

THE QUÉBEC  
ECONOMIC PLAN

March 2018

# *Budgetary Process and Documents*

BUDGET 2018-2019

## **Public Financial Accountability**



Budget 2018-2019  
Budgetary Process and Documents: Public Financial Accountability

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## FOREWORD

*The Ministère des Finances, through its contribution to the responsible, rigorous management of public finances, wishes to be recognized as a successful, innovative, outstanding institution that serves society as a whole and Québec's equitable economic development, which is ensuring that current and future generations enjoy a better quality of life.<sup>1</sup>*

In keeping with this key direction, the Ministère des Finances is presenting, in conjunction with the tabling of the 2018-2019 Budget Speech, the document entitled *Budgetary Process and Documents: Public Financial Accountability*. The document provides accountability in respect of Québec's public finances.

- In addition to highlighting the documentation that supports the government's budgetary cycle, the document examines the budget planning process and the establishment by the Ministère des Finances of the financial framework.

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<sup>1</sup> Policy direction in the *Plan stratégique du ministère des Finances 2017-2020*.



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# INTRODUCTION

In Québec, pursuant to the *Act respecting the Ministère des Finances*,<sup>2</sup> the Minister of Finance must prepare and table in the National Assembly for its approval the budget speech. It sets out the government's budgetary policy, which in turn reflects the policy directions from an economic, fiscal, budgetary and financial standpoint that will determine government action in the coming fiscal year.

- Moreover, the *Financial Administration Act*<sup>3</sup> authorizes the Minister to make public any document that he deems relevant to an understanding of public finances, according to the form, content and frequency that he determines.
- The legislative provisions allow the Minister of Finance all of the leeway necessary to produce exhaustive, transparent documentation that satisfies the public's, parliamentarians' and specialists' needs.

To this end, the Ministère des Finances has adopted a proven, efficient forecasting process to elaborate the government's financial framework. This information is then presented in the budget documents.

- The rigorous process spans several months and involves numerous interveners.

Every year, the Québec government publishes an array of information and data that inform Quebecers of the state of public finances. Government accountability regarding each fiscal year hinges on an array of documents published throughout the budgetary cycle.

- Such accountability begins when the Budget Speech is tabled and concludes with the publication of the Public Accounts.

This document presents the process leading to the establishment of the financial framework and the documentation that supports the government's budgetary cycle. It also examines:

- the organization and completeness of the information presented;
- the practices that Québec has adopted concerning processes pertaining to the elaboration of forecasts and the presentation of financial information.

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<sup>2</sup> Section 4.1 of the *Act respecting the Ministère des Finances* (chapter M-24.01).

<sup>3</sup> Section 88 of the *Financial Administration Act* (chapter A-6.001).

The documentation that supports the budgetary cycle seeks to ensure an understanding and the necessary transparency of the state of Québec's public finances. In this respect, Québec's presentation is the most complete among the Canadian provinces and reflects the best practices established by the Organisation for Economic Co-operation and Development (OECD).

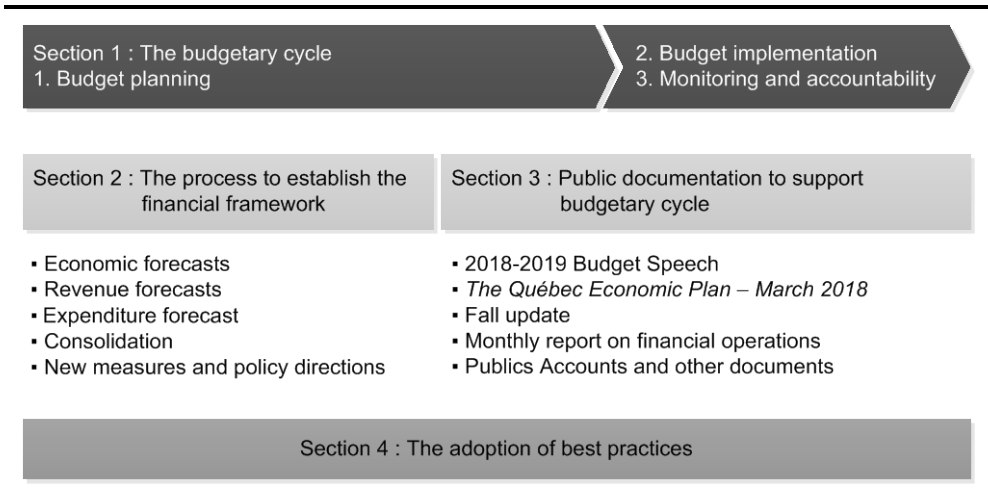
— Furthermore, the presentation of the budgetary information is compatible with information in the Public Accounts, which facilitates, in particular, comparisons of the results with forecasts.

