approximately $8.1 billion over five years, before the return to pre-recession levels.

The stabilization reserve can thus be used as a management tool to offset this loss of revenue.





(1) These amounts exclude revenue from government enterprises.

Note: Own-source revenue generally grows at a pace comparable with that of the economy, given the direct link between tax bases and nominal GDP. According to a sensitivity analysis by the Ministère des Finances, a variation of 1 percentage point in nominal GDP has an impact of about $750 million on own-source revenue. During an economic downturn, the change in own-source revenue is generally more pronounced than the change in nominal GDP.

Stabilization reserve:
a multi-year budget planning tool

Under the *Balanced Budget Act*, a recorded surplus, that is, a budgetary balance that is greater than zero, is automatically allocated to the stabilization reserve.

This reserve facilitates the government's multi-year budget planning, for it can be used in the event of an overrun, that is, a budgetary balance of less than zero. It thus helps to keep the budget balanced.

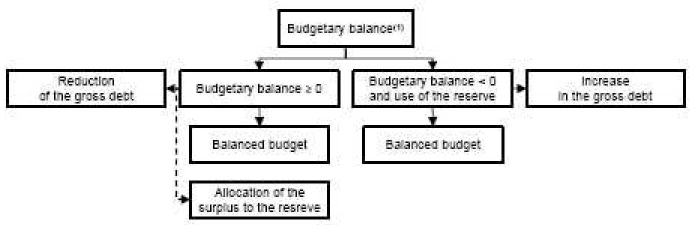
For example, during an economic slowdown, the reserve can be used by the government to balance the budget, without requiring additional actions such as spending reductions or revenue increases.

The stabilization reserve reduces borrowings, but it is not money in the bank

The reserve acts like a counter made up of surpluses achieved, but it does not consist of surplus cash. In other words, the stabilization reserve is not money in the bank. Budgetary surpluses are not kept in a bank account to offset possible deficits. These surpluses are used during the year to reduce the government's debt on financial markets.

For example, the $2 622-million surplus achieved in 2017-2018, which had been allocated to the stabilization reserve, reduced the gross debt by the same amount.

Should the government use the stabilization reserve to balance the budget, the amount corresponding to the overrun would have to be borrowed, leading to an increase in the gross debt as illustrated in the following chart.



(1) Budgetary balance after deposits of dedicated revenues in the Generations Fund.

1.2.2 Expenditures by departmental portfolio

The expenditures of a departmental portfolio include the expenditures of entities under the responsibility of a minister, as well as tax-funded expenditures that correspond to the area covered by the portfolio.

— The portfolios that have the highest level of spending are Éducation et Enseignement supérieur and Santé et Services sociaux.

Portfolio expenditures are expected to grow by 5.1% in 2018-2019, 5.0% in 2019-2020 and 3.3% in 2020-2021. More specifically:

— spending growth in the Éducation et Enseignement supérieur portfolio amounts to 5.0% in 2018-2019 and 5.1% in 2019-2020;

— spending growth in the Santé et Services sociaux portfolio amounts to 4.7% in 2018-2019 and 5.4% in 2019-2020;

— spending growth in the other portfolios stands at 5.7% in 2018-2019 and 4.5% in 2019-2020.

TABLE H.9

Expenditures by departmental portfolio
(millions of dollars)

	2018-2019	**2019-2020**(1)	**2020-2021**	**2021-2022**
Éducation et Enseignement supérieur	23 261	24 436	25 340	26 325
% change	*5.0*	*5.1*	*3.7*	*3.9*
Santé et Services sociaux	43 101	45 433	47 277	49 194
% change	*4.7*	*5.4*	*4.1*	*4.1*
Other portfolios(2)	32 690	34 169	34 850	35 126
% change	*5.7*	*4.5*	*2.0*	*0.8*
TOTAL	**99 052**	**104 038**	**107 467**	**110 645**
% change	***5.1***	***5.0***	***3.3***	***3.0***

Note: Totals may not add due to rounding.

(1) The breakdown of expenditures in 2019-2020 for all of the portfolios is presented in Appendix 1.
(2) Other portfolios include inter-portfolio eliminations resulting from the elimination of reciprocal transactions between entities in different portfolios.

Shortfall to be offset in portfolio expenditures – Budget 2019-2020

Based on the financial framework of Budget 2019-2020, after inclusion of the new measures announced, the shortfall between the cost of renewing government programs and the spending objectives set will stand at $469 million in 2020-2021 and $458 million in 2021-2022.

Shortfall to be offset in portfolio expenditures – Budget 2019-2020
(millions of dollars)

	2019-2020	2020-2021	2021-2022
Cost of renewing government programs	104 038	107 936	111 103
Portfolio spending objectives	104 038	107 467	110 645
SHORTFALL TO BE OFFSET	**—**	**469**	**458**

Sources : Secrétariat du Conseil du trésor and Ministère des Finances.

[ ] **Expenditures of the Éducation et Enseignement supérieur portfolio**

The expenditures of the Éducation et Enseignement supérieur portfolio are allocated primarily to the activities of educational institutions (school boards, CEGEPS, universities, private educational institutions, government schools). This portfolio also includes student financial assistance as well as programs to promote recreation and sports activities.

These expenditures are funded mainly through income taxes and general taxes, but also through other revenue sources such as the school property tax and tuition fees.

Spending of the Éducation et Enseignement supérieur portfolio will stand at $24.4 billion in 2019-2020, $25.3 billion in 2020-2021 and $26.3 billion in 2021-2022.

— Spending growth in the Éducation et Enseignement supérieur portfolio amounts to 5.1% in 2019-2020, 3.7% in 2020-2021 and 3.9% in 2021-2022.

TABLE H.10

Expenditures of the Éducation et Enseignement supérieur portfolio
(millions of dollars)

	2018-2019	**2019-2020**	**2020-2021**	**2021-2022**
Program spending(1)	19 455	20 897	21 768	22 697
Other spending(2)	3 806	3 539	3 572	3 628
TOTAL	**23 261**	**24 436**	**25 340**	**26 325**
% change	***5.0***	***5.1***	***3.7***	***3.9***

(1) This spending corresponds to departmental expenditures funded mainly through income tax and other general taxes.
(2) This spending corresponds to entities' expenditures funded through their own revenue and to tax-funded expenditures

[ ] **Expenditures of the Santé et Services sociaux portfolio**

The expenditures of the Santé et Services sociaux portfolio consist mainly of the activities of the health and social services network and programs administered by the Régie de l'assurance maladie du Québec. This portfolio also includes the expenditures of other health-related government bodies, such as Héma-Québec.

These expenditures are funded mainly through income taxes and general taxes, but also through other revenue sources such as the contributions of adults residing in residential and long-term care centres or insurance premiums under the Public Prescription Drug Insurance Plan.

Spending for the Santé et Services sociaux portfolio will stand at, $45.4 billion in 2019-2020, $47.3 billion in 2020-2021 and $49.2 billion in 2021-2022.

— Spending growth in the Santé et Services sociaux portfolio amounts to 5.4% in 2019-2020 and 4.1% in 2020-2021 and in 2021-2022.

TABLE H.11

Expenditures of the Santé et Services sociaux portfolio
(millions of dollars)

	2018-2019	**2019-2020**	**2020-2021**	**2021-2022**
Program spending(1)	38 609	40 824	42 547	44 410
Other spending(2)	4 492	4 609	4 730	4 784
TOTAL	**43 101**	**45 433**	**47 277**	**49 194**
% change	***4.7***	***5.4***	***4.1***	***4.1***

(1) This spending corresponds to departmental expenditures funded mainly through income tax and other general taxes.
(2) This spending corresponds to entities' expenditures funded through their own revenue and to tax-funded expenditures.

1.3 Public capital investments

To meet Québec's significant public infrastructure needs, the government is announcing a $15.0 -billion increase in investments under the 2019-2029 Québec Infrastructure Plan (QIP) that will serve primarily to maintain the service offering.

— The 2019-2029 QIP thus amounts to $115.4 billion.

TABLE H.12
Investments under the 2019-2029 Québec Infrastructure Plan
(billions of dollars)

	2019-2029
Investments under the 2018-2028 QIP	100.4
Increase in investments	15.0
INVESTMENTS UNDER THE 2019-2029 QIP	**115.4**

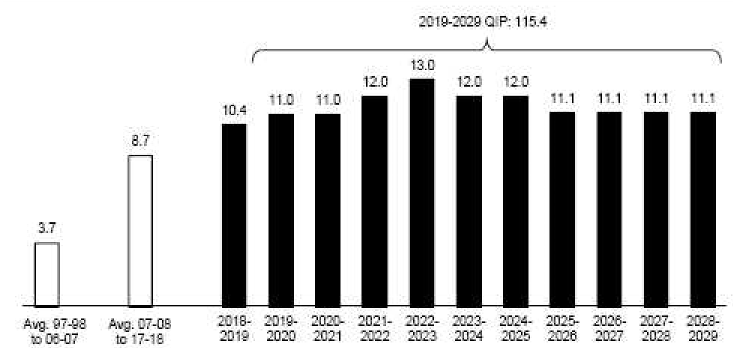
The increase means that, from now until 2028-2029, the government will be injecting over $11 billion a year, on average, in Québec's infrastructure to, in particular:

— maintain and restore road infrastructure;

— provide students and teachers with healthy and safe educational settings.

This increase will also improve the public infrastructure offering through the gradual rolling out of kindergarten classes for 4-year-olds and seniors' homes, as well as the establishment of a new road link between Québec and Lévis.

CHART H.1
Investments under the 2019-2029 Québec Infrastructure Plan
(billions of dollars)



Major investments to improve the quality of public infrastructure

The Québec government owns or funds a large infrastructure inventory evaluated at over $400 billion, including:

– nearly 28 000 buildings;

– some 9 700 bridges and overpasses and nearly 31 000 km of roads;

– over 94 000 km of drinking water, wastewater and storm water networks.

Most of this infrastructure has been assessed to be in good condition

To ensure that its infrastructure is safe and of good quality, the government monitors its condition closely and publishes a condition index every year in its Annual Management Plans for Public Infrastructure Investments (AMPPII).

– The 2019-2020 AMPPIIs present a condition assessment for 79% of the government's asset inventory.

In the case of the infrastructure assessed to date, the AMPPIIs confirm that most of it, that is, 68%, is in good condition (A, B and C), with an average condition index of C. However, 32% is in unsatisfactory condition (D and E), including:

– 54% of the infrastructures in the education sector;

– 50% of roadways and 47% of road network structures.

79% of the asset maintenance deficit is being covered

Inspections of public infrastructure owned by the government have made it possible to estimate the asset maintenance deficit at $24.6 billion in 2019. This estimate corresponds to the investments needed to restore infrastructure with a condition index of D and E above the condition threshold.

– Relative to March 2018, the asset maintenance deficit has increased by $3.8 billion not only on account of the infrastructure's natural deterioration, but also because of new inspections.

– The 2019-2029 QIP provides $19.4 billion to eliminate the asset maintenance deficit, in particular by replacing the most obsolete infrastructures. An important share of the asset maintenance deficit, that is, 79%, is thus being covered.

Priority is being given to investments based on infrastructure sustainability

To meet Québec's significant public infrastructure needs, the government is announcing a $15.0 -billion increase in investments so as to raise the 2019-2029 QIP to $115.4 billion.

– As a result of this increase, it will be possible to make up for the accumulated investment delays for infrastructures that are in poor condition, provide for a recurring level of investment in asset maintenance that will foster the infrastructure's sustainability and support its development.

– Without these additional investments of $15.0 billion, the asset maintenance deficit would have increased more than it did.

In the coming years, the government will continue to take steps to improve the quality of public infrastructure in Québec. To that end, it has pledged to raise to $7.0 billion the average annual investment over five years provided for maintaining the service offering between now and the 2022-2032 QIP.

[ ] **Contribution of partners**

In addition to the $115.4 -billion injection into the 2019-2029 QIP by the Québec government, the government's various partners will contribute a total of $29.2 billion, including $4.3 billion in 2019-2020, for projects under the QIP.

Accordingly, infrastructure investments for projects under the QIP will total $144.6 billion over the next ten years, $15.3 billion of which will be in 2019-2020.

TABLE H.13

Infrastructure investments, 2019-2029
(billions of dollars)

	2019-2020	2019-2029
2019-2029 QIP	**11.0**	**115.4**
Contribution of partners(1)		
– Federal government	2.1	16.5
– Other partners	2.2	12.7
Total – Contribution of partners	**4.3**	**29.2**
TOTAL	**15.3**	**144.6**

(1) Federal government, municipalities and other partners.

The federal government will contribute $16.5 billion to Québec's infrastructure projects over ten years. This funding, which will be in addition to the investments planned under the QIP, comes from a sum of $7.5 billion allocated under the integrated bilateral agreement signed on June 6, 2018 and a sum of $9.0 billion under previous infrastructure plans, such as phase 1 of the plan, *Investing in Canada*, and the 2014-2024 Building Canada Plan.

2. REVENUE AND EXPENDITURE FORECASTS

The *Québec Budget Plan – March 2019* presents the detailed change in consolidated revenue and expenditure:

— detailed adjustments for 2018-2019 since March 2018;

— the outlook over three years, that is, from 2018-2019 to 2020-2021;

— the risks associated with the forecasts and a sensitivity analysis by source of revenue and by type of expenditure.

[ ] Detailed adjustments to the financial framework since March 2018

The adjustments to the financial framework since March 2018 keep the budget balanced.

The economic and budgetary situation leads to a $4.2 -billion positive adjustment of the budgetary balance in 2018-2019. This improvement makes it possible to fund targeted, non-recurring initiatives totalling $1.7 billion for improving public services and increasing the potential of the economy.

A budgetary surplus of $2.5 billion results from these adjustments for 2018-2019.

TABLE H.14

Adjustments to the financial framework since March 2018
(millions of dollars)

		2018-2019			
	March 2018	Adjustments			March 2019
		Economic and budgetary situation(1)	Initiatives	Total adjustments	
Own-source revenue					
Tax revenue	67 343	2 429	–44	2 385	69 728
Other revenue	14 248	1 097	—	1 097	15 345
Subtotal	81 591	3 526	–44	3 482	85 073
% change					*5.3*
Revenue from government enterprises	4 332	741	—	741	5 073
% change					*–0.4*
Total	85 923	4 267	–44	4 223	90 146
% change					*4.9*
Federal transfers	23 674	–263	—	–263	23 411
% change					*4.1*
Consolidated revenue	**109 597**	**4 004**	**–44**	**3 960**	**113 557**
% change					***4.8***
Portfolio expenditures	–99 313	1 878	–1 617	261	–99 052
% change					*5.1*
Debt service	–9 380	481	—	481	–8 899
% change					*–3.7*
Consolidated expenditure	**–108 693**	**2 359**	**–1 617**	**742**	**–107 951**
% change					***4.3***
SURPLUS	**904**	**6 363**	**–1 661**	**4 702**	**5 606**
BALANCED BUDGET ACT					
Deposits of dedicated revenues in the Generations Fund	–2 491	–615	—	–615	–3 106
Use of the stabilization reserve	1 587	–1 587	—	–1 587	—
BUDGETARY BALANCE(2)	**—**	**4 161**	**–1 661**	**2 500**	**2 500**

Note: Totals may not add due to rounding.

(1) The adjustments to the economic and budgetary situation include optimization measures.
(2) Budgetary balance within the meaning of the *Balanced Budget Act*, after use of the stabilization reserve, where applicable.

2.1 Change in revenue

Consolidated revenue encompasses own-source revenue, including revenue from government enterprises, as well as federal transfers.

Consolidated revenue totals $113.6 billion in 2018-2019, that is, $90.1 billion in own-source revenue and $23.4 billion from federal transfers.

— Consolidated revenue is adjusted upward by $4.0 billion compared with the March 2018 forecast.

Revenue growth is expected to be 4.8% in 2018-2019. In 2019-2020 and 2020-2021, it will be 1.8% and 3.2%, respectively.

TABLE H.15

Change in consolidated revenue
(millions of dollars)

	March 2018		March 2019		
	2018-2019	Adjustments	2018-2019	2019-2020	2020-2021
Own-source revenue					
Own-source revenue excluding revenue from government enterprises	81 591	3 482	85 073	85 936	88 722
% change			*5.3*	*1.0*	*3.2*
Revenue from government enterprises	4 332	741	5 073	4 778	5 067
% change			*–0.4*	*–5.8*	*6.0*
Subtotal	**85 923**	**4 223**	**90 146**	**90 714**	**93 789**
% change			***4.9***	***0.6***	***3.4***
Federal transfers	23 674	–263	23 411	24 924	25 600
% change			*4.1*	*6.5*	*2.7*
TOTAL	**109 597**	**3 960**	**113 557**	**115 638**	**119 389**
% change			***4.8***	***1.8***	***3.2***

2.1.1 Own-source revenue excluding government enterprises

Own-source revenue excluding revenue from government enterprises consists chiefly of tax revenue, which is made up of personal income tax, contributions for health services, corporate taxes, school property tax and consumption taxes. How it changes is tied to economic activity in Québec and to changes in the tax systems.

