Parti Libéral du Québec

FINANCIAL FRAMEWORK

QUEBEC LIBERAL PARTY

GENERAL ELECTION 2014

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TOGETHER ADDRESSING THE REAL ISSUES

Balancing...our public finances

The challenge: Quebec's public finances are in a precarious state. We have Canada's largest public debt. The budget deficit under the Parti Québécois administration is growing and the heavy tax burden borne by taxpayers is a blow to our competitiveness and economic growth. To make sure the middle class can once again look forward to a brighter future, we must build a strong economy and create jobs, managing the reins of government spending with a much firmer hand.

FINANCIAL FRAMEWORK

- A Quebec Liberal Party government will once again make "balanced budgets" a top priority. To this end, we will take immediate steps to jump-start our economy and job creation, rigorously managing government spending.
- Quebec represents 23% of the Canadian population. However, we only produce 20% of Canada's wealth. Plus, our public expenditures represent 27% of Canada's total public spending. We need to boost economic growth and exercise strict control over government spending.

Our plan:

JUMP-START OUR ECONOMY

- Jump-start our economy and create jobs in the short term through the renovation tax credit and reinstate the Quebec Infrastructure Plan tax credits. We need to create a climate of confidence that will encourage companies to boost their investments.
- Our financial framework should boost our economic growth to reach the Canadian average — 4.5% — more in line with our share of Canada's population. In addition to these short-term economic growth initiatives, the revival of Plan Nord+, deployment of the first Maritime Strategy in our history and measures to promote the development of our SMBs, innovation and exports will increase our economy's growth rate.
- Projected budget revenue growth is consistent with the creation of 250,000 jobs over the next five years.

RIGOROUS SPENDING MANAGEMENT

- We will rigorously manage government spending, cutting $1.3 billion over two years at the beginning of our term — following a comprehensive government program review.
- We will establish a standing program review committee and its mandate under the Treasury Board.
- As we announced earlier in the campaign, health care and education system bureaucracy cuts will allow us to reinvest in patient care and student services.
- Spending on health and education — fundamental duties of any state — will increase at an annual rate of 4% and 3.5% respectively. Appropriations from other ministries will be fully frozen for a five-year period. While this financial framework is in place, spending growth will remain below 3%.
- Funding for any new spending initiatives that do not fall into the financial framework must come from program spending cuts. In other words, we will put the "brakes" on public spending.

BUDGET SURPLUS

- We expect to generate a budget surplus by 2015-2016.
- We will allocate 50% of the budget surplus to tax cuts and 50% to public debt reduction through increased payments to the Generations Fund.

ELIMINATION OF HEALTH TAX

- Starting in 2016-2017, we will phase out the health tax over a four-year period. On January 1, 2015, families will also begin to benefit from daycare fee indexation, paying only $7. As a result, they will be spared the rate shock of the Parti Québécois decision to hike fees — first to $8, then $9.
- We will revamp taxation. We will review how individuals and businesses are taxed to better bolster economic growth and reward investment, labour and effort. How? We will establish a commission within weeks of the election.

THE COST OF OUR COMMITTMENTS

- Our financial framework is based on the 2013-2014 financial results in the Government of Quebec's last budget. We adopted the same five-year forecasts for federal transfers, debt service and payments to the Generations Fund.
- We adjusted upward the debt service to reflect the reinstatement of the Plan québécois des infrastructures tax credits. Plus, we restored appropriations for repairing our roads and our institutions — exactly what Quebec's taxpayers want.

TABLE 1 shows the cost of our commitments through budgetary expenditures, fiscal spending or capital.

TABLE 2 presents our sound financial governance over a five-year period, including delivering on our promises.