The document is divided into four sections:

- Section 1: The budgetary cycle;
- Section 2: The process to establish the financial framework;
- Section 3: Public documentation to support the budgetary cycle;
- Section 4: The adoption of best practices.

#### ILLUSTRATION 1

#### The sections of the document



# 1. THE BUDGETARY CYCLE

The budgetary cycle for a given fiscal year comprises three phases spanning a period of roughly two years, namely, budget planning, budget implementation and follow-up and accountability.

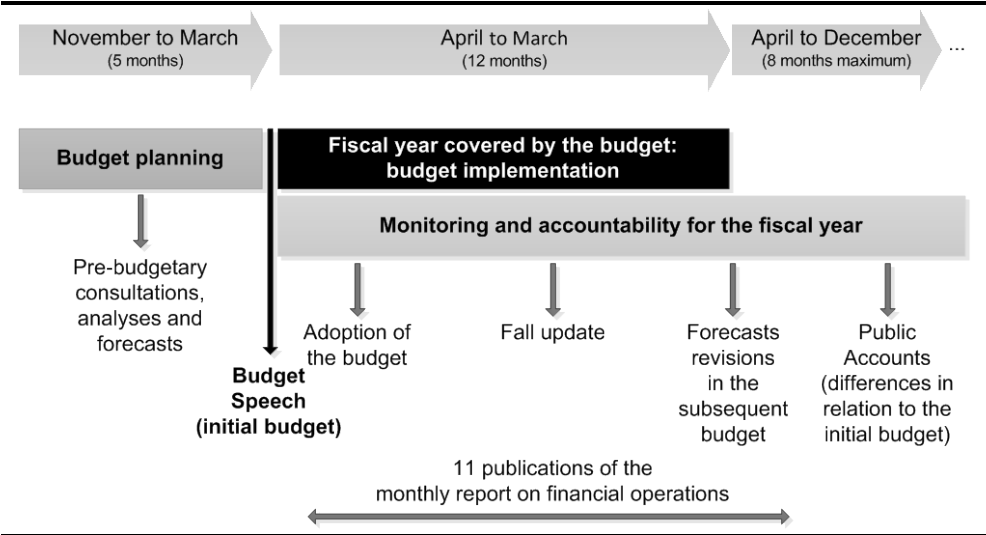
**Budget planning** is organized around all of the consultations, analyses and forecasts leading to the elaboration of the budget.

This phase usually begins in the year preceding the fiscal year that the budget covers and ends when the budget is tabled, then submitted to the National Assembly for approval.

- Pre-budgetary consultations reflect, in particular, citizen involvement and facilitate the enrichment of reflection and support for the government's budgetary priorities.
- The analyses define the requisite actions to:
  - properly fund public services according to Quebecers' ability to pay;
  - promote Québec's economic and social development.
- Forecasting, which includes, in particular, the establishment of economic and budgetary forecasts, facilitates the establishment of the financial framework on which the government will rely to fulfil and control its commitments.

## ILLUSTRATION 2

### Budgetary cycle for a given fiscal year



## The Québec government's budget planning

Through budget planning the government defines its policy directions in a financial framework and the short- and medium-term requisite actions to ensure, in particular, adequate funding of public services according to the ability to pay of the government and Quebecers. It does so in a spirit of respect for the legislation in force, including the *Balanced Budget Act* and the *Act to reduce the debt and establish the Generations Fund*.

- Budget planning is an evolving process. It is, therefore, reviewed regularly and modified to take into account changes that might affect the financial framework.

In Québec, the government's budget planning practices hinge on a multi-year approach that, in particular, allows the government to structure its policies over several years. The approach also facilitates the gradual implementation of measures.