Own-source revenue also includes other revenue sources, that is, duties and permits and miscellaneous revenue, such as interest, the sale of goods and services, as well as fines, forfeitures and recoveries.

Most own-source revenue is intended to fund the delivery of government services and programs. The surplus is dedicated to funding specific activities such as road network maintenance, and to the Generations Fund to reduce the debt.

[ ] **Adjustments for 2018-2019**

For fiscal 2018-2019, own-source revenue excluding revenue from government enterprises totals $85.1 billion, representing an increase of 5.3% relative to the revenue observed for fiscal 2017-2018.

— Compared with the March 2018 forecast, own-source revenue is adjusted upward by $3.5 billion.

TABLE H.16

Change in own-source revenue excluding revenue from government enterprises
(millions of dollars)

	March 2018		**March 2019**		
	2018-2019	**Adjustments**	**2018-2019**	**2019-2020**	**2020-2021**
Tax revenue	67 343	2 385	69 728	71 027	73 365
% change			*4.9*	*1.9*	*3.3*
Other revenue	14 248	1 097	15 345	14 909	15 357
% change			*6.8*	*–2.8*	*3.0*
TOTAL	**81 591**	**3 482**	**85 073**	**85 936**	**88 722**
% change			***5.3***	***1.0***	***3.2***

- **Tax revenue**

Revenue from personal income tax is adjusted upward by $705 million compared to the March 2018 forecast.

— This adjustment is explained by higher-than-expected withholdings at source since the beginning of the fiscal year due to the impact of the growth in wages and salaries, which is 1.1 percentage points higher for 2018.

— It also reflects the recurrence of the higher level of tax payable for 2017.

TABLE H.17

Change in own-source revenue excluding revenue from government enterprises
(millions of dollars)

	March 2018		March 2019		
	2018-2019	**Adjustments**	**2018-2019**	**2019-2020**	**2020-2021**
Tax revenue					
Personal income tax	30 549	705	31 254	32 498	33 959
% change			*5.8*	*4.0*	*4.5*
Contributions for health services	6 028	385	6 413	6 596	6 768
% change			*3.1*	*2.9*	*2.6*
Corporate taxes	8 028	1 008	9 036	8 516	8 743
% change			*11.0*	*–5.8*	*2.7*
School property tax	1 817	60	1 877	1 553	1 556
% change			*–16.3*	*–17.3*	*0.2*
Consumption taxes	20 921	227	21 148	21 864	22 339
% change			*4.0*	*3.4*	*2.2*
Subtotal	**67 343**	**2 385**	**69 728**	**71 027**	**73 365**
% change			***4.9***	***1.9***	***3.3***
Other revenue					
Duties and permits	3 797	381	4 178	4 229	4 298
% change			*5.4*	*1.2*	*1.6*
Miscellaneous revenue	10 451	716	11 167	10 680	11 059
% change			*7.4*	*–4.4*	*3.5*
Subtotal	**14 248**	**1 097**	**15 345**	**14 909**	**15 357**
% change			***6.8***	***–2.8***	***3.0***
TOTAL	**81 591**	**3 482**	**85 073**	**85 936**	**88 722**
% change			***5.3***	***1.0***	***3.2***

Contributions for health services are adjusted upward by $385 million for 2018-2019. This adjustment is explained by higher-than-expected withholdings at source since the beginning of the fiscal year, due in particular to the higher-than-anticipated level of wages and salaries in 2018 relative to the March 2018 forecast.

Revenue from corporate taxes is adjusted upward by $1 008 million compared to the March 2018 forecast. This adjustment results essentially from the monitoring of tax revenues which, in keeping with the increase observed at the end of 2017-2018, were higher than anticipated.

— In fact, since the beginning of the year, many businesses have been paying their quarterly instalments on the basis of their results for 2017, a year in which the growth of the net operating surplus of corporations stood at 11.7%, compared to 3.2% in 2018.

The school property tax is adjusted upward by $60 million in 2018-2019. This adjustment is explained in particular by the higher growth in taxable property values.

Revenue from consumption taxes is adjusted upward by $227 million. This adjustment arises mainly from the Québec sales tax and stems from substantial tax revenues plus the fact that residential investment growth is 3.0 percentage points higher than forecast in 2018.

- **Other revenue**

Revenue from duties and permits is adjusted upward by $381 million, reflecting essentially the higher-than-expected revenue collected under Québec's cap-and-trade system for greenhouse gas emission allowances (carbon market).

In addition, miscellaneous revenue is adjusted upward by $716 million owing chiefly to accelerated repayment of the debt, which leads to, in 2018-2019, higher-than-anticipated realized investment income for the Generations Fund.

Change in own-source revenue excluding revenue from government enterprises in 2018-2019

Since the beginning of 2018-2019, own-source revenue excluding revenue from government enterprises has experienced steady growth, reaching 8.3% as at December 31, 2018,[1] a rate above that of nominal GDP for 2018 (4.3%) .

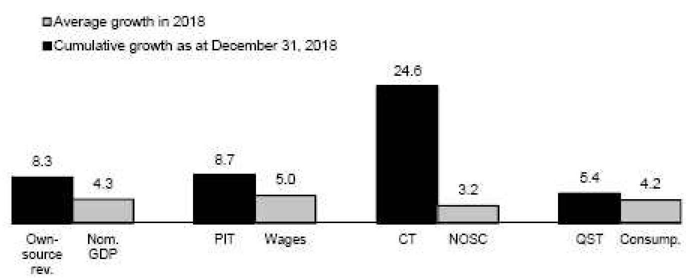
This positive trend is due to the results recorded over the same period for the main revenue sources, that is, personal income tax (8.7%), corporate taxes (24.6%) and the Québec sales tax (5.4%) .

– However, the economic indicators affecting the tax bases of these revenue sources, that is, wages and salaries, the net operating surplus of corporations (corporate profits) and consumer spending, experienced more modest growth in 2018.

Although growth in own-source revenue generally reflects changes in economic activity, this relationship may not apply for a given year owing, in particular, to the fiscal choices made by certain economic agents.

– For example, in 2018-2019, some businesses paid their quarterly instalments on the basis of their results for 2017, a year in which growth of the net operating surplus of corporations stood at 11.7%. Accordingly, despite more modest growth in their profits, these businesses may have decided not to adjust their remittances in order to receive a refund later on.

Growth of revenue and certain economic indicators(1)
(per cent)



(1) Own-source rev.: own-source revenue excluding revenue from government enterprises; Nom. GDP: nominal GDP; PIT: personal income tax; Wages: wages and salaries; CT: corporate taxes; NOSC: Net operating surplus of corporations; QST: Québec sales tax; Consump: consumption excluding food expenditures and shelter.

1 Growth in own-source revenue of the General Fund excluding revenue from government enterprises is published in the *Monthly Report on Financial Transactions at December 31, 2018*.

[ ] **Outlook for 2019-2020 and 2020-2021**

Own-source revenue excluding revenue from government enterprises will grow by 1.0% in 2019-2020 and 3.2% in 2020-2021. This growth reflects essentially the economic activity forecast for those years and the impact of the fiscal measures implemented.

• **Tax revenue**

Personal income tax, the government's largest revenue source, will grow by 4.0% in 2019-2020 and 4.5% in 2020-2021, settling at $32.5 billion and $34.0 billion, respectively.

— This change reflects, in particular, the growth of household income, including wages and salaries, as well as the indexation of the personal income tax system and the progressive nature of the tax system.

— It also reflects the contribution of pension income to the growth of income subject to tax, particularly income from private pension plans.

— As well, it takes into account the enhancement of the tax credit for career extension announced in Budget 2019-2020.

Contributions for health services will grow by 2.9% in 2019-2020 and 2.6% in 2020-2021, settling at $6.6 billion and $6.8 billion, respectively.

— This change reflects the fact that wages and salaries are expected to grow by 3.2% in 2019 and 3.1% in 2020.

— It also takes into account the impact of the reduction of the Health Services Fund contribution rate for all Québec SMBs, announced in March 2018 and enhanced in August 2018.

Revenue from corporate taxes will decrease by 5.8% in 2019-2020 and increase by 2.7% in 2020-2021, settling at $8.5 billion and $8.7 billion, respectively.

— This change reflects the projected growth of the net operating surplus of corporations, established at 4.7% in 2019 and 4.3% in 2020.

— It also reflects the measures implemented in recent years to ease the tax burden, in particular the depreciation measure to incentivize businesses to invest more, announced in the December 2018 *Update on Québec's Economic and Financial Situation*, the gradual reduction of the tax rate to 4.0% for all SMBs (March 2018 budget) and the gradual reduction of the general corporate income tax rate (March 2015 budget).

Revenue from the school property tax will decline by 17.3% in 2019-2020 and increase by 0.2% in 2020-2021. These changes are explained mainly by the impact of the lowering of the tax rates within the context of the projected gradual introduction of a single school tax rate.

Revenue from consumption taxes will grow by 3.4% in 2019-2020 and 2.2% in 2020-2021, reaching $21.9 billion and $22.3 billion, respectively.

— This growth reflects the change in household consumption excluding food expenditures and shelter, which will be 2.8% in 2019 and 3.0% in 2020.

— However, the growth will be offset in 2020-2021 by the gradual elimination of restrictions on input tax refunds for large businesses.

- **Other revenue**

Revenue from duties and permits will rise by 1.2% in 2019-2020 and 1.6% in 2020-2021.

— This change is explained primarily by the anticipated growth in revenue from natural resources.

Miscellaneous revenue will show a change of −4.4% in 2019-2020 and 3.5% in 2020-2021.

— These changes stem mainly from the investment income of the Generations Fund and the anticipated revenue of special funds, non-budget-funded bodies and bodies in the health and social services and education networks.

- **Change in line with that of the economy**

Growth in own-source revenue excluding revenue from government enterprises generally reflects changes in economic activity and the impact of measures introduced by the government.

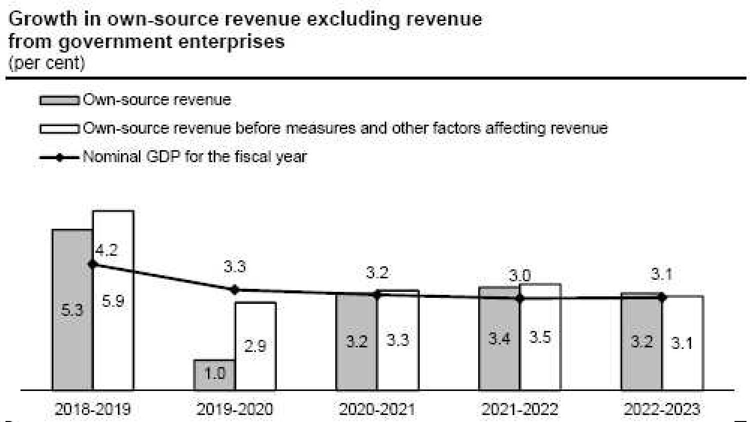
This growth will stand at 1.0% in 2019-2020 and then increase to 3.2% in 2020-2021.

— The growth results, in particular, from various initiatives implemented in recent years, including the reform of the school tax system announced in Budget 2018-2019, the standardization of the school tax rate announced in Budget 2019-2020 and the depreciation measures announced in the December 2018 *Update on Québec's Economic and Financial Situation*.

— Had it not been for those measures, own-source revenue growth would stand at 2.9% in 2019-2020, a rate comparable to that of the economy.

Over the forecast period, revenue growth will keep pace with economic growth.

CHART H.2



Revenue growth in line with economic growth

Growth in own-source revenue excluding revenue from government enterprises, 2018-2019 to 2022-2023
(millions of dollars)

	2018-2019-	2019-2020-	2020-2021-	2021-2022-	2022-2023-
Own-source revenue	**90 146**	**90 714**	**93 789**	**97 034**	**100 443**
% change	***4.9***	***0.6***	***3.4***	***3.5***	***3.5***
Less: Government enterprises	5 073	4 778	5 067	5 299	5 777
Change in own-source revenue excluding revenue from government enterprises	**85 073**	**85 936**	**88 722**	**91 735**	**94 666**
% change	***5.3***	***1.0***	***3.2***	***3.4***	***3.2***
Measures and other factors affecting revenue growth(1)					
Budget 2019-2020	—	–314	–380	–377	–374
December 2018 *Update on Québec's Economic and Financial Situation*	–44	–448	–357	–372	–365
Recovery measures – August 2018	–108	–83	–48	–21	0
Budget 2018-2019	–805	–1 126	–1 255	–1 292	–1 282
Previous budgets and other(2)	17	–634	–692	–824	–842
Subtotal	**–940**	**–2 605**	**–2 732**	**–2 886**	**–2 863**
Own-source revenue excluding revenue from government enterprises before measures	**86 013**	**88 541**	**91 454**	**94 621**	**97 529**
% change	***5.9***	***2.9***	***3.3***	***3.5***	***3.1***
Growth in nominal GDP	***4.2***	***3.3***	***3.2***	***3.0***	***3.1***

Note: Totals may not add due to rounding. Save for some exceptions, the amounts correspond to those published in the budgets and fall updates.
(1) Main measures affecting consolidated revenue growth.
(2) This category includes the revenue measures of the budgets and fall updates published from fall 2014 to fall 2017, revenues from the carbon market, the elimination of restrictions on input tax refunds for large businesses and the investment income of the Generations Fund.

[ ] Risks and sensitivity analysis

The revenue forecasts for 2019-2020 and subsequent years include a certain level of risk and uncertainty given that they are based on assumptions concerning future events, such as changes in the economic situation.

— For example, the forecast for corporate tax revenue is marked by a considerable level of uncertainty owing to a combination of several economic, decision-making and administrative factors, such as the legal framework that enables businesses to make choices regarding taxation, particularly the utilization of deferred losses, the possibility of adjusting quarterly instalment payments and the deadline for filing and processing tax returns, which affects the recognition of corporate taxes.

Revenue monitoring in the coming months is another component of risk and uncertainty that may cause actual results to differ from the forecasts for 2018-2019 and have an impact on the level of revenue in subsequent years.

• Sensitivity analysis

In general, the nominal GDP forecast is a good indicator of growth in own-source revenue excluding revenue from government enterprises given the direct link between tax bases and nominal GDP.

— According to an overall sensitivity analysis, a variation of 1 percentage point in nominal GDP has an impact of about $750 million on the government's own-source revenue.

This sensitivity analysis is based on a revision of each tax base in proportion to the revision of nominal GDP.

— In reality, a change in economic outlook can have a greater impact on some economic variables, as well as greater repercussions on certain tax bases than on others.

Sensitivity analyses set an average historical relationship between the change in own-source revenue and growth in nominal GDP. Accordingly, they may prove inaccurate for a given year depending on the economic situation and yet not lose their validity.

— Indeed, for a given year, economic fluctuations may have various impacts on revenue because of changes in the behaviour of economic agents.

— In these situations, the change in own-source revenue can be greater or lower than the change in nominal GDP.

TABLE H.18

Sensitivity of own-source revenue excluding revenue from government enterprises to major economic variables

Variables	Growth forecasts for 2019	Impacts for fiscal 2019-2020
Nominal GDP	3.5%	A variation of 1 percentage point changes own-source revenue by roughly $750 million.
Wages and salaries	3.2%	A variation of 1 percentage point changes personal income tax revenue by about $320 million.
Employment insurance	0.1%	A variation of 1 percentage point changes personal income tax revenue by roughly $5 million.
Pension income	6.0%	A variation of 1 percentage point changes personal income tax revenue by about $50 million.
Net operating surplus of corporations	4.7%	A variation of 1 percentage point changes corporate income tax revenue by roughly $45 million.
Consumption excluding food expenditures and rent	2.8%	A variation of 1 percentage point changes QST revenue by about $165 million.
Residential investments	1.9%	A variation of 1 percentage point changes QST revenue by about $30 million.

2.1.2 Revenue from government enterprises

Government enterprises consist of public corporations that play a commercial role, have managerial autonomy and are financially self-sufficient. Revenue from government enterprises consists of the government's share in the net results of these enterprises.

[ ] Adjustments for 2018-2019

For 2018-2019, revenue from government enterprises is adjusted upward by $741 million, to $5.1 billion. This adjustment can be attributed, in particular, to an increase in Hydro-Québec's results related to the cold weather in recent months and an extraordinary gain tied to the partial disposal of the TM4 subsidiary. In addition, an increase in the results of Loto-Québec stemming mainly from the better-than-anticipated performance of the lottery sector also had a significant impact.

[ ] Outlook for 2019-2020 and 2020-2021

Revenue from government enterprises will stand at $4.8 billion in 2019-2020, representing a decrease of 5.8%, and at $5.1 billion in 2020-2021, representing an increase of 6.0% .

— The change in 2019-2020 mainly reflects a decrease in the anticipated results of Hydro-Québec and Loto-Québec due to the absence of the exceptional revenue obtained the previous year.

— The change in 2020-2021 can be attributed, in particular, to the increase in the anticipated results of Hydro-Québec because of the fact that net electricity exports and demand in Québec are expected to grow.

