



NATIONAL ASSEMBLY

FIRST SESSION

THIRTY-EIGHTH LEGISLATURE

Bill 85

**An Act to amend the Balanced Budget Act
and other legislative provisions**

Introduction

**Introduced by
Madam Monique Jérôme-Forget
Minister of Finance**

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EXPLANATORY NOTES

This bill amends the Balanced Budget Act and repeals the Act to establish a budgetary surplus reserve fund, in order to create a stabilization reserve that will facilitate the Government's multi-year budget planning.

Under the bill, any actual surplus for a fiscal year is to be credited to the stabilization reserve unless it is used to offset an overrun. In addition, the accumulated surplus within the meaning of the Balanced Budget Act must be adjusted, among other things, to reflect the entries made, as a result of changes in accounting policies, in the accumulated deficit figures appearing in the Government's consolidated financial statements.

The bill provides that the stabilization reserve must be used to maintain a balanced budget. It therefore authorizes the Government to incur a deficit up to the amount of the accumulated surplus. As well, the bill allows the Government to use the stabilization reserve to pay amounts into the Fund. The bill further provides that the accumulated surplus is nil at 1 April 2006 and sets the amount of the stabilization reserve at 31 March 2007.

Finally, the bill contains a number of transitional and consequential amendments.

LEGISLATION AMENDED BY THIS BILL:

- Balanced Budget Act (R.S.Q., chapter E-12.00001);
- Act to reduce the debt and establish the Generations Fund (R.S.Q., chapter R-2.2.0.1).

LEGISLATION REPEALED BY THIS BILL:

- Act to establish a budgetary surplus reserve fund (R.S.Q., chapter R-25.1).

Bill 85

AN ACT TO AMEND THE BALANCED BUDGET ACT AND OTHER LEGISLATIVE PROVISIONS

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

1. Section 2 of the Balanced Budget Act (R.S.Q., chapter E-12.00001) is amended

(1) by inserting the following definition in alphabetical order :

“**deficit**” means the amount by which expenditure exceeds revenue for a fiscal year;”;

(2) by replacing the definition of “budgetary deficit” by the following definition:

“**budgetary deficit**” means the deficit for a fiscal year minus the balance of the stabilization reserve;”;

(3) by replacing the definition of “overrun” by the following definition:

“**overrun**” means a budgetary deficit or, if applicable, any sums lacking for the achievement of the budgetary objectives set out in an offsetting financial plan for a fiscal year;”;

(4) by replacing the definition of “surplus” by the following definition:

“**surplus**” means the amount by which revenue exceeds expenditure for a fiscal year;”;

(5) by striking out the definition of “budgetary surplus”.

2. Section 7 of the Act is amended by replacing “9” by “10”.

3. The Act is amended by inserting the following sections after section 7:

7.1. A stabilization reserve is created to facilitate the Government’s multi-year budget planning.

7.2. The stabilization reserve must be used to maintain a balanced budget.

“7.3. Any surplus for a fiscal year is credited to the stabilization reserve.

The Minister may, at any time, credit an anticipated surplus for a fiscal year to the reserve. However, the balance of the reserve that appears in the public accounts must be determined on the basis of the actual surplus.

This section does not apply to a surplus that must be achieved to offset an overrun in accordance with sections 8 and 11 to 13.

“7.4. The accumulated surplus or deficit, as applicable, determined for the purposes of this Act, corresponds to the net amount of annual surpluses and deficits. It must be adjusted on the basis of

(1) the sums the Government pays into the Generations Fund under section 4.1 of the Act to reduce the debt and establish the Generations Fund (chapter R-2.2.0.1);

(2) the entries made, as a result of accounting changes for a period subsequent to 1 April 2006, in the accumulated deficit figures appearing in the consolidated financial statements of the Government, with the exception of

(a) accounting changes resulting from the 2006-2007 accounting reform and appearing in the public accounts for that fiscal year; and

(b) changes made to the accounting policies of the Government or one of its enterprises to bring them into compliance with any new standard of the Canadian Institute of Chartered Accountants whose changeover date, as recommended by the Institute, is subsequent to 1 April 2006.

Despite subparagraph *b* of subparagraph 2 of the first paragraph, if a change in the accounting policies of the Government or one of its enterprises resulting from a new standard of the Canadian Institute of Chartered Accountants is implemented on a date subsequent to the changeover date recommended by the Institute, the accumulated surplus or deficit must be adjusted to reflect the impact of the change on the financial results for the fiscal years that have elapsed since the recommended changeover date.

“7.5. The balance of the stabilization reserve is adjusted in accordance with section 7.4. It must not be a negative amount.

“7.6. The Minister shall deposit with the Caisse de dépôt et placement du Québec the sums credited to the stabilization reserve for a fiscal year, not later than 31 March of the fiscal year that follows their appearing in the public accounts.

The sums deposited form part of the consolidated revenue fund.

The Caisse de dépôt et placement du Québec shall administer the sums according to the investment policy determined by the Minister.”

4. Section 8 of the Act is replaced by the following section:

“**8.** If the stabilization reserve has been used in its entirety and an overrun of less than \$1,000,000,000 is recorded for a fiscal year, the Government must, during the next fiscal year, achieve a surplus sufficient to offset the overrun.”

5. Section 9 of the Act is replaced by the following section:

“**9.** The Government may incur a deficit for a fiscal year up to the amount of the accumulated surplus.”

6. Section 14 of the Act is amended

- (1) by striking out “Notwithstanding section 9,”;
- (2) by inserting “first and foremost” after “applied”.

7. The Act is amended by inserting the following section after section 14:

“**14.0.1.** The Auditor General may make any comments the Auditor General judges appropriate as to the actual accumulated surplus or deficit, as applicable, adjusted in accordance with section 7.4, in the Auditor General’s report on the Government’s annual financial statements or in any annual or special report submitted to the National Assembly under the Auditor General Act (chapter V-5.01).”

8. Section 15 of the Act is amended by replacing the first paragraph by the following paragraph:

“**15.** The Minister shall report to the National Assembly, in the Budget Speech, on

- (1) the objectives of this Act, their achievement and the variance recorded, if any;
- (2) the operations of the stabilization reserve; and
- (3) the accumulated surplus or deficit, as applicable.”

9. Section 3 of the Act to reduce the debt and establish the Generations Fund (R.S.Q., chapter R-2.2.0.1) is amended by inserting the following subparagraph after subparagraph 5 of the first paragraph:

“(5.1) the sums paid under sections 4 and 4.1;”.

10. The Act is amended by inserting the following section after section 4:

“**4.1.** Subject to section 6 of the Balanced Budget Act (chapter E-12.00001), the Government may, on the conditions it determines and on the recommendation of the Minister, use the stabilization reserve created under that Act to pay sums into the Fund. These sums are taken out of the consolidated revenue fund.”

11. The Act to establish a budgetary surplus reserve fund (R.S.Q., chapter R-25.1) is repealed.

12. The amount of the stabilization reserve created under section 7.1 of the Balanced Budget Act is \$1,409,000,000 at 31 March 2007. It is made up of the sum, at that date, of the accumulated surplus within the meaning of that Act and the balance of the reserve fund established by the Act to establish a budgetary surplus reserve fund, as it read on *(insert the date preceding the date of coming into force of this section)*.

13. The accumulated surplus within the meaning of the Balanced Budget Act is nil at 1 April 2006.

14. This Act has effect from 1 April 2007, except section 3 insofar as it enacts section 7.4 of the Balanced Budget Act and section 13, which have effect from 1 April 2006.

15. This Act comes into force on *(insert the date of assent to this Act)*.