- The government establishes detailed revenue forecasts and spending targets over a five-year period to ensure the short- and medium-term management of public finances.
  - More specifically, this guides decision-making and determines key five-year spending targets according to changes in revenues and debt reduction targets.
- What is more, the presentation of a detailed three-year financial framework allows different entities under the government's control to better plan their activities in light of the financial resources available to them.
  - For example, government departments and bodies have a fairly detailed picture of the resources allocated to them over a three-year period. In the same way, the government has a three-year profile of expenditures by mission.
- In order to mobilize the resources used to fund government programs and facilitate follow-up to the fiscal year covered by the budget, the government resorts to detailed planning of short-term expenditures.
  - Departments and budget-funded bodies have detailed appropriations by program and item. Section 48 of the *Public Administration Act* (CQLR, chapter A-6.01) stipulates that the expenses incurred may not exceed the amount of the appropriations authorized by the National Assembly.

The government's multi-year management hinges on the sound management of medium-term risk. For example, the government evaluates the cost of renewing government programs to ascertain and manage the expenditure overruns that might occur in subsequent years.

The government also conducts long-term projections that focus on a period of more than five years. Such projections allow the government to judge trends in public finances.

**Budget implementation** consists in the implementation of the policy directions and measures that the government has announced. This phase covers the fiscal year to which the budget pertains.

- Revenues are collected and government departments and bodies manage their financial resources in accordance with their spending programs.
- Furthermore, in the months following the adoption of the budget, legislation, regulations and standards are amended, where warranted, to take into account the policy directions announced in the budget speech.

**Monitoring and accountability** include the analyses and publications that enable the government to account for the budgetary situation in relation to the objectives established.

- Depending on the results recorded during the fiscal year, the forecasts can be adjusted in the fall update and in the budget for the subsequent fiscal year.
- This phase overlaps budget implementation and ends with the tabling of the Public Accounts in the National Assembly no later than the December 31 following the fiscal year-end.
- Throughout the year, the government publishes at predetermined dates a monthly report on its financial operations. The report presents the real results and reviews the objectives of the budget.

Budgetary policy for each of the fiscal years and its implementation stem from the combined efforts of several government interveners, mainly the Ministère des Finances, the Secrétariat du Conseil du trésor and government departments and bodies.

## What is a budget?

The annual presentation of the budget must be regarded as one of the government's key actions. It stems from analysis and reflection that enable the government to express its priorities in financial terms.

The budget is primarily a planning and management tool that describes and explains the overall anticipated revenue and expenditure to ensure the government's functioning during the next fiscal year.

- In the case of Québec, it presents the differences between the forecasts and the preliminary results for the fiscal year under way, especially in light of changing economic conditions.
- From the viewpoint of the differences, revenues and expenditures are usually revised and measures are implemented to ensure economic growth and the redistribution of wealth, while maintaining budgetary balance.

What is more, a government communicates its strategic choices and policy directions through the budget.

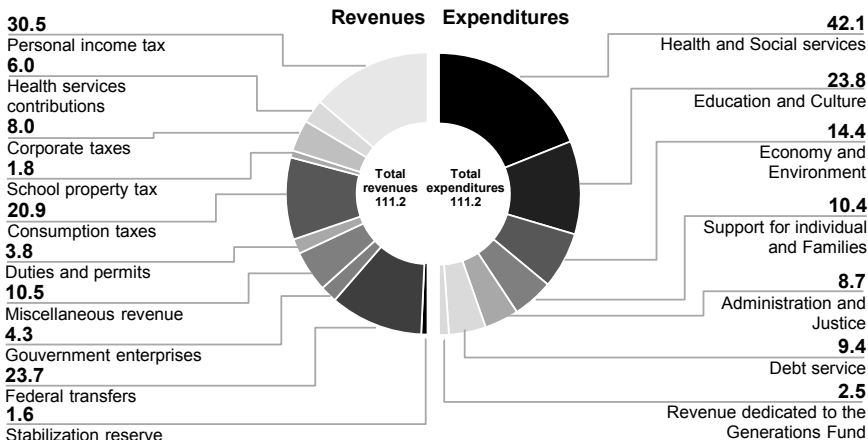
Revenue mainly serves to fund the government's chief missions.

- Hence, the government devotes nearly 65% of its revenue to fund the Health and Social Services and Education and Culture missions.