TABLE H.19

Change in revenue from government enterprises
(millions of dollars)

	March 2018		March 2019		
	2018-2019	Adjustments	2018-2019	2019-2020	2020-2021
Hydro-Québec	2 075	500	2 575	2 425	2 725
Loto-Québec	1 236	124	1 360	1 271	1 274
Société des alcools du Québec	1 112	29	1 141	1 159	1 184
Investissement Québec	111	83	194	139	133
Société québécoise du cannabis	—	—	—	20	37
Other(1)	–202	5	–197	–236	–286
TOTAL	**4 332**	**741**	**5 073**	**4 778**	**5 067**
% change			***–0.4***	***–5.8***	***6.0***

(1) Other revenue includes, in particular, the forecast for other government enterprises and the impact of the Electricity Discount Program for Consumers Billed at Rate L.

[ ] **Risks and sensitivity analysis**

- **Risks**

The forecasts for government enterprises depend on the information available when they are made. Updating of information may thus have an impact on forecasts.

It must also be borne in mind that certain variables, such as those concerning weather conditions, are difficult to forecast.

In the case of the Société québécoise du cannabis, which is a new enterprise, the lack of historical data makes it more complicated to establish forecasts.

- **Sensitivity analysis**

For Hydro-Québec, a variation of:

— 1.0 US¢/kWh in the price of energy on foreign markets changes its net earnings by over $100 million;

— 1 percentage point in the adjustment of electricity rates charged to Québec consumers by the Régie de l'énergie changes its net earnings by up to $110 million;

— 1 °C in winter temperatures compared to normal temperatures changes its net earnings by over $50 million.

For Loto-Québec, a variation of 1% in sales changes its net earnings by over $10 million.

For the Société des alcools du Québec, a variation of 1% in sales changes its net earnings by more than $15 million.

For Investissement Québec, a variation of 1 percentage point in interest rates changes its net earnings by nearly $10 million.

For the Société québécoise du cannabis, no sensitivity analysis is available at the moment owing to the recent creation of this enterprise and the consequent lack of historical data.

2.1.3 Federal transfers

Federal transfer revenues correspond to revenue from the federal government paid to Québec under the *Federal-Provincial Fiscal Arrangements Act*, plus revenue from other programs arising from bilateral agreements.

These revenues include mainly equalization and revenue from the Canada Health Transfer (CHT) and the Canada Social Transfer (CST).

[ ] Adjustments for 2018-2019

In 2018-2019, federal transfer revenues stand at $23.4 billion, or $263 million less than forecast in March 2018. This adjustment is explained by lower-than-expected CHT and CST revenues resulting from:

— the taking into account of the 2016 population census, which has led to a downward adjustment of Québec's demographic weight in Canada;

— an increase in the value of the special Québec abatement, which is subtracted from these transfers.

TABLE H.20
Change in federal transfer revenues
(millions of dollars)

	March 2018		March 2019		
	2018-2019	**Adjustments**	**2018-2019**	**2019-2020**	**2020-2021**
Equalization	11 732	—	11 732	13 124	13 333
% change			*5.9*	*11.9*	*1.6*
Health transfers	6 431	–125	6 306	6 628	6 852
% change			*3.4*	*5.1*	*3.4*
Transfers for post-secondary education and other social programs	1 659	–62	1 597	1 620	1 645
% change			*–3.1*	*1.4*	*1.5*
Other programs	3 852	–76	3 776	3 552	3 770
% change			*3.2*	*–5.9*	*6.1*
TOTAL	**23 674**	**–263**	**23 411**	**24 924**	**25 600**
% change			***4.1***	***6.5***	***2.7***

[ ] **Outlook for 2019-2020 and 2020-2021**

Federal transfer revenues will increase by 6.5% in 2019-2020 and 2.7% in 2020-2021. The larger increase in 2019-2020 is explained, in particular, by equalization. Thus, the equalization envelope grows, for Canada as a whole, at the same pace as Canada's nominal GDP and, furthermore, an increase was observed in fiscal capacity disparities compared to the average of the ten provinces relative to 2018-2019.

[ ] **Risks and sensitivity analysis**

- **Risks**

The primary risk associated with the equalization forecast concerns the estimation of the per capita fiscal capacity of each province, given that the federal government does not publish forecasts for equalization payments by province.

In addition, the main risks associated with the forecast for revenue from the CHT and the CST concern the estimation of the value of the special Québec abatement[2] and the estimation of the population of the provinces and territories.

- **Sensitivity analysis**

The forecast for revenue from equalization, the CHT and the CST is based primarily on the following economic and demographic variables:

— the growth of Canada's nominal GDP;

— the growth in wages and salaries used in the forecast for basic federal tax;

— the growth of the net operating surplus of corporations used in the forecast for taxable corporate income;

— Québec's share of the population among the provinces as a whole.

Sensitivity analyses may not apply for a given year if special economic conditions arise or changes are made by the federal government to the operation of equalization, the CHT and the CST.

In addition, the sensitivity analysis of equalization revenue is based on an increase of 1 percentage point in the growth of Québec's economic variables, without any impact on that of the other provinces.

2 Québec's revenues from the CHT and the CST are reduced by a portion of the value of the special Québec abatement (13.5% of basic federal tax collected in Québec, 62% of which is attributed to the CHT and 38% to the CST).

TABLE H.21

Sensitivity of federal transfer revenues to major economic and demographic variables

Variables	Forecasts for 2019	Impacts for fiscal 2019-2020
Growth of Canada's nominal GDP	4.1%(1)	An increase of 1 percentage point raises equalization revenue by roughly $45 million. An increase of 1 percentage point raises CHT revenue by about $30 million.
Growth in wages and salaries in Québec	3.2%	An increase of 1 percentage point reduces equalization revenue(2) by approximately $40 million. An increase of 1 percentage point reduces CHT and CST revenues by around $50 million.
Québec's share of the population in Canada	22.6%	An increase of 0.1 percentage point increases equalization revenue(2) by approximately $60 million. An increase of 0.1 percentage point raises CHT and CST revenues by approximately $55 million.
Growth of the net operating surplus of corporations in Québec	4.7%	An increase of 1 percentage point reduces equalization revenue(2) by approximately $5 million.

(1) The growth of 4.1% in Canada's nominal GDP in 2019 is based on federal calculations for 2019-2020 regarding equalization and the CHT, and it will not be revised. The impacts for 2019-2020 are provided for purposes of illustration.

(2) Due to the two-year lag in the equalization formula, increased growth in 2019 will have an impact as of 2021-2022. The impact for the years 2019-2020 and 2020-2021 is nil.

2.2 Change in expenditure

Consolidated expenditure consists of portfolio expenditures, which are tied to the delivery of public services, and debt service.

Consolidated expenditure stands at $108.0 billion in 2018-2019. This represents a downward adjustment of $742 million relative to March 2018.

— Portfolio expenditures are adjusted downward by $261 million.

— In addition, spending on debt service is $481 million lower.

Consolidated expenditure will stand at $113.0 billion in 2019-2020 and $116.6 billion in 2020-2021, up 4.7% and 3.2%, respectively.

TABLE H.22

Change in consolidated expenditure
(millions of dollars)

	March 2018		March 2019		
	2018-2019	**Adjustments**	**2018-2019**	**2019-2020**	**2020-2021**
Portfolio expenditures	99 313	–261	99 052	104 038	107 467
% change			*5.1*	*5.0*	*3.3*
Debt service	9 380	–481	8 899	8 996	9 138
% change			*–3.7*	*1.1*	*1.6*
TOTAL	**108 693**	**–742**	**107 951**	**113 034**	**116 605**
% change			***4.3***	***4.7***	***3.2***

2.2.1 Portfolio expenditures

To achieve its priorities and carry out its activities, the government sets up programs that are administered by government entities, including departments and bodies. All the entities for which a minister is responsible constitutes a portfolio.

[ ] Adjustments for 2018-2019

In 2018-2019, portfolio expenditures total $99.1 billion, representing a downward adjustment of $261 million compared with the March 2018 forecasts.

The adjustment is explained by, in particular:

— the $88-million increase in spending for the Santé et Services sociaux portfolio owing to the increase in home care and support services and the development of social geriatrics;

— the $337-million decrease in spending for other portfolios, explained essentially by the more-gradual-than expected implement of certain infrastructure projects, in particular for the Société de financement des infrastructures locales du Québec, the Land Transportation Network Fund and the Green Fund.

In addition, spending for the Éducation et Enseignement supérieur portfolio has been adjusted to only a limited extent relative to the March 2018 forecasts.

TABLE H.23

Change in expenditures by departmental portfolio
(millions of dollars)

	March 2018		March 2019		
	2018-2019	**Adjustments**	**2018-2019**	**2019-2020(1)**	**2020-2021**
Éducation et Enseignement supérieur	23 273	–12	23 261	24 436	25 340
% change			*5.0*	*5.1*	*3.7*
Santé et Services sociaux	43 013	88	43 101	45 433	47 277
% change			*4.7*	*5.4*	*4.1*
Other portfolios(2)	33 027	–337	32 690	34 169	34 850
% change			*5.7*	*4.5*	*2.0*
TOTAL	**99 313**	**–261**	**99 052**	**104 038**	**107 467**
% change			***5.1***	***5.0***	***3.3***

Note: Totals may not add due to rounding.

(1) The breakdown of expenditures in 2019-2020 for all the portfolios is presented in Appendix 1.
(2) Other portfolios include inter-portfolio eliminations resulting from the elimination of reciprocal transactions between entities in different portfolios.

[ ] **Outlook for 2019-2020 and 2020-2021**

In 2019-2020 and 2020-2021, portfolio expenditures will total $104.0 billion and $107.5 billion, respectively.

— Growth in spending for these two fiscal years will reach 5.0% and 3.3%, respectively.

These increases can be attributed, in particular, to investments:

— in education, for rolling out kindergarten for 4 year-olds, adding an extra hour of extracurricular activities a day in secondary schools, providing Québec with better infrastructure and ensuring more services for students experiencing difficulties;

— in health, for adding more residential beds for seniors, enhancing home care services and increasing the volume of health services;

— in other portfolios, for better integrating immigrants, easing the tax burden on families and providing all Quebecers with access to high-speed Internet and a broadband cellular network.

Program and other spending

Portfolio expenditures consist of program spending, that is, departmental expenditures, as well as other spending, namely, entities' expenditures funded through their own revenue and tax-funded expenditures.

— Program spending will grow by 5.8% in 2019-2020 and 3.3% in 2020-2021.

Change in portfolio expenditures
(millions of dollars)

	2018-2019	2019-2020	2020-2021	2021-2022
Program spending(1)	76 869	81 351	84 048	87 295
% change	*6.1*	*5.8*	*3.3*	*3.9*
Other spending(2)	22 183	22 687	23 419	23 350
% change	*1.7*	*2.3*	*3.2*	*–0.3*
TOTAL	**99 052**	**104 038**	**107 467**	**110 645**
% change	***5.1***	***5.0***	***3.3***	***3.0***

(1) This spending corresponds to departmental expenditures funded mainly through income tax and other general taxes.
(2) This spending corresponds to entities' expenditures funded through their own revenue and to tax-funded expenditures.

Expenditures by mission

Government expenditures are broken down into five major public service missions. This breakdown of government spending for its primary functions is a stable indicator over time since it is not usually affected by cabinet shuffles. In addition, since it is used as well in the Public Accounts, presenting it in the budget makes it possible to better compare forecasts with actual results.

The public service missions are:

– Health and Social Services, which consists primarily of the activities of the health and social services network and the programs administered by the Régie de l'assurance maladie du Québec;

– Education and Culture, which consists primarily of the activities of the education networks, student financial assistance, programs in the culture sector and immigration-related programs;

– Economy and Environment, which primarily includes programs related to economic development, employment assistance measures, international relations, the environment and infrastructure support;

– Support for Individuals and Families, which primarily includes last resort financial assistance, assistance measures for families and seniors, and certain legal aid measures;

– Administration and Justice, which consists of the activities of legislature, central bodies and public security, as well as administrative programs.

Expenditures by mission
(millions of dollars)

	2018-2019	2019-2020	2020-2021
Health and Social Services	41 978	44 429	46 136
Education and culture	23 706	25 357	26 223
Economy and environment	15 807	15 424	16 320
Support for Individuals and Families	10 200	10 832	10 965
Administration and Justice(1)	7 361	7 996	7 823
TOTAL	**99 052**	**104 038**	**107 467**
% change	***5.1***	***5.0***	***3.3***

(1) These amounts include the Contingency Fund reserve.

[ ] **Risks and sensitivity analysis**

- **Risks**

Several factors can have an impact on government spending. These factors include, in particular:

— changes in target clienteles, such as the student population in educational institutions;

— technological changes, which affect spending, particularly spending in the health sector;

— changes in the general level of prices, which have different impacts on each of the government's portfolios;

— the emergence of new needs among Quebecers.

- **Sensitivity analysis**

The financial framework's forecasts take into account:

— budgetary choices, which stem from the prioritization of certain sectors over others in the allocation of spending;

— economic and demographic variables, which are tied to price factors (inflation) and demographic factors (changes in population).

The following two tables show the sensitivity of portfolio expenditures at the budgetary level as well as in regard to economic and demographic factors.

— It should be noted that such data constitute indications and that impacts may vary depending on the nature and interaction of risk factors.

- **Budgetary choices**

Expenditures may vary according to the choices made by the government in allocating its available budgetary resources. For example, a variation of 1% in the consolidated expenditures of the Santé et Services sociaux portfolio would lead to a variation of about $460 million in the portfolio’s spending.

TABLE H.24

Sensitivity of spending to a variation of 1% by departmental portfolio
(millions of dollars)

	Impacts for fiscal 2019-2020
Santé et Services sociaux	460
Éducation et Enseignement supérieur	250
Other portfolios	350
TOTAL	**1 060**

- **Economic and demographic variables**

The analysis carried out also makes it possible to estimate the sensitivity of consolidated expenditure before debt service to certain important economic and demographic variables.

- ***Prices***

Public spending is influenced by the price of services offered by the government. The change in the price of such services is closely tied to the change in the general level of prices in the economy, that is, inflation.

The results show that a variation of 1% in prices would lead to a variation of $400 million, or 0.3 percentage point, in total spending.

- ***Population***

Spending is affected by changes in total population and by changes in the size of the clientele for certain services.

For example, a variation of 1% in the total population would change total spending by $760 million, that is, 0.7 percentage point.

TABLE H.25

Sensitivity of spending to a variation of 1% in each economic and demographic variable

		Impacts for fiscal 2019-2020	
Variables	**Expenditures**	$million	Percentage point
Prices			
Inflation	Total spending	400	0.3
Population			
Total population	Total spending	760	0.7
	By portfolio		
	– Santé et Services sociaux		0.7
	– Éducation et Enseignement supérieur		0.8
	– Other		0.7
0-4 years	Total spending	80	0.1
5-16 years	Total spending	130	0.1
17-24 years	Total spending	130	0.1
65 years and over	Total spending	210	0.2

2.2.2 Debt service

Debt service consists of interest on the direct debt and interest on the liability for the retirement plans and other future benefits of public and parapublic sector employees.

Changes in debt service are tied chiefly to debt level, interest rates and the return on the Retirement Plans Sinking Fund (RPSF).

[ ] Adjustments for 2018-2019

In 2018-2019, debt service amounts to $8.9 billion, that is, $7.5 billion for interest on the direct debt and $1.4 billion for interest on the liability for the retirement plans and other future benefits of public and parapublic sector employees.

Compared with March 2018, debt service is adjusted downward by $481 million in 2018-2019 because of accelerated repayment of the debt from the Generations Fund, lower-than-expected long-term interest rates and a smaller debt.

TABLE H.26

Change in debt service
(millions of dollars)

	March 2018		March 2019		
	2018-2019	Adjustments	2018-2019	2019-2020	2020-2021
Interest on the direct debt(1)	7 991	–452	7 539	7 984	8 274
% change			*1.0*	*5.9*	*3.6*
Interest on the liability for the retirement plans and other employee future benefits(2)	1 389	–29	1 360	1 012	864
% change			*–23.3*	*–25.6*	*–14.6*
TOTAL	**9 380**	**–481**	**8 899**	**8 996**	**9 138**
% change			***–3.7***	***1.1***	***1.6***

(1) Interest on the direct debt includes the income of the Sinking Fund for Government Borrowings. This income, which is applied against debt service, consists of interest generated on investments as well as gains and losses on disposal. Given that the revenue forecast for the sinking fund for government borrowings is closely tied to the change in interest rates, it may be adjusted upward or downward.
(2) This corresponds to the interest on obligations relating to the retirement plans and other employee future benefits of public and parapublic sector employees, minus the investment income of the Retirement Plans Sinking Fund, individual funds and funds for other employee future benefit programs.

[ ] **Outlook for 2019-2020 and 2020-2021**

Overall, debt service will stand at $9.0 billion in 2019-2020 and $9.1 billion in 2020-2021, representing growth of 1.1% and 1.6%, respectively.

In 2019-2020 and 2020-2021, interest on the direct debt will grow mainly because of the anticipated increase in interest rates and the government's capital investments.

Interest on the liability for the retirement plans and other employee future benefits will decrease due to the fact that the investment income of the RPSF increases every year.