TABLE 1
COSTS OF COMMITMENTS
($ MILLIONS)

	TOTAL	2014-15	2015-16	2016-17	2017-18	2018-19
BUDGET EXPENDITURES *(impact on expenditures)*						
ECONOMIC SECTOR						
Plan Nord (budgetary expenditures)	301		40	87	87	87
Maritime Strategy (budgetary expenditures)	214		50.0	54.5	54.5	54.5
Forestry (silvicultural work and other)	397	53.0	53.0	97.0	97.0	97
HEALTH/ SOCIAL SERVICES						
Support for family caregivers	25	5	5	5	5	5
Investing in home care	250	50	50	50	50	50
Clearing the network / 1st line	350	83	83	83	50	50
Social pediatrics	60			20	20	20
Municipalité amie des aînés program	15	3	3	3	3	3
Fight against quitting school and educational milieu	130		20	30	40	40
Language learning (school)	2	1	1			
Reducing bureaucracy / Education	-187.5	-22.5	-30.0	-37.5	-45.0	-52.5
Reducing bureaucracy / Health	-1 200	-100	-200	-300	-300	-300
Total of budgetary expenditures	**356**	**72.8**	**75.3**	**92.3**	**61.5**	**54.0**
FISCAL SPENDING *(impact on revenues)*						
ECONOMIC SECTOR						
Preserving SMB Transfer of businesses *(and farms)*	-300			-100	-100	-100
New markets for entrepreneurs	-31	-6.2	-6.2	-6.2	-6.2	-6.2
Maritime Strategy	-174			-58.0	-58.0	-58.0
HEALTH /SOCIAL SERVICES						
Encouraging seniors to remain active	-20	-2	-3	-5	-5	-5
Daycare services	-466	-29	-76	-99	-134	-128
Others	-36	-7	-7	-7	-7	-7
Total of fiscal spending	**-1 027**	**-44.5**	**-92.5**	**-275.5**	**-310.5**	**-304.5**
Home renovation tax credit	**-300**	**-100**	**-200**			
DIVIDENDS FROM IMPROVED EFFICIENCY IN CROWN CORPORATIONS	**1 150**	**200.0**	**200.0**	**200.0**	**250.0**	**300.0**
FIXED ASSETS						
Re-establishment of the PQI (+1 5G$)	**7 500**	**1 500**	**1 500**	**1 500**	**1 500**	**1 500**
Including the Plan Nord	324	65	65	65	65	65
Including the Maritime Strategy	500	100	100	100	100	100
Others	800	50	150	150	150	50
Impact on the debt service	**1 085**			**200**	**365**	**520**

TABLE 2
FINANCIAL FRAMEWORK
($ MILLIONS)

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
REVENUES						
Indepedant source revenues	74 551	74 551	78 083	81 578	84 880	88 206
Measures affecting revenues		-44.5	-92.5	-275.5	-310.5	-304.5
Variation in %		*4.8*	*4.6*	*4.4*	*4.3*	*4.3*
Adjusted independent	74 551	78 083	81 578	84 880	88 206	91 681
Measures affecting revenues		-100	-200			
Increase of crown corporation dividends		200	200	200	250	300
Federal transfers	18 559	18 282	18 826	19 308	19 917	20 668
Total of consolidated revenues	**93 110**	**96 465**	**100 404**	**104 388**	**108 373**	**112 649**
EXPENDITURES						
Expenditures	83 643	83 643	85 430	87 115	89 620	92 196
Deficit reduction measures		-600	-750			
Variation in %		*2.875*	*2.875*	*2.875*	*2.875*	*2.875*
Adjusted expenditures		85 430	87 115	89 620	92 196	94 847
Measures affecting expenditures		72.8	75.3	92.3	61.5	54.0
Adjusted debt service	10 770	10 965	11 338	12 200	12 806	13 471
Total of consolidated expenditures	**94 413**	**96 468**	**98 528**	**101 912**	**105 064**	**108 372**
Provisions for contingencies	125	125	125	250	250	250
Surplus (Deficit)	**-1 428**	**-128**	**1 751**	**2 226**	**3 059**	**4 027**
Payments to the Fonds des générations	1 072	1 296	1 642	1 916	2 510	2 932
Budgetary balance	**-2 500**	**-1 424**	**109**	**310**	**549**	**1 095**