A contingency reserve is also usually incorporated into the budget. It is an element of prudence, especially to offset certain risks that might affect the financial framework.

Since the tabling of *The Québec Economic Plan – March 2015*, Québec has presented a balanced budget. For 2018-2019, revenue and expenditure stand at \$111.2 billion.<sup>1</sup>

### ***The Québec Economic Plan – March 2018 – 2018-2019*** (billions of dollars)



Note: Since figures are rounded, they may not add up to the total shown.

<sup>1</sup> For illustrative purposes, the use of the stabilization reserve is considered in revenue while payments to the Generations Fund are considered in expenditure.

## 2. THE PROCESS TO ESTABLISH THE FINANCIAL FRAMEWORK

The financial framework stems from analyses and forecasts conducted during the budget planning phase. Such work brings about changes in the financial framework according to the economic and budgetary situation and reflects the government's priorities in financial terms.

It presents revenue and expenditure forecasts and the budgetary balance resulting from such forecasts.

- The budgetary balance within the meaning of *The Balanced Budget Act* corresponds essentially to the surplus or the deficit presented in the Public Accounts (book balance) reduced by the amount of revenue dedicated to the Generations Fund and adjusted to factor in certain accounting changes.
- To evaluate the attainment of budgetary balance, the Act allows for recognition of the stabilization reserve.<sup>4</sup>

TABLE 1

### Consolidated financial framework from 2017-2018 to 2022-2023 (millions of dollars)

	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023
<b>Revenue</b>						
Own-source revenue	84 527	85 923	88 595	91 544	94 616	97 745
Federal transfers	22 669	23 674	24 764	25 296	25 621	26 001
<b>Total revenue</b>	<b>107 196</b>	<b>109 597</b>	<b>113 359</b>	<b>116 840</b>	<b>120 237</b>	<b>123 746</b>
<b>Expenditure</b>						
Mission expenditures	-94 817	-99 313	-102 066	-104 696	-107 294	-110 480
Debt service	-9 237	-9 380	-9 422	-9 532	-9 578	-9 664
<b>Total expenditure</b>	<b>-104 054</b>	<b>-108 693</b>	<b>-111 488</b>	<b>-114 228</b>	<b>-116 872</b>	<b>-120 144</b>
Contingency reserve	—	—	-100	-100	-100	-100
<b>SURPLUS</b>	<b>3 142</b>	<b>904</b>	<b>1 771</b>	<b>2 512</b>	<b>3 265</b>	<b>3 502</b>
<b>BALANCED BUDGET ACT</b>						
Deposits of dedicated revenues in the Generations Fund	-2 292	-2 491	-2 707	-2 991	-3 265	-3 502
Use of the stabilization reserve	—	1 587	936	479	—	—
<b>BUDGETARY BALANCE<sup>(1)</sup></b>	<b>850</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

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

<sup>4</sup> To obtain additional information, please consult the "Report on the applications of the legislation respecting a balanced budget and the Generations Fund" presented in Section D, Additional Information 2018-2019.

The government usually updates its financial framework twice a year, when it prepares the Budget Speech and during the fall update. The process of establishing the financial framework is highly elaborate and demands the participation and expertise of several interveners:

- forecasts are linked to hypotheses concerning future elements and are conducted on the basis of accurate, effective, detailed models;
- the forecasts cover a vast number of sources of revenue and a broad range of spending programs;
  - The Ministère des Finances must balance a revenue and expenditure budget that exceeds \$110 billion.
- the Ministère des Finances and various entities in the government's reporting entity produce the forecasts;
  - To successfully carry out this far-reaching exercise, the Ministère des Finances coordinates all of the work according to a structured, well-established procedure.
- the forecasts are produced over a period of several months;
- control and validation mechanisms are implemented to ensure the robustness of the forecasts and the coherence of the financial framework.