[ ] **Risks and sensitivity analysis**

- **Risks**

The main risk associated with the debt service forecast is a higher-than-anticipated increase in interest rates or a lower-than-anticipated return on the RPSF.[3]

The RPSF is an asset that was created for the purpose of paying the retirement benefits of public and parapublic sector employees. It is managed by the Caisse de dépôt et placement du Québec. For the purposes of the gross debt, it is applied against the retirement plans liability. For further details, see Section I.

The income of the RPSF is applied against debt service. Therefore, a lower-than-expected return on the RPSF would lead to an increase in debt service.

- **Sensitivity analysis**

A greater-than-anticipated rise in interest rates of 1 percentage point over a full year would increase the interest expenditure by roughly $250 million.

A return of 1 percentage point less than the anticipated return on the RPSF would lead to a $20-million increase in debt service the following year.

A change in the value of the Canadian dollar compared with other currencies would have no impact on debt service because the government's debt has no foreign currency exposure.

3 With its investment policy, which is based on a long-term horizon, the RPSF should generate an annual return of 6.35%.

3. STEPS TO ENSURE MORE EFFICIENT AND MORE TRANSPARENT MANAGEMENT OF PUBLIC FINANCES

As soon as it took office last October, the government pledged to manage public finances in an efficient and transparent manner.

This undertaking is a gradual process aimed, in particular, at defining the best way to achieve productivity and efficiency gains.

Budget 2019-2020 is an opportunity to assess the optimization measures identified to date. It is also an opportunity to present other efficiency measures that will provide leeway for improving the delivery of public services.

This subsection presents the following efficiency and transparency measures:

— improving performance in the delivery of public services;

— ensuring better budgetary monitoring;

— strengthening the approval process for the budget forecasts of bodies.

[ ] **Improving performance in the delivery of public services**

• **Support for process improvement projects**

Government departments and bodies must have access to sufficient resources if they are to offer quality services to Quebecers.

Therefore, the government is setting aside sums to help departments and bodies implement process improvement projects. A total of $15 million in 2019-2020, $22 million in 2020-2021 and $30 million in 2021-2022 will fund projects to increase the efficiency of departments and bodies and even generate savings.

— To that end, additional appropriations will be allocated to the Secrétariat du Conseil du trésor. The amounts for 2019-2020 will be drawn from the Contingency Fund.

More specifically, the projects will aim to:

— improve processes or support them with information systems in order to ease pressure on staff;

— provide financial support for public bodies that will serve as testing grounds and technology showcases for Québec's innovations;

— create a modern and stimulating environment that will make it easier to recruit staff.

TABLE H.27

Financial impact of the measures for improving performance in the delivery of public services
(millions of dollars)

	2019-2020-	**2020-2021-**	**2021-2022-**	**2022-2023-**	**2023-2024-**	**Total**
Support for process improvement projects	–15.0	–22.0	–30.0	—	—	–67.0

Examples of the application of optimization project funding

Online management of driver's licences, registration and claims at the SAAQ

The Société de l'assurance automobile du Québec (SAAQ) is modernizing its systems to provide online access for obtaining and automatically renewing driver's licences and registration and to facilitate electronic transmission of documents.

In addition, road accident victims and service providers can now enter directly online the amount of certain fees provided for by insurance coverage and for which a reimbursement is being claimed. Therefore, it is no longer necessary to fill out paper forms and send them to the SAAQ. If a copy of an invoice or a receipt is requested, it can also be transmitted electronically.

Modernization of the justice system

The Ministère de la Justice is modernizing its systems and implementing technology projects to reduce additional costs and delays for citizens and players in the system.

With this new, reliable, secure and effective justice system, it will be possible, in particular, to manage digital court records and hold digital hearings and thereby prevent delays and errors arising from paper handling.

Improvement of Retraite Québec's client services

Retraite Québec is creating a unified and improved client relations centre by upgrading, in particular, its interactive voice response system adapted to client profiles.

The organization is also harmonizing and streamlining client procedures for the Québec Pension Plan, public sector retirement plans and the family allowance (formerly called child assistance).

These improvements enrich the experience of clients and improve the information transmitted to them.

Performance of the public administration

The *Public Administration Act* has established a results-based management framework that gives priority to the quality of public services, transparency, and the accountability of government departments and bodies to the National Assembly. In accordance with the principles established by this management framework, citizens have a right to expect an effective public administration centred on efficient, transparent and disciplined management that is able to do more for them.

The government's goal is to optimize the application of this management framework so that it gives greater support to performance. To that end, the Chair of the Conseil du trésor will roll out a performance action plan in the coming years providing for a series of measures grouped according to the following thrusts:

– increasing the transparency of departments and bodies and monitoring their performance;

– recognizing the full importance of the strategic planning and accountability reporting process;

– providing departments and bodies with more effective support in developing their performance.

This plan provides for, in particular, the development of a new indicator for measuring the performance of departments and bodies, as well as the distribution of a public dashboard. It also provides for full recognition of the importance of strategic planning. The period covered by departments' strategic plans will thus be gradually aligned with the electoral cycle. In addition, the quality of plans will be improved to provide for, in particular, better indicators that take Quebecers' expectations into account.

The identification and monitoring of key performance indicators (KPI) as part of this work will allow the performance of organizations to be measured over time and in accordance with the desired results. As in other parts of the world, in particular, Scotland and New York City, the public dashboard will enable the public to monitor changes in these indicators with full transparency.

- **Managing information technology and procurement**

The government is planning to make changes in the management of information technology and procurement. These functions have a direct impact on the government's ability to provide the quality services that individuals and businesses have a right to expect.

First, the government will adopt a government digital transformation plan. Public bodies will be required, in particular, to disclose actions planned and efforts made in keeping with this plan. These policy directions will be specified when the new digital transformation strategy is announced.

In addition, the activities and resources of the Centre de services partagés du Québec in these areas will be included in the two new bodies. The two bodies thus created, which will be operational starting on January 1, 2020, will be under the responsibility of the Minister responsible for Government Administration and Chair of the Conseil du trésor.

- **Creation of Infrastructures technologiques Québec**

The creation of Infrastructures technologiques Québec will provide, in particular, effective and shared technology infrastructure and management systems to support the delivery of quality services, consolidate and develop specialized expertise, help to increase information security, and support more rapid digital transformation of public bodies without overlapping of solutions.

- **Creation of the Centre d'acquisitions gouvernementales**

The creation of this body will concentrate within a single entity all the purchases of public bodies in the Administration, the health and social services network, and the education and higher education networks. The pool of procurement experts grouped in this body will support, in particular, public bodies that do not have the necessary specialized resources.

[ ] **Ensuring better budgetary monitoring**

In 2006, the Québec government began to publish a monthly report on financial transactions. The objective of this report is to regularly monitor the implementation of the annual budget.

— This report is produced using public sector accounting standards and was examined by the Auditor General of Québec in 2015.

— Until now, the presentation of financial information has been focused on monitoring General Fund revenue, program spending and the net results of bodies and special funds.

As of 2019-2020, the government will publish the monthly report on a fully consolidated basis to ensure that the information is comparable with that of the budget and the public accounts.

— The report will thus focus on consolidated revenue by source and consolidated expenditure according to the government's primary functions.

— In addition, the fact that it will take into account the actual revenue and expenditure of institutions in the health and social services and education networks will make it even more relevant.

— The government also plans to conduct more detailed analyses that will improve the report in each quarter on the basis of information received from the various government entities.

Furthermore, with a view to transparency and making the most recent information on the budgetary balance for the current year available on a regular basis, the government has included, in every quarter since fall 2018, a preliminary estimate of the budgetary balance for the current year in the monthly report. In particular:

— it updated the budget forecasts for 2018-2019 when the December 2018 *Update on Québec's Economic and Financial Situation* was released, and is doing so again in the *Québec Budget Plan – March 2019*.

— it will present the preliminary results for the fiscal year in June, in the *Monthly Report on Financial Transactions at March 31, 2019;*

— it plans to do a first preliminary update of the budgetary balance for 2019-2020 when the *Monthly Report on Financial Transactions at June 30, 2019* is published.

[ ] **Strengthening the approval process for the budget forecasts of bodies**

Various budgetary structures have been put in place to ensure a link between the revenues collected by the government and the funding of public services. This financial organization results primarily from government choices regarding governance and the delivery of services.

Approval of annual budgets differs according to the type of structure. For example, the appropriations of departments are generally voted annually for each program by the National Assembly, while the budgets of the special funds are voted globally for each entity.

In addition, approval of budget forecasts differs among the various public bodies. The legislative provisions governing approval provide for different procedures.

Lastly, current budget planning rules and practices lead to certain discrepancies between government policy directions and their implementation by bodies.

— In particular, there is a delay in the government's approval of the spending forecasts of certain bodies. In other cases, such approval is not provided for in the legislation.

Adoption of bodies' spending forecasts before budgets are prepared would, in particular, ensure consistency for the purpose of taking government policy directions into account.

To bolster synchronization between the government's budget planning and that of public bodies prior to budget approval, in keeping with government policy directions, the government will amend the rules for adopting the budgets of these bodies based on best practices.

These changes, which will require the adoption of legislative amendments, are based on the following principles:

— consistency of processes within bodies and the government;

— easing of controls and the budget adoption process.

These changes will allow for better integration of the government budget preparation process, in keeping with the principles of governance of public bodies.

Approval process for the budget forecasts of bodies

1. First, the Minister of Finance and the Chair of the Conseil du trésor (central bodies) jointly propose to the Conseil du trésor common fiscal policy directions or ones that are specific to each non-budget-funded body (bodies[1]). Once these policy directions have been approved, they are transmitted to the ministers responsible for the bodies.

   - These policy directions may concern, in particular, the bodies' revenue, expenditure and accumulated surplus or deficits.

2. Each minister then transmits the policy directions to the bodies for which he or she is responsible and encloses, if necessary, directives concerning, in particular, the transmission and format of the annual budget.

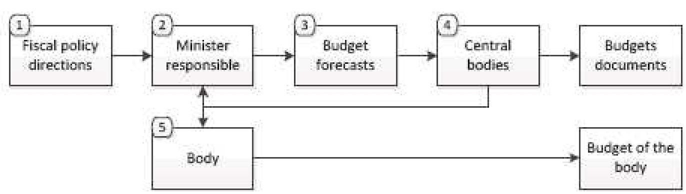
3. On the basis of the policy directions and directives received, the bodies adopt an annual budget and budget forecasts and transmit them to the minister responsible. The minister then submits the budget forecasts to the Chair of the Conseil du trésor and the Minister of Finance.

4. Afterwards, the Chair of the Conseil du trésor and the Minister of Finance submit the budget forecasts to the Conseil du trésor for approval, along with, where applicable, changes they deem appropriate in light of the budgetary and financial policies proposed by the Minister of Finance. The approved forecasts are then submitted to the government.

5. Lastly, after the Expenditure Budget is tabled, the changes, if any, are transmitted to the ministers responsible, who inform the bodies concerned. The bodies then modify the annual budget, if necessary, and transmit it to the minister responsible.

   - It is up to the ministers to ensure that the bodies for which they are responsible respect their annual budget and multi-year forecasts.

Proposed process



1 This change does not apply to non-budget-funded bodies whose forecasts are included in the budgets of special funds.

4. QUÉBEC'S REQUESTS REGARDING FEDERAL TRANSFERS

4.1 For an increase in the federal contribution to health and social programs

The federal government contributes to the provinces' spending in health, post-secondary education and other social programs through the Canada Health Transfer (CHT) and the Canada Social Transfer (CST).

Québec is asking that both of these transfers be increased to give the provinces the means they need to fully assume their responsibilities.

[ ] **The CHT must correspond to 25% of provincial spending on health**

From 2006-2007 to 2016-2017, the CHT grew by 6% per year. As a result of this indexation, the federal contribution to provincial health spending was raised. In 2016-2017, it stood at 22.6% .

However, since 2017-2018, the increase in the CHT has been limited to the increase in Canada's nominal GDP (subject to a floor of 3%).

— This decision by the federal government to no longer index the CHT by 6% per year leads to a cumulative shortfall for Québec of $13.7 billion over 10 years, that is, from 2017-2018 to 2026-2027.

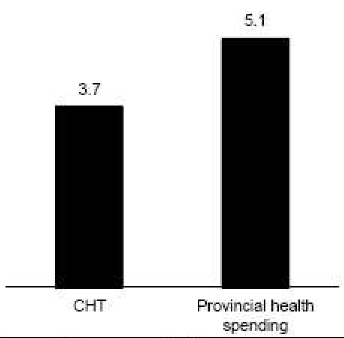
This increase in the CHT is insufficient considering, among other things, the aging of the population, which is putting more pressure on health spending.

According to the Conference Board of Canada,[4] provincial health spending from 2017-2018 to 2026-2027 will increase by 5.1% per year on average compared to 3.7% for the CHT.

This means that the federal contribution will decline. In 2026-2027, it is expected to represent only 19.6% of provincial health spending, a record low since the September 2004 federal–provincial–territorial agreement on health.

CHART H.3

Average annual change in the CHT and provincial health spending, 2017-2018 to 2026-2027
(per cent)

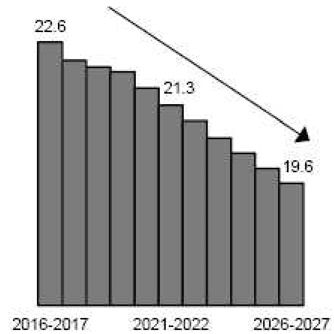


Source: Conference Board of Canada.

CHART H.4

Federal health contribution

(percentage of provincial health spending)



Sources: Conference Board of Canada and Ministère des Finances du Québec.

4 CONFERENCE BOARD OF CANADA, *Meeting the Care Needs of Canada's Aging Population*, [Outlook], July 2018.

Québec is asking that the CHT envelope be increased gradually to 25% of provincial health spending as of 2021-2022 and that the federal contribution be kept at that level thereafter.

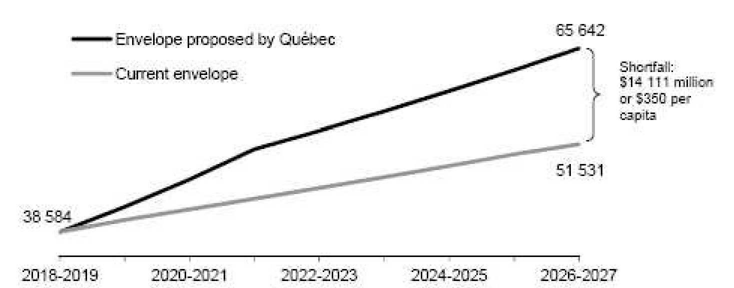
— This federal contribution representing 25% of provincial health spending would be achieved by 2021-2022 through an additional pan-Canadian injection of $7.3 billion under the CHT over three years, including $1.9 billion in 2019-2020.

— Subsequently, this share would be maintained by indexing the CHT envelope by 5.1%, the annual growth rate of provincial health spending estimated by the Conference Board of Canada.

— In accordance with this proposal, the CHT envelope would reach $65.6 billion in 2026-2027, providing additional pan-Canadian funding of $14.1 billion or $350 per capita.[5]

CHART H.5

Gradual restoration of the Canada Health Transfer representing 25% of provincial health spending, 2018-2019 to 2026-2027
(millions of dollars)



Note: The current envelope excludes targeted funds. If these funds are included, an additional pan-Canadian injection of $12.9 billion would be needed in 2026-2027.
Sources: Conference Board of Canada, Department of Finance Canada and Ministère des Finances du Québec.

5 Québec's CHT revenue would increase by $433 million in 2019-2020. This additional funding would increase to $3.1 billion in 2026-2027.

[ ] **Raising the CST to its 1994-1995 level**

Colleges and universities play an important role in training and scientific research. For the Québec government, higher education also provides leverage for creating wealth.

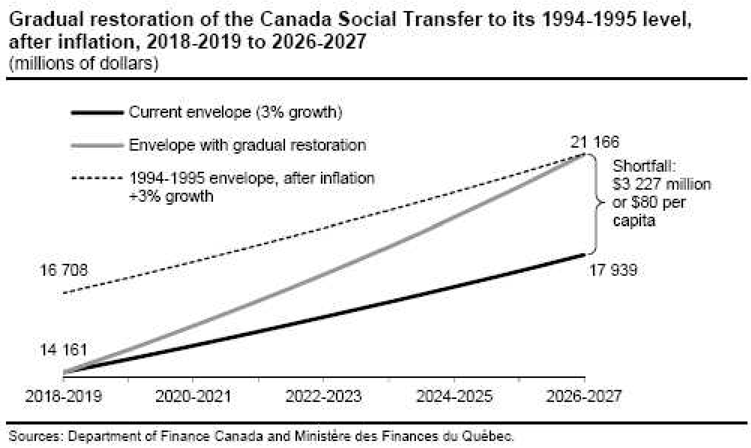
The federal government contributes to the provinces' spending in post-secondary education and other social programs through the CST.

The CST, which increases by 3% per year, stands at $14.2 billion for Canada as a whole in 2018-2019. After inflation, this is less than the level observed in 1994-1995, prior to the substantial reductions in federal funding in the mid-1990s.

Québec is asking the federal government for an increase in the CST envelope to the 1994-1995 level, after inflation. Québec is proposing that this gap be narrowed gradually between now and 2026-2027.