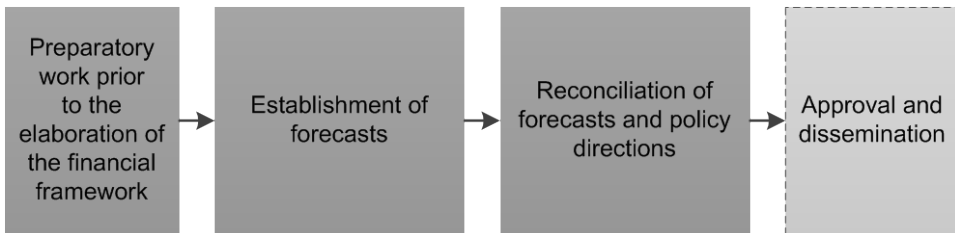
The financial framework elaboration process comprises three main steps:

- preparatory work to precede the elaboration of the financial framework;
- the establishment of the forecasts;
- the reconciliation of forecasts and policy directions.

The following sections examine in greater detail the processes that underpin each of these steps.

ILLUSTRATION 3

**Financial framework elaboration process**





## 2.1 Preparatory work

At the outset of the budgetary process, the Ministère des Finances engages in preparatory work prior to elaborating the financial framework. This stage includes, in particular:

- the establishment of a time frame for updating the financial framework and the preparation of budget documents, in collaboration with the Secretariat of the Conseil du trésor;
- the organization of consultations during which the Minister of Finance seeks the public's participation and meets with his colleagues and representatives of groups or organizations, such as representatives of the business community and the labour unions, in order to enrich the government's reflection on the policy directions and budgetary priorities to be adopted;

### Pre-budgetary consultations

The government collects comments from groups and individuals during pre-budgetary consultations in conjunction with the elaboration of *The Québec Economic Plan*. Such consultations are numerous and are conducted through:

- private consultations during which the Minister of Finance requests individual meetings with the representatives of groups and organizations to discuss possible policy directions that the government should contemplate to pursue its action;
- online consultations that enable the public to express itself by means of a survey on the key challenges that affect Québec's economic situation.

The following table indicates the average annual number of private and online consultations held over the past three years, that is, since the publication of *The Québec Economic Plan – March 2016*.

#### Average annual number of consultations

##### Average annual number of consultations since the publication of *The Québec Economic Plan – March 2016*

#### Private consultations

- |                    |     |
|--------------------|-----|
| – Groups consulted | 65  |
| – Briefs received  | 100 |

#### Online consultations

- |                    |                 |
|--------------------|-----------------|
| – Website visits   | More than 6 000 |
| – Survey responses | Nearly 3 000    |

Lastly, other means are used to organize pre-budgetary consultations, such as public meetings of the Minister of Finance in universities transmitted directly on Facebook or meetings organized by the parliamentary assistant with individuals in Québec's regions.

- the transmission by the Ministère des Finances and the Secretariat of the Conseil du trésor of clear instructions, and economic and budgetary parameters to government departments, bodies and enterprises to enable them to establish their multi-year budgetary forecasts.
- The preparation of the consolidated financial framework requires the collaboration of nearly 350 entities that are part of the government's reporting entity.
- All of the entities take into consideration the same information so that the process is rigorous and coherent.

Preparatory work includes, in particular, certain facets of budgetary monitoring and analysis.

- The government establishes an initial assessment of the budgetary situation by taking into account periodic monitoring of its revenue and expenditure.

## 2.2 The establishment of the forecasts

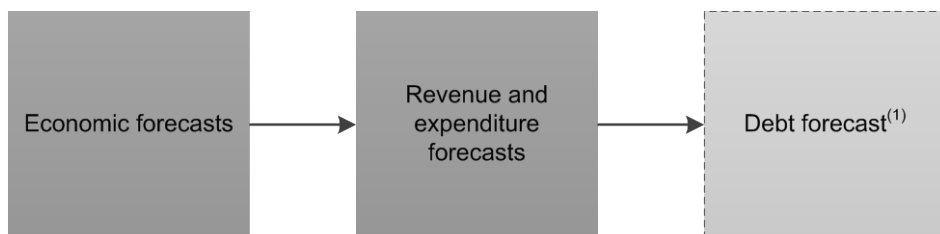
At the outset of the financial framework elaboration process, considerable effort is devoted to the production of economic, revenue, expenditure and debt forecasts. The forecasts are produced according to a coherent chronological order. Indeed:

- economic forecasts, which indicate, in particular, the anticipated development of the Québec economy, the economies of Québec's trading partners and financial markets, serve as inputs for revenue and expenditure forecasts;
- revenue and expenditure forecasts facilitate, in particular, the debt forecast.
  - They also allow for the establishment of the budgetary situation that will underpin the implementation of new initiatives, as the case may be, and to determine the shortfall in expenditure to ensure adequate funding of public services.