— This gradual narrowing of the gap would involve an additional increase of $305 million in the CST envelope in 2019-2020 and would reach $3.2 billion in 2026-2027.[6]

CHART H.6



6 Prorated on the basis of population, this increase would represent for Québec $69 million ($8 per capita) in 2019-2020. Thereafter, it would increase to $706 million ($80 per capita) in 2026-2027.

The role of equalization

The provinces do not all have the same fiscal capacity, that is, they do not all have the same capacity to generate revenue.

The objective of equalization is to enable the provinces to “have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation.”[1]

This tax fairness is important. It means that Canadians have access to reasonably comparable levels of public services at reasonably comparable levels of taxation wherever they live.

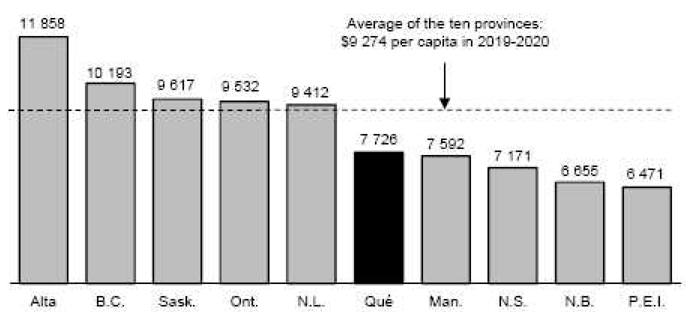
For Québec, equalization must be based on principles. For example, the standard of comparison must correspond to the average of the ten provinces.

Provinces whose fiscal capacity, in dollars per capita, is below the average of the ten provinces receive equalization payments. They therefore have, after equalization, a fiscal capacity equivalent to the average of the ten provinces so that they can provide public services.[2]

In 2019-2020, Québec will have the highest per capita fiscal capacity of the provinces that receive equalization, that is, $7 726. Therefore, on a per capita basis, Québec is the recipient province that receives the lowest equalization payments.

The equalization program is funded by the federal government from the revenues it collects from taxpayers in each province, including those of Québec. Non-recipient provinces do not pay anything to recipient provinces.

Fiscal capacity of the provinces, 2019-2020
(dollars per capita)



Note: Equalization payments for 2019-2020 are based on data for the years 2015-2016 to 2017-2018. The data take into account 50% of revenues from natural resources.
Source: Department of Finance Canada.

1 *Constitution Act*, 1982, Subsection 36 (2).
2 The provinces’ fiscal capacity is assessed using five tax bases (personal income tax, corporate income tax, consumption taxes, property taxes and natural resources).

4.2 Fair treatment of Hydro-Québec dividends

In November 2008, the federal government changed the equalization program by transferring dividends paid to the Ontario government by Hydro One, a corporation that transports and distributes electricity, from the natural resource base to the corporate income tax base.

However, this decision by the federal government was unfair because the dividends from activities in transporting and distributing electricity paid to the Québec government by Hydro-Québec (28.7% of the dividends in 2018) are still included in the natural resource base.

In 2018, the federal government renewed the equalization program until 2023-2024 without making the change requested by Québec. Québec estimates the annual shortfall at roughly $200 million.

APPENDIX 1: CONSOLIDATED EXPENDITURE BY DEPARTMENTAL PORTFOLIO

TABLE H.28

Consolidated expenditure by portfolio, 2019-2020
(millions of dollars)

	Program spending(1)	Contingency Fund measures	Other spending(2)	Total	% change
Affaires municipales et Habitation	2 087	62	820	2 969	–4.0
Agriculture, Pêcheries et Alimentation	969	5	156	1 130	16.3
Assemblée nationale	137	—	—	137	–0.4
Conseil du trésor et Administration gouvernementale	1 536	–339	1 392	2 588	–5.8
Conseil exécutif	468	11	1	480	2.8
Culture et Communications	772	38	510	1 320	5.8
Économie et Innovation	1 093	105	1 482	2 680	5.0
Éducation et Enseignement supérieur	20 897	—	3 539	24 436	5.1
Énergie et Ressources naturelles	88	12	530	629	–1.1
Environnement et Lutte contre les changements climatiques	205	11	1 388	1 605	51.7
Famille	2 787	1	3 414	6 202	7.2
Finances	200	2	2 748	2 950	5.8
Forêts, Faune et Parcs	526	20	461	1 007	–1.8
Immigration, Diversité et Inclusion	482	—	3	485	168.0
Justice	1 043	10	184	1 237	4.5
Personnes désignées par l'Assemblée nationale	106	—	—	106	–43.4
Relations internationales et Francophonie	112	2	6	120	1.7
Santé et Services sociaux	40 824	—	4 609	45 433	5.4
Sécurité publique	1 629	29	484	2 142	–5.6
Tourisme	158	1	181	341	–7.8
Transports	763	—	4 187	4 950	–7.3
Travail, Emploi et Solidarité sociale	4 468	30	745	5 243	2.9
Inter-portfolio eliminations(3)	—	—	–4 152	–4 152	n/a
Subtotal	**81 351**	**—**	**22 687**	**104 038**	**5.0**
Debt service	6 589	—	2 407	8 996	1.1
TOTAL	**87 940**	**—**	**25 094**	**113 034**	**4.7**

Note: Totals may not add due to rounding.

(1) This spending corresponds to departmental expenditures and is funded mainly through income taxes and general taxes.
(2) This spending corresponds to entities' expenditures funded through their own revenue and to tax-funded expenditures
(3) Inter-portfolio eliminations result mainly from the elimination of reciprocal transactions between entities in different portfolios.

TABLE H.29

Consolidated expenditure by portfolio, 2019-2020
(millions of dollars)

	Consolidated Revenue Fund			
	General Fund(1)	**Special funds**	**Specified purpose accounts**	**Tax-funded expenditures**
Affaires municipales et Habitation	2 149	124	121	1
Agriculture, Pêcheries et Alimentation	974	—	110	—
Assemblée nationale	137	—	—	—
Conseil du trésor et Administration gouvernementale	1 196	—	—	—
Conseil exécutif	480	—	—	—
Culture et Communications	810	28	9	390
Économie et Innovation	1 198	292	37	1 315
Éducation et Enseignement supérieur	20 897	109	45	148
Énergie et Ressources naturelles	99	159	1	95
Environnement et Lutte contre les changements climatiques	217	1 323	3	14
Famille	2 788	2 575	—	3 406
Finances	202	1 125	496	764
Forêts, Faune et Parcs	546	535	12	15
Immigration, Diversité et Inclusion	482	—	3	—
Justice	1 053	150	1	—
Personnes désignées par l'Assemblée nationale	106	—	—	—
Relations internationales et Francophonie	114	—	—	
Santé et Services sociaux	40 824	290	142	870
Sécurité publique	1 658	706	101	—
Tourisme	160	208	—	—
Transports	763	3 914	—	4
Travail, Emploi et Solidarité sociale	4 498	1 420	6	487
Inter-portfolio eliminations(2)	—	—	—	—
Subtotal	**81 351**	**12 955**	**1 087**	**7 509**
Debt service	6 589	2 669	—	—
TOTAL	**87 940**	**15 624**	**1 087**	**7 509**

Note: Totals may not add due to rounding.

(1) The amounts include the Contingency Fund measures.
(2) Consolidation adjustments resulting mainly from the elimination of reciprocal transactions between entities in the same portfolio (intra-portfolio eliminations) or different portfolios (inter-portfolio eliminations).

Non-budget-funded bodies	Bodies in the health and social services and education networks	Intra-portfolio elimination(2)	Inter-portfolio eliminations(2)	TOTAL
1 328	—	–754	—	2 969
535	—	–488	—	1 130
—	—	—	—	137
1 428	—	–36	—	2 588
3	—	–2	—	480
532	—	–449	—	1 320
315	—	–477	—	2 680
42	18 271	–15 075	—	24 436
303	—	–27	—	629
53	—	–4	—	1 605
—	—	–2 567	—	6 202
1 860	—	–1 497	—	2 950
162	—	–262	—	1 007
—	—	—	—	485
229	—	–196	—	1 237
—	—	—	—	106
9	—	–3	—	120
17 824	28 363	–42 879	—	45 433
63	—	–387	—	2 142
141	—	–167	—	341
445	—	–175	—	4 950
28	—	–1 196	—	5 243
—	—	—	–4 152	–4 152
25 298	**46 634**	**–66 644**	**–4 152**	**104 038**
592	1 111	–9	–1 956	8 996
25 890	**47 745**	**–66 653**	**–6 108**	**113 034**

APPENDIX 2: ADDITIONAL TABLES

Digital distribution of content is part of the department's broader objective of improving the messages addressed to Quebecers by fostering the use of documents in electronic format that can be consulted with a smartphone, a tablet or a computer.

The Ministère des Finances is thus embarking on the shift to digital documents by distributing certain additional budgetary information exclusively on the budget website.

This information includes, in particular, the following details on Québec's financial situation:

— *Québec's Budgetary Statistics*, which present, in particular, the government's revenue and expenditure on a historical basis;

— *Québec by the Numbers*, which presents budgetary information in the form of interactive tables and charts;

— various financial data according to the government's financial organization, such as the General Fund, special funds, non-budget-funded bodies and bodies in the health and social services and education networks;

— allocations of revenue from consumption taxes;

— entities included in the government reporting entity, classified by portfolio;

— the government's net financial surpluses or requirements.

The additional tables are now available on the website of the Ministère des Finances.
To consult them, visit the Budget 2019-2020 documents page at:
www.budget.finances.gouv.qc.ca/budget/2019-2020/en/index.asp

Exhibit 99.26

Section I

THE QUÉBEC GOVERNMENT'S DEBT

SUMMARY

Even though Québec's gross debt burden is high compared to other provinces, standing at 46.1% of GDP as at March 31, 2019, it is at its lowest in over 20 years.

The *Act to reduce the debt and establish the Generations Fund* stipulates that for fiscal 2025-2026, the gross debt must not exceed 45% of GDP, while the debt representing accumulated deficits must not exceed 17% of GDP.

This budget confirms that these objectives are being maintained.

The objective of reducing the gross debt will be achieved in 2020-2021, or five years earlier than forecast, while that of reducing the debt representing accumulated deficits will be achieved in 2025-2026, as stipulated in the Act.

Reduction of the debt burden will enable Québec to:

— ensure stable funding for the government's chief missions;

— cope with the costs associated with population aging;

— fund investment in public infrastructure;

— counter an eventual economic slowdown;

— ease the tax burden on taxpayers;

— increase Québec's financial autonomy within the federation.

In the fall 2018 update, the government announced an acceleration in repayment of the debt, as it had promised.

— By spring 2019, $10 billion from the Generations Fund will have been used to reduce Québec's debt on financial markets.

— This debt repayment will lower the government's interest charges by $1.6 billion over the next five years.

1. QUÉBEC'S DEBT

1.1 Different concepts of debt

A number of different concepts of debt are used to measure a government's indebtedness.

— **Gross debt** corresponds to the debt on financial markets, plus the commitments made with regard to the retirement plans of government employees. The balance of the Generations Fund is subtracted from the gross debt.

— **Net debt** corresponds to the government's liabilities as a whole, less its financial assets.

— **Debt representing accumulated deficits** corresponds to the difference between the government's assets and liabilities. It is the debt that does not correspond to any assets.

  — Pursuant to the *Act to reduce the debt and establish the Generations Fund*, the balance of the stabilization reserve, that is, the sum of the budgetary surpluses achieved since 2015-2016, is added to this debt.

The following table presents data on Québec's debt according to these concepts.

TABLEAU I.1

Debt of the Québec government as at March 31 according to various concepts
(millions of dollars)

	2018	2019	2020
GROSS DEBT(1)	**201 071**	**200 756**	**204 169**
% of GDP	*48.2*	*46.1*	*45.3*
Less: Financial assets, net of other liabilities(2)	−24 528	−26 661	−29 470
NET DEBT	**176 543**	**174 095**	**174 699**
% of GDP	*42.3*	*40.0*	*38.8*
Less: Non-financial assets	−69 073	−72 231	−75 339
DEBT REPRESENTING ACCUMULATED DEFICITS WITHIN THE MEANING OF THE PUBLIC ACCOUNTS	**107 470**	**101 864**	**99 360**
% of GDP	*25.8*	*23.4*	*22.1*
Plus: Stabilization reserve	7 174	9 674	9 674
DEBT REPRESENTING ACCUMULATED DEFICITS WITHIN THE MEANING OF THE *ACT TO REDUCE THE DEBT AND ESTABLISH THE GENERATIONS FUND*	**114 644**	**111 538**	**109 034**
% of GDP	*27.5*	*25.6*	*24.2*

(1) The gross debt excludes pre-financing and takes into account the sums accumulated in the Generations Fund.
(2) Financial assets include, in particular, participations in government enterprises (for example, Hydro-Québec) and accounts receivable, minus other liabilities (for example, accounts payable).

The debt representing accumulated deficits is increased by the stabilization reserve

According to the *Act to reduce the debt and establish the Generations Fund,* the debt representing accumulated deficits consists of the accumulated deficits figuring in the government's financial statements plus the balance of the stabilization reserve. This debt would be lower if the stabilization reserve were not added to it.

– For example, as at March 31, 2019, the debt representing accumulated deficits without the stabilization reserve, that is, **within the meaning of the Public Accounts**, will be $101.9 billion, or $9.7 billion less than the debt representing accumulated deficits within the meaning of the *Act to reduce the debt and establish the Generations Fund*.

This is explained by the fact that budgetary surpluses achieved since 2015-2016 have been allocated to the stabilization reserve instead of being deducted from the debt representing accumulated deficits.

To compare Québec's debt representing accumulated deficits with that of other governments in Canada, **it is necessary to use the debt representing accumulated deficits without the addition of the stabilization reserve.**

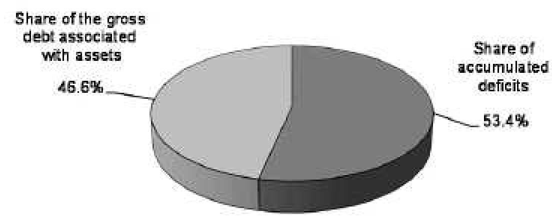
Contrary to the debt representing accumulated deficits, the gross debt and the net debt are not increased by the stabilization reserve.

[ ] **Accumulated deficits account for more than half of the gross debt**

As at March 31, 2018, accumulated deficits accounted for more than half of the gross debt. This share will decrease in the coming years because of ongoing fiscal balance, deposits in the Generations Fund and capital investments by the government. The gross debt will thus be increasingly associated with assets, that is, public infrastructure and investments in government enterprises.

CHART I.1

Share of accumulated deficits in the gross debt as at March 31, 2018
(per cent)



1.2 Interprovincial comparison

Since 2015-2016, Québec has not incurred debt because of budgetary deficits. Instead, it has posted budgetary surpluses that have helped to reduce its debt, notably in 2018-2019. Nevertheless, Québec's debt is still fairly high.

— Regardless of the debt concept used, Québec is the second most indebted province after Newfoundland and Labrador.

The interest that Québec has to pay on this debt represents a large proportion of the government's revenue.

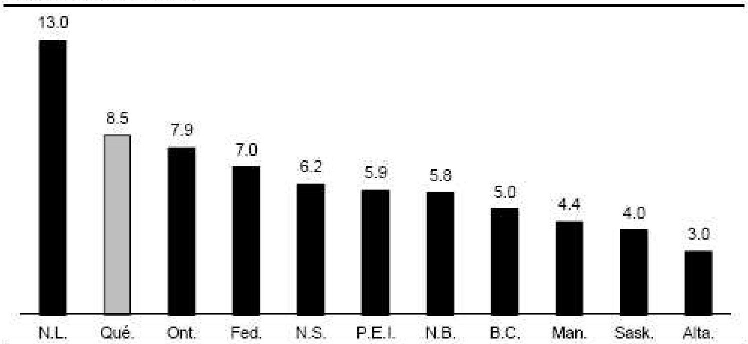
In 2017-2018, $9.2 billion was paid in interest on the debt, which amounts to 8.5% of consolidated revenue, or $1 114 per capita.

— After Newfoundland and Labrador, Québec is the province with the highest ratio.

Every dollar paid in interest is one dollar less for funding public services.

CHART I.2

Debt service of governments in Canada in 2017-2018
(percentage of revenue)



Sources: Governments' public accounts.

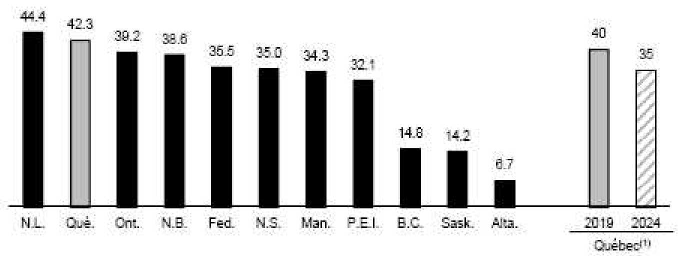
Comparison of the net debt of governments in Canada

In percentage of GDP, Québec is the second most indebted province after Newfoundland and Labrador.