### ILLUSTRATION 4

#### The process to establish forecasts

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(1) The debt forecasting process is not presented in this document.

Forecasts are produced in several stages, usually:

- the collection and analysis of the information necessary for the forecasts based on reliable data sources;
- the use of models that lead to the establishment of the forecasts;
- the integration of measures and other policy directions, as the case may be;
- the control and the authorization of the forecasts so that they can be incorporated into the financial framework.

Once the forecasts have been completed and authorized, they are presented and explained in different budget documents.

### 2.2.1 Economic forecasts

Economic forecasts are produced upstream from the financial framework elaboration process. For example:

- changes in economic variables for Québec establish a link between the tax bases of the main sources of the government's own-source revenue in order to explain changes in them and revisions;
- changes in variables linked to financial markets enable the Québec government to optimize its debt management strategy;
- by having a perspective of anticipated changes in the Québec and world economies, the government can implement the appropriate policy directions and economic policies.

#### Forecast phases

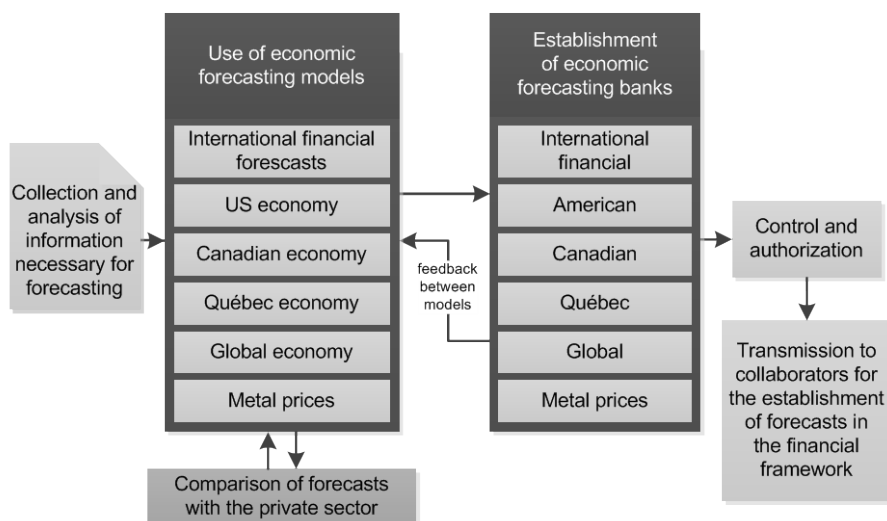
To begin with, economic forecasting requires the collection and analysis of information from several sources. This stage includes, in particular, monitoring of economic conditions, the collection and analysis of the most recent official statistics and the analysis of the economic and budgetary factors that affect the forecast.

- Official historical statistics come from various sources such as Statistics Canada, the Institut de la statistique du Québec, the Bank of Canada and international statistical agencies and firms.
- This phase also includes an analysis of changes in certain economic and budgetary factors such as changes in Québec's fiscal and budgetary policy and the budgets of the federal and provincial governments.
- The entire array of information collected allows for the establishment of hypotheses that underpin the elaboration of the general framework of economic forecasts and the evaluation of risk.
- Bearing in mind the numerous inputs, forecasting models are updated, including, in particular, the re-estimating of econometric equations.

Economic forecasting models are subsequently repeatedly simulated to obtain coherent forecasting scenarios.

- The Ministère des Finances mainly uses six models to establish economic forecasts, which, all told, include roughly 2 600 econometric equations that incorporate approximately 3 000 variables.

## The economic forecasting process



- Each of the economic forecasting models generates data that can be used in another model. Successive recourse to several models makes it necessary to maintain coherence between each of the forecasts.
- By way of an example, the gross domestic product of the United States generated by the US economic forecasting model is used in the Canadian and Québec models.
- The results are then analyzed. In light of such analyses, certain parameters and hypotheses are reassessed in order to obtain coherent, reliable forecasts.
- To countervail the hypotheses, the forecasts that the Ministère des Finances produces are compared with private sector forecasts. This process allows for an evaluation of the accuracy, conformity and risk inherent in the scenarios proposed.

The final economic forecasts are submitted and approved by officials in the Ministère des Finances before being sent to the collaborators so that they are able, in particular, to produce their revenue or expenditure forecasts.

- The forecasts are recorded in data banks to enable other collaborators of the Ministère des Finances to use them.
- Certain parameters are transmitted to external government collaborators, for example, the unemployment rate, the consumer price index and interest rates.

## **Economic forecasting models of the Ministère des Finances**

The Ministère des Finances mainly uses six models to establish economic forecasts.

### **International financial forecasting**

The international financial forecasting model is used to forecast more than 100 variables, in particular government debt obligations, the exchange rates of the major currencies, interest rates and the prices of the major energy commodities. The forecasts are used as inputs in the US, Canadian and Québec economic forecasting models and in debt forecasts.

### **US economic forecasting**

The US economic forecasting model relies on international financial forecasting. The model predicts a broad array of economic variables (roughly 1 760 equations and more than 2 000 variables) and includes, in particular, components of American GDP and the consumer price index. The United States is Canada's and Québec's largest trading partner. Several US economic forecasting variables are thus used as inputs in Canadian and Québec economic forecasting, especially for variables pertaining to the external sector.

### **Canadian economic forecasting**

The Canadian economic forecasting model relies on US and international financial forecasting. The model comprises roughly 300 equations and nearly 450 variables, including components of the GDP, employment, population and consumer price indices. Canadian forecasts sustain the Québec economic forecasting model and are used to estimate numerous variables, especially interprovincial trade. The Canadian economic forecasting bank is also used to forecast federal transfers.

### **Québec economic forecasting**

The Québec economic forecasting model relies on US, Canadian and international financial forecasting. As with Canadian economic forecasting, Québec economic forecasting encompasses hundreds of equations and economic variables. Québec economic forecasting is used, in particular, as inputs in respect of own-source revenue forecasts.

### **World economic outlook**

The global economic forecasting model aggregates the forecasts elaborated for 16 countries and 25 other aggregates, especially the Euro zone and Asia. The US and Canadian economic forecasts that the Ministère des Finances produces are incorporated into it. The world economic outlook offers an overall view of the global economy and focuses on major macroeconomic phenomena that might possibly affect the Québec economy.

### **Metal prices forecasting**

The metal prices forecasting model takes into account general metal price trends bearing in mind the world economic outlook and US dollar forecast. The forecasts are used, in particular, within the forecasts of the revenue that the government collects in the form of mining tax. They are also used to forecast the prices of Québec exports.

## 2.2.2 Revenue forecasts

The government's revenues comprise own-source revenue and revenue from federal transfers, used to fund the government's missions. They are also used to fund specific programs and to reduce the debt.

### 2.2.2.1 Own-source revenue

Own-source revenue is revenue that the government collects directly or indirectly from taxpayers, especially through taxes. Such revenue falls into two categories:

- tax revenues, which include personal income tax, health services contributions, corporate taxes, school property tax and consumption taxes;<sup>5</sup>
- revenues from other sources, which include duties and permits, miscellaneous revenue<sup>6</sup> and revenue from government enterprises.

In 2018-2019, own-source revenue stands at \$85.9 billion, of which nearly \$67.3 billion is tax revenues and more than \$4.3 billion comes from government enterprises.

TABLE 2

#### **Own-source revenue – *The Québec Economic Plan – March 2018*** (millions of dollars)

	2018-2019
<b>Tax revenues</b>	
Personal income tax	30 549
Contributions for health services	6 028
Corporate taxes	8 028
School property tax	1 817
Consumption taxes	20 921
<b>Subtotal</b>	<b>67 343</b>
Duties and permits	3 797
Miscellaneous revenue	10 451
Revenue from government enterprises	4 332
<b>TOTAL</b>	<b>85 923</b>

<sup>5</sup> Consumption taxes include the Québec sales tax, the tax on insurance premiums and the specific taxes on fuel, tobacco products and alcoholic beverages.

<sup>6</sup> Miscellaneous revenue includes, in particular, revenue from the sale of goods and services, interest and fines and forfeitures.