As at March 31, 2018, Québec's net debt burden was 42.3% of GDP, compared with the provincial average of 30.4% .[1]

Québec's net debt burden will decrease to 40% of GDP as at March 31, 2019 and to 35% as at March 31, 2024.

Net debt of governments in Canada as at March 31, 2018
(percentage of GDP)



Sources: Governments' public accounts and Ministère des Finances du Québec.
(1) Forecasts

1 Weighted average.

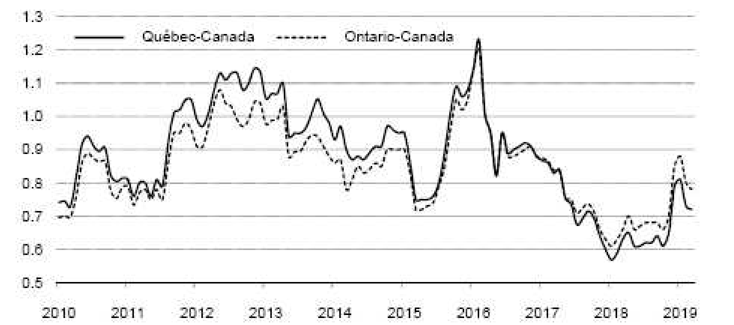
1.3 The benefits of debt reduction

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

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

CHART I.3

Yield spread on long-term (10-year) securities
(percentage points)



Source: PC-Bond.

Reduction of the debt burden will also enable Québec to:

— ensure stable funding for the government's chief missions;

— cope with the costs associated with population aging;

— fund investment in public infrastructure;

— counter an eventual economic slowdown;

— ease the tax burden on taxpayers;

— increase Québec's financial autonomy within the federation.

For all of these reasons, the government intends to continue reducing the debt burden.

1.4 Gross debt

The gross debt corresponds to the amount of debt issued on financial markets (consolidated direct debt) plus the net liability for the retirement plans and other future benefits of public and parapublic sector employees, minus the balance of the Generations Fund.

As at March 31, 2019, the gross debt will stand at $200.8 billion, or 46.1% of GDP. The gross debt will increase in absolute terms over the coming years, mainly because of the government's capital investments.

However, the debt burden is expected to decrease because of economic growth, which will be greater than the anticipated increase in the gross debt. The ratio of gross debt to GDP will be 42.3% as at March 31, 2024.

TABLE I.2
Gross debt as at March 31
(millions of dollars)

	2018	2019	2020	2021	2022	2023	2024
Consolidated direct debt	191 984	190 270	196 517	204 924	214 920	224 075	232 856
Plus: Retirement plans and other employee future benefits(1)	21 903	18 408	16 078	13 504	10 494	7 337	3 537
Less: Generations Fund	−12 816	−7 922	−8 426	−11 110	−14 057	−17 317	−20 899
GROSS DEBT	**201 071**	**200 756**	**204 169**	**207 318**	**211 357**	**214 095**	**215 494**
% of GDP	***48.2***	***46.1***	***45.3***	***44.6***	***44.1***	***43.4***	***42.3***

(1) Net liability.

1.4.1 The gross debt burden is at its lowest in over 20 years

Even though Québec's gross debt burden is relatively high, standing at 46.1% of GDP as at March 31, 2019, it is at its lowest in over 20 years.

CHART I.4

Change in the gross debt as at March 31
(percentage of GDP)

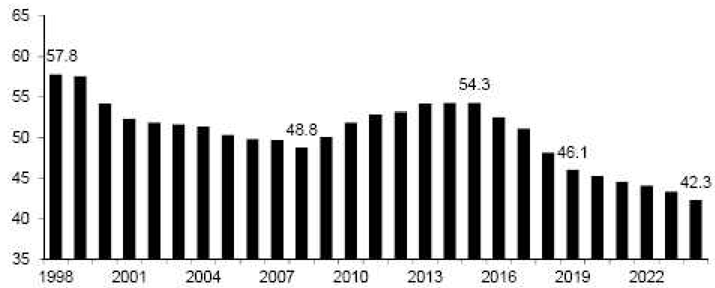


TABLE I.3

Factors responsible for the change in the Québec government's gross debt

(millions of dollars)

	Debt, beginning of year	Budgetary deficit (surplus)	Investments, loans and advances	Net capital investments(1)	Other factors(2)	Deposits in the Generations Fund	Total change	Debt, end of year	% of GDP
2009-2010	157 630	3 174(3)	1 746	4 226	−2 733	−725	5 688	163 318	51.9
2010-2011	163 318	3 150	2 507	4 923	298	−760	10 118	173 436	52.9
2011-2012	173 436	2 628	1 861	5 071	1 228	−840	9 948	183 384	53.2
2012-2013	183 384	3 476(4)	659	4 863	445	−961	8 482	191 866	54.2
2013-2014	191 866	2 824	1 349	3 977	−788	−1 421	5 941	197 807	54.3
2014-2015	197 807	1 143(5)	2 146	2 980	1 160	−1 279	6 150	203 957	54.3
2015-2016	203 957	−2 191	808	2 695	−338	−1 584	−610	203 347	52.6
2016-2017	203 347	−2 361	2 527	1 784	194	−2 001	143	203 490	51.2
2017-2018	203 490	−2 622	1 859	2 173	−1 536	−2 293	−2 419	201 071	48.2
2018-2019	201 071	−2 500	2 538	3 158	−405	−3 106	−315	200 756	46.1
2019-2020	200 756	—	3 212	3 108	−403	−2 504	3 413	204 169	45.3
2020-2021	204 169	—	2 368	3 261	204	−2 684	3 149	207 318	44.6
2021-2022	207 318	—	2 871	4 169	−54	−2 947	4 039	211 357	44.1
2022-2023	211 357	−100	2 476	4 290	−668	−3 260	2 738	214 095	43.4
2023-2024	214 095	−450	1 882	3 459	90	−3 582	1 399	215 494	42.3

(1) Investments made under public-private partnership agreements are included in net capital investments.
(2) Other factors include, in particular, the change in other accounts, such as accounts receivable and accounts payable.
(3) The budgetary balance presented is the budgetary balance after use of the stabilization reserve.
(4) This amount includes the loss of $1 876 million stemming from activities abandoned following the closure of Hydro-Québec's Gentilly-2 nuclear power plant.
(5) The budgetary balance presented excludes the impact of accounting adjustments. The budgetary balance including accounting adjustments of $418 million is a deficit of $725 million.

Net capital investments

Net capital investments consist of the government's gross investments minus depreciation expenses.

– The Québec government's contribution to the projects of partners (e.g. municipalities) is not included in these investments, whereas it is included in the annual investments of the Québec Infrastructure Plan.

Even though gross investments have an impact on the gross debt, net capital investments are presented in the factors responsible for the change in the gross debt due to the fact that depreciation expenses are included in the budgetary balance.

From 2019-2020 to 2023-2024, net capital investments will increase gross debt by $3.7 billion per year on average.

Net capital investments
(millions of dollars)

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Gross investments(1)	7 295	7 411	7 691	8 814	9 218	8 945
Less: Depreciation	−4 137	−4 303	−4 430	−4 645	−4 928	−5 486
Net capital investments	**3 158**	**3 108**	**3 261**	**4 169**	**4 290**	**3 459**

(1) Gross investments include those made under public-private partnership agreements and are presented net of the value of disposals.

Net liability for the retirement plans and other employee future benefits

The net liability for the retirement plans and other employee future benefits corresponds to the government's net commitments toward its public and parapublic sector employees.

The net liability for the retirement plans and other employee future benefits, which is included in the gross debt, is calculated by subtracting from the liability the balance of the sums accumulated to pay for these benefits. The balances concerned are those of the Retirement Plans Sinking Fund (RPSF), the Accumulated Sick Leave Fund and the Survivor's Pension Plan Fund.

As at March 31, 2018, the net liability for the retirement plans and other employee future benefits stood at $21.9 billion.

Net liability for the retirement plans and other employee future benefits as at March 31, 2018
(millions of dollars)

Retirement plans	
Liability for the Government and Public Employees Retirement Plan (RREGOP)	60 384
Liability for the Pension Plan of Management Personnel (PPMP) and the Retirement Plan for Senior Officials (RPSO)	19 360
Liability for the other plans(1)	17 694
Retirement plans liability	**97 438**
Less: Retirement Plans Sinking Fund (RPSF)	−75 417
Net retirement plans liability	**22 021**
Other employee future benefits	
Other employee future benefits liability	1 480
Less: Funds dedicated to other employee future benefits	−1 598
Net other employee future benefits liability	**−118**
NET LIABILITY FOR THE RETIREMENT PLANS AND OTHER EMPLOYEE FUTURE BENEFITS	**21 903**

(1) The liability for the other plans takes into account the assets of the other plans, including those of the Pension Plan of the Université du Québec.

1.5 Net debt

The net debt corresponds to the government's liabilities less its financial assets.

As a proportion of GDP, the net debt will decrease in the coming years, reaching 34.8% as at March 31, 2024.

TABLE I.4

Factors responsible for the change in the net debt

(millions of dollars)

	Debt, beginning of year	Budgetary deficit (surplus)	Net capital investments	Other	Deposits in the Generations Fund	Total change	Debt, end of year	% of GDP
2017-2018	181 755	−2 622	2 173	−2 470 (1)	−2 293	−5 212	176 543	42.3
2018-2019	176 543	−2 500	3 158	—	−3 106	−2 448	174 095	40.0
2019-2020	174 095	—	3 108	—	−2 504	604	174 699	38.8
2020-2021	174 699	—	3 261	—	−2 684	577	175 276	37.7
2021-2022	175 276	—	4 169	—	−2 947	1 222	176 498	36.8
2022-2023	176 498	−100	4 290	—	−3 260	930	177 428	35.9
2023-2024	177 428	−450	3 459	—	−3 582	−573	176 855	34.8

(1) This decrease in the net debt is due, in particular, to the transfer on June 1, 2017 of the capital investments of the Agence métropolitaine de transport (AMT) to the Autorité régionale de transport métropolitain (ARTM) and to the Réseau de transport métropolitain (RTM), which are two entities excluded from the government reporting entity.

1.6 Debt representing accumulated deficits

According to the *Act to reduce the debt and establish the Generations Fund*, the debt representing accumulated deficits consists of the accumulated deficits figuring in the government's financial statements plus the balance of the stabilization reserve.

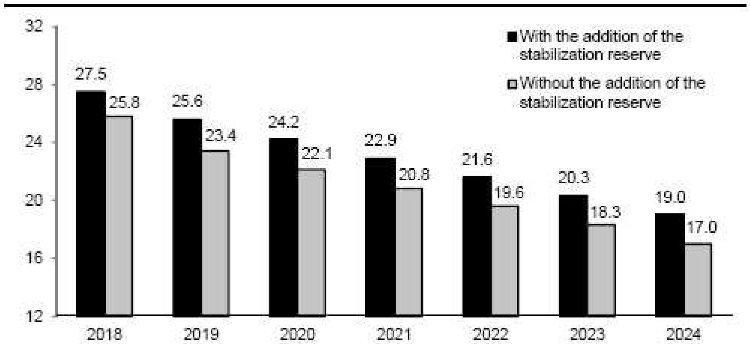
As a proportion of GDP, the debt representing accumulated deficits will decrease in the coming years, reaching 19.0% as at March 31, 2024.

TABLE I.5
Factors responsible for the change in the debt representing accumulated deficits
(millions of dollars)

	Debt, beginning of year	Budgetary deficit (surplus)	Allocation to the stabilization reserve	Accounting adjustments	Deposits in the Generations Fund	Total change	Debt, end of year	% of GDP
2017-2018	117 401	−2 622	2 622	−464	−2 293	−2 757	114 644	27.5
2018-2019	114 644	−2 500	2 500	—	−3 106	−3 106	111 538	25.6
2019-2020	111 538	—	—	—	−2 504	−2 504	109 034	24.2
2020-2021	109 034	—	—	—	−2 684	−2 684	106 350	22.9
2021-2022	106 350	—	—	—	−2 947	−2 947	103 403	21.6
2022-2023	103 403	−100	100	—	−3 260	−3 260	100 143	20.3
2023-2024	100 143	−450	450	—	−3 582	−3 582	96 561	19.0

Without the addition of the stabilization reserve, the debt representing accumulated deficits is expected to amount to 17.0% of GDP as at March 31, 2024.

CHART I.5
Debt representing accumulated deficits as at March 31 with and without the stabilization reserve
(percentage of GDP)



Note: The debt representing accumulated deficits within the meaning of the Public Accounts does not take into account the stabilization reserve.

1.7 **Maintenance of debt reduction objectives**

The *Act to reduce the debt and establish the Generations Fund* stipulates that for fiscal 2025-2026, the gross debt must not exceed 45% of GDP, while the debt representing accumulated deficits must not exceed 17% of GDP.

This budget confirms that these objectives are being maintained.

Due to continued fiscal balance, deposits in the Generations Fund, and the economic growth that is contributing to reducing the debt burden, the government forecasts that:

— the objective of reducing the gross debt to 45% of GDP will be achieved in 2020-2021, or five years earlier than forecast;

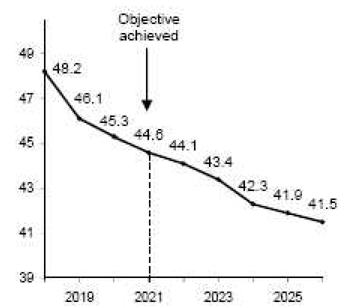
— the objective of reducing the debt representing accumulated deficits to 17% of GDP will be achieved in 2025-2026, as provided for in the Act.

  — Without the addition of the stabilization reserve, the objective of reducing the debt representing accumulated deficits to 17% of GDP would be achieved in 2023-2024.

CHART I.6

Gross debt as at March 31

(percentage of GDP)

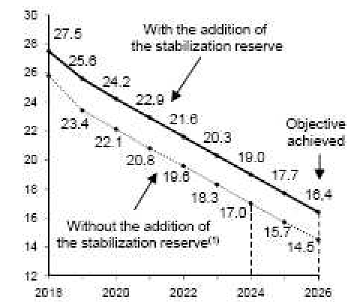


Note: These are projections as of 2025.

CHART I.7

Debt representing accumulated deficits as at March 31

(percentage of GDP)



Note: These are projections as of 2025.
(1) Debt representing accumulated deficits within the meaning of the Public Accounts, that is, without the addition of the stabilization reserve.

1.8 Accelerated repayment of the debt

On December 3, 2018, in the *Update on Québec's Economic and Financial Situation*, the government announced an acceleration in the repayment of the debt, as it had promised.

By spring 2019, $10 billion from the Generations Fund will have been used to reduce Québec's debt on financial markets and lower the government's interest charges.

TABLE I.6
Use of the Generations Fund for debt repayment
(millions of dollars)

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	Total
Book value, beginning of year	**12 816**	**7 922**	**8 426**	**11 110**	**14 057**	**17 317**	
Revenues dedicated to the Generations Fund	3 106	2 504	2 684	2 947	3 260	3 582	
Use of the Generations Fund to repay borrowings	–8 000	–2 000	—	—	—	—	–10 000
BOOK VALUE, END OF YEAR	**7 922**	**8 426**	**11 110**	**14 057**	**17 317**	**20 899**	

1.8.1 Savings of $1.6 billion in interest over five years

The $10-billion repayment of the debt from the Generations Fund will generate interest savings of $318 million per year as of 2019-2020, or $1.6 billion over the next five years.

— These sums can be used to fund public services rather than for paying interest.

TABLE I.7
Interest savings resulting from the $10-billion repayment of the debt
(millions of dollars)

	2019-2020-	2020-2021-	2021-2022-	2022-2023-	2023-2024-	Total over 5 years
Interest savings on the debt	318	318	318	318	318	1 590

Note: Savings presented in the December 2018 update. These savings total $98 million in 2018-2019.

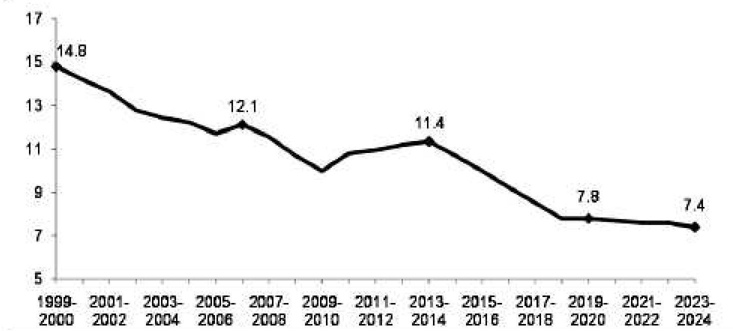
1.8.2 A decrease in the proportion of revenue devoted to debt service

A large proportion of the government's revenue is devoted to paying interest on the debt, but this proportion is declining.

The proportion of revenue devoted to debt service will stand at 7.8% in 2019-2020 due to, among other things, accelerated repayment of the debt from the Generations Fund.

CHART I.8

Debt service
(percentage of consolidated revenue)



1.9 Generations Fund

In 2019-2020, deposits of dedicated revenues in the Generations Fund will amount to $2.5 billion. These sums come mainly from:

— water-power royalties paid by Hydro-Québec and private producers of hydro-electricity;

— revenue stemming from the indexation of the price of heritage electricity;

— mining revenues;

— an amount from the specific tax on alcoholic beverages;

— investment income.

The Generations Fund should stand at $20.9 billion as at March 31, 2024.

TABLE I.8
Generations Fund
(millions of dollars)

	2018-2019 (1)	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Book value, beginning of year	**12 816**	**7 922**	**8 426**	**11 110**	**14 057**	**17 317**
Dedicated revenues						
Water-power royalties						
Hydro-Québec	699	706	736	751	786	809
Private producers	103	102	104	106	108	110
Subtotal	**802**	**808**	**840**	**857**	**894**	**919**
Indexation of the price of heritage electricity	258	305	385	475	575	680
Additional contribution from Hydro-Québec	215	215	215	215	215	215
Mining revenues	231	245	292	319	352	387
Specific tax on alcoholic beverages	500	500	500	500	500	500
Unclaimed property	15	15	15	15	15	15
Investment income(2)	1 085	416	437	566	709	866
Total dedicated revenues	**3 106**	**2 504**	**2 684**	**2 947**	**3 260**	**3 582**
Use of the Generations Fund to repay borrowings	−8 000	−2 000	—	—	—	—
BOOK VALUE, END OF YEAR	**7 922**	**8 426**	**11 110**	**14 057**	**17 317**	**20 899**

(1) For information purposes, the market value of the Generations Fund as at December 31, 2018, was $11.3 billion, or $1.1 billion higher than its book value at that date.
(2) The investment income of the Generations Fund corresponds to realized investment income (interest income, dividends, gains on the disposal of assets, etc.). The forecast may thus be adjusted upward or downward according to the timing of realized gains or losses. The substantial investment income in 2018-2019 is explained by the materialization of a portion of the investment gains resulting from the use of the Generations Fund to repay the debt. In addition to the realized gains from withdrawals from the Generations Fund, an annual return of 4.8% is expected, a rate based on the actual results of the past five years.

[ ] **The importance of the Generations Fund**

The Generations Fund is a tool that contributes directly to reducing the debt burden.

Without the deposits made in the Generations Fund, the ratio of gross debt to GDP would be much higher. As at March 31, 2024, the gross debt burden will stand at 42.3% of GDP. Without the Generations Fund, the forecast would be 48.6% of GDP, or 6.3 percentage points higher.

This difference means that in the absence of the Generations Fund, the anticipated gross debt as at March 31, 2024 would be $31.9 billion higher.[1]

CHART I.9

Gross debt as at March 31
(percentage of GDP)

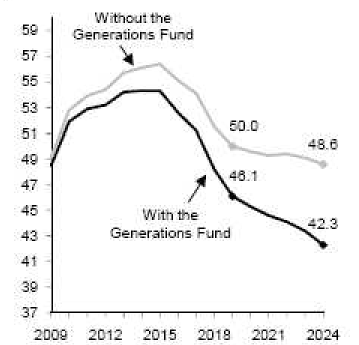
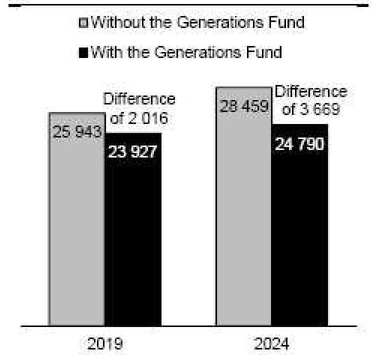


CHART I.10

Gross debt as at March 31
(dollars per capita)



1 The $31.9 billion difference is $11 billion higher than the balance of the Generations Fund as at March 31, 2024 ($20.9 billion) owing to the use of $11 billion from the Generations Fund to repay borrowings ($1 billion in 2013-2014, $8 billion in 2018-2019 and $2 billion in 2019-2020).

Returns of the Generations Fund

Since the first deposit was made in the Generations Fund in January 2007, the return has been higher than the cost of new borrowings by the government 11 years out of 12.

– From 2007 to 2018, the average return was 5.5%, compared with an average cost of 3.4% for new borrowings, which represents a difference of 2.1 percentage points.

The accelerated debt repayment announced in the fall 2018 update has also meant faster crystallization of investment gains, as well as reduced exposure of the amounts making up the Generations Fund to market risk.

Comparison of the Generations Fund's annual return and the Québec government's borrowing costs
(per cent, on a calendar year basis)

	Return of the Generations Fund	**Cost of new borrowings(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

(1) The government's borrowing costs correspond to the yield on 10-year maturity Québec bonds.

Source : PC-Bond for the yield on 10-year maturity Québec bonds.

2. FINANCING

2.1 Financing program

The financing program corresponds to long-term borrowings made, in particular, to repay maturing borrowings and to fund the government's capital investments.

For fiscal 2018-2019, it amounts to $15.6 billion, which is $2.2 billion more than forecast in the March 2018 budget.

This upward revision is attributable mainly to pre-financing for the following year.

TABLE I.9
The government's financing program in 2018-2019
(millions of dollars)

	March 2018	Revisions	March 2019
GENERAL FUND			
Net financial requirements	5 012	–3 758	1 254
Repayments of borrowings	8 252	3 042	11 294
Use of the Generations Fund to repay borrowings	–2 000	–6 000	–8 000
Change in cash position	–9 342	–405	–9 747
Deposits in the Retirement Plans Sinking Fund (RPSF)(1) and other funds related to retirement plans	—	1 205	1 205
Contributions to the Sinking Fund for borrowings	—	1 500	1 500
Transactions under the credit policy(2)	—	827	827
Pre-financing	—	4 167	4 167
GENERAL FUND	**1 922**	**578**	**2 500**
FINANCING FUND	**10 100**	**1 800**	**11 900**
FINANCEMENT-QUÉBEC	**1 400**	**–200**	**1 200**
TOTAL	**13 422**	**2 178**	**15 600** (3)
Including: repayments of borrowings	16 559	3 042	19 601

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

(1) Deposits in the RPSF are optional. They are recorded in the financing program only once they are made.
(2) Under the credit policy, which is designed to limit financial risk with respect to counterparties, the government disburses or receives amounts following, in particular, movements in exchange rates. These amounts have no effect on the debt.
(3) This data is based on borrowings contracted as at March 6, 2019.

Borrowings carried out in 2018-2019

The government aims to borrow at the lowest possible cost. To that end, it applies a strategy for diversifying sources of funding by market, financial instrument and maturity.

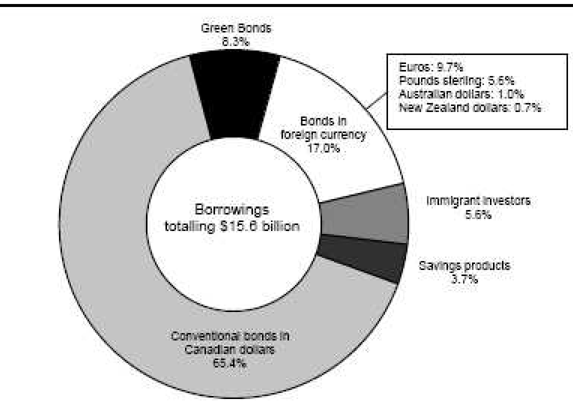
In 2018-2019, the government carried out 17.0% of its borrowings on foreign markets, a level similar to the average for the past 10 years (19.2%) . Nonetheless, the government keeps no exposure of its debt to those foreign currencies so as to neutralize the impact of variations in foreign exchange rates on debt service.

In 2018-2019, conventional bonds in Canadian dollars were the main debt instrument used. The government also made two other green bond issues, for $500 million in June 2018 and $800 million in February 2019.

Over 76% of the borrowings carried out in 2018-2019 had a maturity of 10 years or more.

As at March 31, 2019, the average maturity of the debt should be 11 years.

Long-term borrowings contracted in 2018-2019
(per cent)



Note: The data are based on borrowings contracted as at March 6, 2019.

The financing program will amount to $11.8 billion in 2019-2020.

For the four subsequent years, that is, from 2020-2021 to 2023-2024, it will average $21.6 billion per year.

As of 2020-2021, the financing program does not include any new withdrawals from the Generations Fund.

TABLE I.10

The government's financing program, 2019-2020 to 2023-2024

(millions of dollars)

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
GENERAL FUND					
Net financial requirements	1 826	2 750	3 087	3 325	3 369
Repayments of borrowings	4 823	3 848	9 293	8 326	5 928
Use of the Generations Fund to repay borrowings	–2 000	—	—	—	—
Change in cash position	–4 167	—	—	—	—
GENERAL FUND	**482**	**6 598**	**12 380**	**11 651**	**9 297**
FINANCING FUND	**9 400**	**9 000**	**9 000**	**9 300**	**11 000**
FINANCEMENT-QUÉBEC	**1 900**	**1 800**	**2 700**	**2 000**	**1 700**
TOTAL	**11 782**	**17 398**	**24 080**	**22 951**	**21 997**
Including: repayments of borrowings	11 066	11 528	14 231	13 277	12 820

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

Green Bond program

In 2017, the government introduced a Green Bond program that funds projects providing tangible benefits with regard to protecting the environment, reducing greenhouse gas (GHG) emissions or adapting to climate change. Through this program, the government is contributing to, among other things, the development of a socially responsible investment market.

Four issues totalling $2.3 billion have been made since the program was launched. Given the demand for Québec's Green Bonds and the government's commitment to the environment, Québec will be a regular issuer of Green Bonds.

For further details, please visit
www.finances.gouv.qc.ca/en/RI_GB_Green_Bonds.asp.

2.2 Debt management strategy

The government's debt management strategy aims to minimize the cost of debt while limiting the risks related to fluctuations in foreign exchange and interest rates.

The government uses a range of financial instruments, particularly interest rate and currency swap agreements (swaps), to achieve desired debt proportions by currency and interest rate.

[ ] Structure of the gross debt by currency

As at March 31, 2019, before taking swaps into account, 81.8% of the gross debt is expected to be in Canadian dollars, 9.4% in U.S. dollars, 6.4% in euros, 0.8% in Australian dollars, 0.7% in pounds sterling, 0.7% in Swiss francs and 0.2% in other foreign currencies (in yen, New Zealand dollars, and Hong Kong dollars).

However, after taking swaps into account, the gross debt in its entirety will be denominated in Canadian dollars.

Indeed, since 2012-2013, the government has maintained no exposure of its debt to foreign currencies.

Swaps allow to neutralize the impact of variations in foreign exchange rates on debt service.

TABLE I.11
Structure of the gross debt by currency as at March 31, 2019
(per cent)

	Before swaps	**After swaps**
Canadian dollar	81.8	100.0
U.S. dollar	9.4	0.0
Euro	6.4	0.0
Australian dollar	0.8	0.0
Pound sterling	0.7	0.0
Swiss franc	0.7	0.0
Other (yen, New Zealand dollar and Hong Kong dollar)	0.2	0.0
TOTAL	**100.0**	**100.0**

Note: Gross debt including pre-financing.

[ ] **Structure of the gross debt by interest rate**

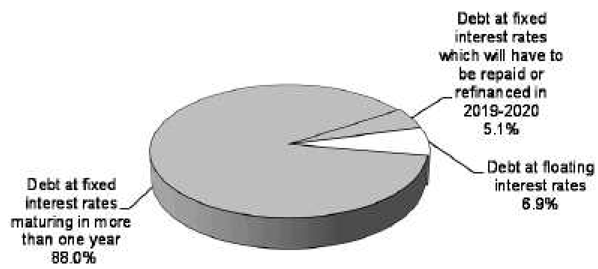
The government keeps part of its debt at fixed interest rates and part at floating interest rates.

As at March 31, 2019, after taking swaps into account, the proportion of the gross debt at fixed interest rates is expected to be 93.1%, [2] while the proportion at floating rates is expected to be 6.9% .

In addition, as at March 31, 2019, the proportion of the gross debt repayable or subject to an interest rate change in 2019-2020 is expected to be 12.0% . This proportion includes the debt at floating interest rates (6.9%) as well as the debt at fixed rates which will have to be repaid[3] or refinanced in 2019-2020 (5.1%) .

CHART I.11

Structure of the gross debt by interest rate as at March 31, 2019
(per cent)



Note: Gross debt including pre-financing.

2 This proportion includes the debt at fixed interest rates maturing in more than one year (88.0%) as well as the debt at fixed interest rates which will have to be repaid or refinanced in 2019-2020 (5.1%).

3 Includes, in particular, long-term borrowings that will be repaid through the use of $2 billion from the Generations Fund in 2019-2020.

3. CREDIT RATINGS

3.1 The Québec government's credit ratings

A credit rating measures the ability of a borrower, like the Québec government, to pay interest on its debt and repay the principal at maturity.

Québec's credit rating is evaluated by six credit rating agencies. These six agencies have assigned a stable outlook to Québec's credit rating.

TABLE I.12
The Québec government's credit ratings

Credit rating agency	Credit rating	Outlook
Moody's	Aa2	Stable
Standard & Poor's (S&P)	AA−	Stable
Fitch	AA−	Stable
DBRS	A (high)	Stable
Japan Credit Rating Agency (JCR)	AA+	Stable
China Chengxin International (CCXI)	AAA(1)	Stable

(1) This is the credit rating for bond issues on the Chinese market.

The Québec government's credit ratings, which are indicated in the table below, differ from one credit rating agency to another because of the methodology used by each agency to determine credit risk.

The three main international credit rating agencies (Moody's, S&P and Fitch) assign Québec a credit rating in the "AA" category.

DBRS is the only credit rating agency that assigns Québec a rating of less than the "AA" category. This rating has been unchanged since 2006. However, Québec's financial situation has improved in the meantime. The government aims to have this rating upgraded by keeping the budget balanced and reducing the debt burden. A rating in the "AA" category from DBRS would be a first for Québec.

— A higher credit rating means access to a broader pool of investors and advantageous borrowing costs.

TABLE I.13

Credit rating scales for long-term debt

	Moody's	S&P	Fitch	DBRS	JCR	CCXI(1)
Highest credit quality	Aaa	AAA	AAA	AAA	AAA	AAA
	Aa1	AA+	AA+	AA (high)	AA+	AA+
	Aa2	AA	AA	AA	AA	AA
	Aa3	AA–	AA–	AA (low)	AA–	AA–
	A1	A+	A+	A (high)	A+	A+
	A2	A	A	A	A	A
	A3	A–	A–	A (low)	A–	A–
	Baa1	BBB+	BBB+	BBB (high)	BBB+	BBB+
	Baa2	BBB	BBB	BBB	BBB	BBB
	Baa3	BBB–	BBB–	BBB (low)	BBB–	BBB–
	Ba1	BB+	BB+	BB (high)	BB+	BB+
	Ba2	BB	BB	BB	BB	BB
	Ba3	BB–	BB–	BB (low)	BB–	BB–
	B1	B+	B+	B (high)	B+	B+
	B2	B	B	B	B	B
	B3	B–	B–	B (low)	B–	B–

(1) This is the credit rating for bond issues on the Chinese market.

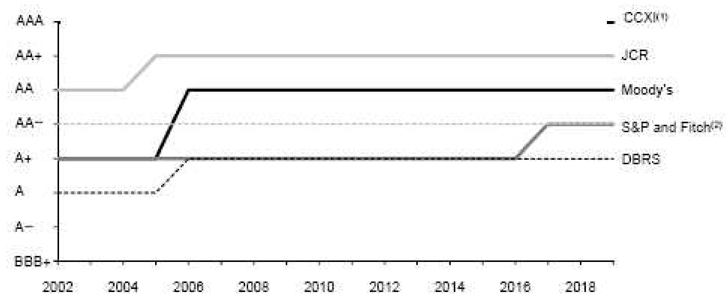
[ ] Change in Québec's credit ratings

The following chart shows the change in Québec's credit ratings since 2002.

In June 2017, S&P raised Québec's credit rating from “A+” to “AA−”, a first since 1993. In fact, Québec recovered the credit rating it had with S&P from 1982 to 1993.

CHART I.12

Change in Québec's credit ratings



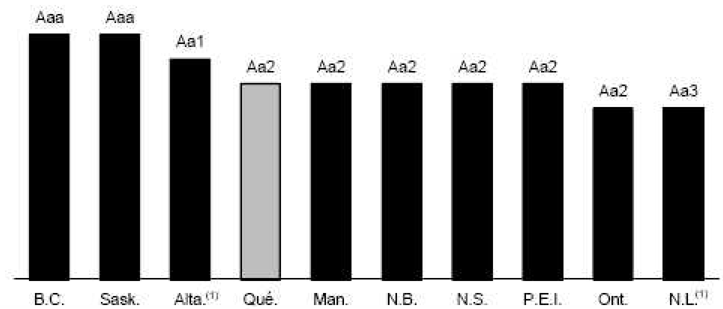
Note: The credit ratings for 2019 are those in effect as at March 6, 2019.
(1) CCXI has assigned Québec a credit rating since 2018.
(2) Fitch's credit rating is indicated by the dotted line.

3.2 **Comparison of the credit ratings of the Canadian provinces**

The following charts show the credit ratings of the Canadian provinces assigned by Moody's and Standard & Poor's as at March 6, 2019.

CHART I.13

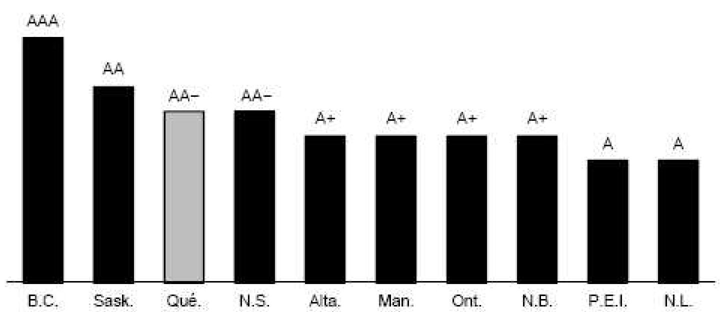
Credit ratings of the Canadian provinces – Moody's



(1) These provinces have a negative outlook.

CHART I.14

Credit ratings of the Canadian provinces – Standard & Poor's



APPENDIX 1: ADJUSTMENTS TO DEBT SINCE THE MARCH 2018 BUDGET

[ ] Adjustments to the gross debt compared to the March 2018 budget

The gross debt as at March 31, 2023 has been adjusted downward by $2.8 billion compared with the March 2018 budget.

As for the gross-debt-to-GDP ratio, it has been adjusted downward by 1.6 percentage points, particularly due to stronger economic growth.

The downward adjustments can be attributed mainly to:

— a larger-than-expected budgetary surplus in 2017-2018;

— the elimination of the use of the stabilization reserve;

— an anticipated budgetary surplus in 2018-2019.

In return, the government forecasts higher levels of investment in public infrastructure and its enterprises.

TABLE I.14
Adjustments to the gross debt as at March 31 since the March 2018 budget
(millions of dollars)

	2018	2019	2020	2021	2022	2023
March 2019 budget	201 071	200 756	204 169	207 318	211 357	214 095
% of GDP	*48.2*	*46.1*	*45.3*	*44.6*	*44.1*	*43.4*
March 2018 budget	204 533	209 418	211 120	214 151	215 076	216 876
% of GDP	*49.6*	*49.1*	*47.9*	*47.1*	*45.9*	*45.0*
Adjustments	**−3 462**	**−8 662**	**−6 951**	**−6 833**	**−3 719**	**−2 781**
% of GDP	***−1.4***	***−3.0***	***−2.6***	***−2.5***	***−1.8***	***−1.6***

[ ] **Adjustments to the debt representing accumulated deficits compared with the March 2018 budget**

Compared with the March 2018 budget, as at March 31, 2023, the debt representing accumulated deficits within the meaning of the *Act to reduce the debt and establish the Generations Fund* has been adjusted downward by $10 million.

As for the ratio of debt representing accumulated deficits to GDP, it has been adjusted downward by 0.5 percentage point due, in particular, to stronger economic growth.

TABLE I.15
Adjustments to the debt representing accumulated deficits as at March 31 since the March 2018 budget
(millions of dollars)

	2018	2019	2020	2021	2022	2023
March 2019 budget	114 644	111 538	109 034	106 350	103 403	100 143
% of GDP	*27.5*	*25.6*	*24.2*	*22.9*	*21.6*	*20.3*
March 2018 budget	115 109	112 618	109 911	106 920	103 655	100 153
% of GDP	*27.9*	*26.4*	*24.9*	*23.5*	*22.1*	*20.8*
Adjustments	**−465**	**−1 080**	**−877**	**−570**	**−252**	**−10**
% of GDP	***−0.4***	***−0.8***	***−0.7***	***−0.6***	***−0.5***	***−0.5***

Adjustments to the debt representing accumulated deficits within the meaning of the Public Accounts since the March 2018 budget

Compared with the March 2018 budget, as at March 31, 2023 the debt representing accumulated deficits within the meaning of the Public Accounts, that is, without the addition of the stabilization reserve, has been adjusted downward by $7.4 billion, or 2.0 percentage points of GDP.

This downward adjustment can be attributed to the higher-than-anticipated budgetary surplus in 2017-2018, the elimination of the use of the stabilization reserve and the budgetary surplus anticipated in 2018-2019.

Adjustments to the debt representing accumulated deficits within the meaning of the Public Accounts as at March 31 since the March 2018 budget
(millions of dollars)

	2018	2019	2020	2021	2022	2023
March 2019 budget	107 470	101 864	99 360	96 676	93 729	90 369
% of GDP	*25.8*	*23.4*	*22.1*	*20.8*	*19.6*	*18.3*
March 2018 budget	109 707	108 803	107 032	104 520	101 255	97 753
% of GDP	*26.6*	*25.5*	*24.3*	*23.0*	*21.6*	*20.3*
Adjustments	**−2 237**	**−6 939**	**−7 672**	**−7 844**	**−7 526**	**−7 384**
% of GDP	***−0.8***	***−2.1***	***−2.2***	***−2.2***	***−2.0***	***−2.0***

APPENDIX 2: RETIREMENT PLANS SINKING FUND

The Retirement Plans Sinking Fund (RPSF) is an asset that was created by the government in 1993 for the purpose of paying the retirement benefits of public and parapublic sector employees.

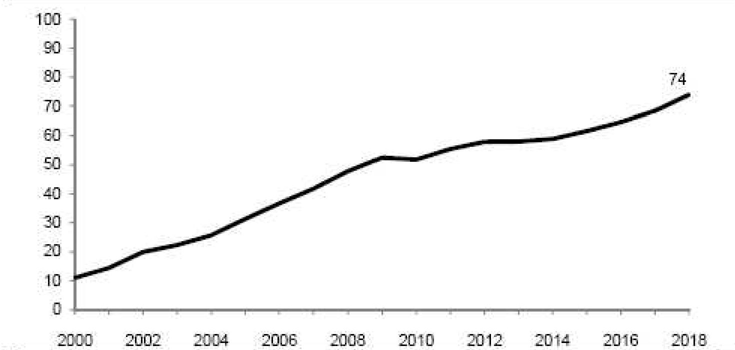
In December 1999, as part of the agreement concluded for the renewal of its employees' collective agreements, the government set the objective that the book value of the sums accumulated in the RPSF would be equal, in 2020, to 70% of its actuarial obligations in regard to the retirement plans of public and parapublic sector employees. This objective was reached earlier than anticipated since this proportion was 74% as at March 31, 2018.

Sums will continue to be accumulated in the RPSF so as to continue reducing the gap that exists between its actuarial obligations in regard to the retirement plans of public and parapublic sector employees and the sums it holds to meet these obligations.

As in previous years, deposits in the RPSF will be made only when market conditions are favourable, particularly with respect to interest rates and market receptiveness to bond issues.

CHART I.15

Book value of the RPSF in proportion to the government's actuarial obligations regarding the retirement plans of public and parapublic sector employees as at March 31
(per cent)



APPENDIX 3: RETURNS ON FUNDS DEPOSITED WITH THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

The main funds deposited by the Ministère des Finances with the Caisse de dépôt et placement du Québec (Retirement Plans Sinking Fund, Generations Fund and Accumulated Sick Leave Fund) are managed in accordance with an investment policy established by the Ministère des Finances in cooperation with the Caisse. This investment policy is established on the basis of several factors, including 10-year return, standard deviation and correlation forecasts for various categories of assets, opportunities for investing in these assets and recommendations of the Caisse.

In 2018, the return on funds deposited by the Ministère des Finances with the Caisse was 4.29% for the Retirement Plans Sinking Fund, 4.38% for the Generations Fund and 4.33% for the Accumulated Sick Leave Fund.

The investment policy of these funds is presented in the box on the next page.

TABLE I.16

Return on and market value of funds deposited by the Ministère des Finances with the Caisse de dépôt et placement du Québec in 2018

	Return (%)	**Market value as at December 31, 2018** ($ million)
Retirement Plans Sinking Fund (RPSF)	4.29	83 176
Generations Fund	4.38	11 298
Accumulated Sick Leave Fund (ASLF)	4.33	1 240

Comparison of investment policies

Investment policies as at January 1, 2019
(per cent)

Specialized portfolios	**RPSF and ASLF**	**Generations Fund**(1)	**Average benchmark portfolio of depositors as a whole**(2)
Short-Term Investments	1.0	1.0	1.2
Rates(3)	15.0	15.0	13.5
Credit(4)	17.0	16.5	16.0
Long-term bonds	0.0	0.0	1.0
Real Return Bonds	0.0	0.0	0.4
Total – Fixed income	**33.0**	**32.5**	**32.1**
Infrastructure	7.0	8.0	6.3
Real Estate	12.0	12.5	12.0
Total – Real assets	**19.0**	**20.5**	**18.3**
Public Equity	35.0	31.5	37.6
Private Equity	13.0	15.5	12.0
Total – Equity	**48.0**	**47.0**	**49.6**
TOTAL	**100.0**	**100.0**	**100.0**

RPSF: Retirement Plans Sinking Fund.
ASLF: Accumulated Sick Leave Fund.

(1) The investment policy of the Generations Fund has been adjusted, in cooperation with the Caisse, to take into account withdrawals from this fund for accelerating debt repayment.
(2) Data as at December 31, 2017 drawn from the *2017 Annual Report* of the Caisse de dépôt et placement du Québec.
(3) Fixed nominal income government bonds.
(4) Broader range of instruments with fixed income securities characteristics.

APPENDIX 4: QUÉBEC'S PUBLIC SECTOR DEBT

The public sector debt includes the government's gross debt as well as the debt of Hydro-Québec, the municipalities, universities other than the Université du Québec and its constituents, and other government enterprises. This debt has served, in particular, to fund public infrastructure, such as roads, schools, hospitals, hydroelectric dams and water treatment plants.

As at March 31, 2019, Québec's public sector debt is expected to stand at $270.8 billion, or 62.2% of GDP. These figures must be put into perspective for they do not take into account the economic value of certain assets held by the government, such as Hydro-Québec, the Société des alcools du Québec and Loto-Québec.

The ratio of public sector debt to GDP has been falling since 2015-2016.

TABLE I.17
Public sector debt as at March 31
(millions of dollars)

	2015	**2016**	**2017**	**2018**	**2019**
Government's gross debt	203 957	203 347	203 490	201 071	200 756
Hydro-Québec	41 662	43 843	42 882	43 160	43 838
Municipalities	23 305	23 846	24 058	24 505	24 670
Universities other than the Université du Québec and its constituents	1 624	1 608	1 656	1 321	1 321
Other government enterprises	383	308	258	218	228
PUBLIC SECTOR DEBT	**270 931**	**272 952**	**272 344**	**270 275**	**270 813**
% of GDP	***72.1***	***70.7***	***68.6***	***64.8***	***62.2***

Exhibit 99.27

Excerpts from “Budget Speech 2019-2020”, March 21, 2019

TABLE 1

Québec government

Summary of consolidated budgetary transactions

Preliminary results for 2018-2019

(millions of dollars)

	2018-2019
CONSOLIDATED REVENUE	
Own-source revenue	90 146
Federal transfers	23 411
Total	**113 557**
CONSOLIDATED EXPENDITURE	
Portfolio expenditures	–99 052
Debt service	–8 899
Total	**–107 951**
Contingency reserve	—
SURPLUS	**5 606**
BALANCED BUDGET ACT	
Deposits of dedicated revenues in the Generations Fund	–3 106
BUDGETARY BALANCE(1)	**2 500**

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

TABLE 2
Québec government
Summary of consolidated budgetary transactions
Forecasts for 2019-2020
(millions of dollars)

	2019-2020
CONSOLIDATED REVENUE	
Own-source revenue	90 714
Federal transfers	24 924
Total	**115 638**
CONSOLIDATED EXPENDITURE	
Portfolio expenditures	–104 038
Debt service	–8 996
Total	**–113 034**
Contingency reserve	–100
SURPLUS	**2 504**
BALANCED BUDGET ACT	
Deposits of dedicated revenues in the Generations Fund	–2 504
BUDGETARY BALANCE (1)	—

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

TABLE 3
Québec government
Consolidated revenue
Forecasts for 2019-2020
(millions of dollars)

	2019-2020
OWN-SOURCE REVENUE	
Income and property taxes	
Personal income tax	32 498
Contributions for health services	6 596
Corporate taxes	8 516
School property tax	1 553
	49 163
Consumption taxes	
Sales taxes	17 933
Fuel	2 283
Tobacco products	973
Alcoholic beverages	646
Cannabis(1)	29
	21 864
Revenue from government enterprises	
Hydro-Québec	2 425
Loto-Québec	1 271
Société des alcools du Québec	1 159
Investissement Québec	139
Société québécoise du cannabis	20
Other	–236
	4 778
Duties and permits	4 229
Miscellaneous revenue	10 680
TOTAL OWN-SOURCE REVENUE	**90 714**
FEDERAL TRANSFERS	
Equalization	13 124
Health transfers	6 628
Transfers for post-secondary education and other social programs	1 620
Other programs	3 552
TOTAL FEDERAL TRANSFERS	**24 924**
TOTAL CONSOLIDATED REVENUE	**115 638**

(1) This is Québec's component of the excise duty on cannabis sales.

TABLE 4
Québec government
Consolidated expenditure
Forecasts for 2019-2020
(millions of dollars)

	2019-2020
PORTFOLIO EXPENDITURES	
Program spending of the General Fund(1)	81 351
Other consolidated expenditure(2)	22 687
Total	**104 038**
DEBT SERVICE	
General Fund	6 589
Other sectors(2)	2 407
Total	**8 996**
TOTAL CONSOLIDATED EXPENDITURE	**113 034**

(1) Program spending includes transfers intended for consolidated entities.
(2) The other consolidated expenditure and the debt service of other sectors include consolidation adjustments.

TABLE 5
Québec government
Consolidated expenditure
Forecasts for 2019-2020
(millions of dollars)

	2019-2020
PORTFOLIO EXPENDITURES	
Assemblée nationale	137
Personnes désignées par l'Assemblée nationale	106
Affaires municipales et Habitation	2 969
Agriculture, Pêcheries et Alimentation	1 130
Conseil du trésor et Administration gouvernementale	2 588
Conseil exécutif	480
Culture et Communications	1 320
Économie et Innovation	2 680
Éducation et Enseignement supérieur	24 436
Énergie et Ressources naturelles	629
Environnement et Lutte contre les changements climatiques	1 605
Famille	6 202
Finances	2 950
Forêts, Faune et Parcs	1 007
Immigration, Diversité et Inclusion	485
Justice	1 237
Relations internationales et Francophonie	120
Santé et Services sociaux	45 433
Sécurité publique	2 142
Tourisme	341
Transports	4 950
Travail, Emploi et Solidarité sociale	5 243
Inter-portfolio eliminations(1)	–4 152
TOTAL	**104 038**
DEBT SERVICE	**8 996**
TOTAL CONSOLIDATED EXPENDITURE	**113 034**

(1) Inter-portfolio eliminations result mainly from the elimination of reciprocal transactions between entities in different portfolios.

TABLE 6
Québec government
Non-budgetary transactions
Forecasts for 2019-2020
(millions of dollars)

	2019-2020
INVESTMENTS, LOANS AND ADVANCES	**–3 212**
CAPITAL EXPENDITURES	
Investments	–7 411
Amortization	4 303
Less: PPP investments	111
Total	**–2 997**
RETIREMENT PLANS AND OTHER EMPLOYEE FUTURE BENEFITS	**3 227**
OTHER ACCOUNTS	**410**
TOTAL NON-BUDGETARY TRANSACTIONS	**–2 572**

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

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Click on, or paste the following link into your web browser, to view the associated PDF document for the full announcement
http://www.rns-pdf.londonstockexchange.com/rns/"RNS to insert link here"

To view the documents in PDF format, please paste the following URLs into the address bar of your browser.

Exhibit 99.24 of the Amendment dated March 26, 2019 to the Issuer's Annual Report (on Form 18-K/A) for the fiscal year ended March 31, 2018
http://www.rns-pdf.londonstockexchange.com/rns/"RNS to insert link here"

Exhibit 99.25 of the Amendment dated March 26, 2019 to the Issuer's Annual Report (on Form 18-K/A) for the fiscal year ended March 31, 2018
http://www.rns-pdf.londonstockexchange.com/rns/"RNS to insert link here"

Exhibit 99.26 of the Amendment dated March 26, 2019 to the Issuer's Annual Report (on Form 18-K/A) for the fiscal year ended March 31, 2018
http://www.rns-pdf.londonstockexchange.com/rns/"RNS to insert link here"

Exhibit 99.27 of the Amendment dated March 26, 2019 to the Issuer's Annual Report (on Form 18-K/A) for the fiscal year ended March 31, 2018
http://www.rns-pdf.londonstockexchange.com/rns/"RNS to insert link here"

Exhibits 99.24, 99.25, 99.26, 99.27 of the Amendment dated March 26, 2019 to Québec's Annual Report (on Form 18-K) for the fiscal year ended March 31, 2018 (containing excerpts from Québec's Budget 2019-2020 - The Québec Economic Plan – March 2019 and Budget Speech) and filed with the US Securities and Exchange Commission on March 26, 2019 have been submitted to the National Storage Mechanism and will shortly be available for inspection at: **http://www.morningstar.co.uk/uk/NSM**.

For further information, please contact:

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