# Forecast phases

Forecasts are established according to a clearly defined, proven process. They result from concerted action by several interveners, the Ministère des Finances, government departments and bodies and government enterprises.

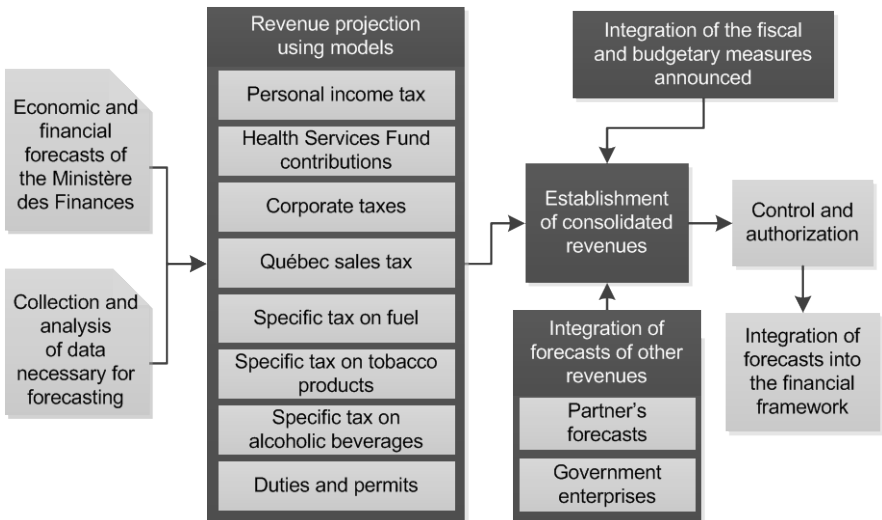
Revenue from each source is determined separately based on each source's specific methods and models. The forecasts take into account accounting principles and existing tax legislation, including the fiscal amendments announced by the government.

The information necessary for the forecasts is first compiled and analyzed. This stage occurs on an ongoing basis throughout the year and consists in collecting, by way of an example, actual data on changes in revenue and its sub-components and a number of statistical or fiscal data.

- Such information is drawn for the most part from reports produced throughout the year by Revenu Québec and the Comptroller of Finance. It facilitates follow-up to different components of revenue, in particular receipts and the repayment of amounts due.
  - Québec administers its own taxation system, which gives it access to numerous detailed fiscal and accounting data.
  - The Ministère des Finances can thus conduct more detailed analyses of changes in sources of revenue and their sub-components and thereby minimize risks linked to the forecast.
  - The information compiled also comes from the Institut de la statistique du Québec, Statistics Canada, partners and government enterprises.

ILLUSTRATION 6

## The own-source revenue forecasting process





Several variables of the Québec economic forecasts of the Ministère des Finances are also used as inputs in forecasting models. They are used to advance the tax bases and, accordingly, establish revenue according to the outlook for the Québec economy.

Various types of models are used according to the source of revenue (econometric or other) so as to make the connection between the most recent actual data and the economic factors that affect revenue trends.

- The models facilitate the production of a detailed forecast of revenue by sub-component in order to grasp the behaviour of economic agents and, accordingly, ensure better follow-up during the year.
- The models are subject to a continuous improvement process to ensure the forecast’s reliability.

Own-source revenue is established by also integrating forecasts obtained from partners, that is, government departments, bodies and enterprises.

- Forecast of revenue from government enterprises is determined according to information that the latter submit, namely their earnings forecasts and the information on which the forecasts are based.
  - The Ministère des Finances then analyzes the data. In some instances, the government enterprises are asked to clarify or adjust the forecasts to take into account certain strategic choices of the government.

Main variables used in own-source revenue forecasting models	
The following table presents the main variables in Québec’s economic forecast used in own-source revenue forecasting models.	
Main economic variables used	
Sources of revenue	Economic variables used
– Personal income tax	– Wages and salaries
	– Employment insurance
	– Pension income
– Contributions for health services	– Wages and salaries
– Corporate taxes	– Net operating surplus of corporations
– Québec sales tax	– Household consumption
	– Residential investment

Control and validation exercises are conducted during the process to ensure the accuracy and relevance of the hypotheses chosen.

— For example, an analysis of forecast differences and changes is carried out for each source of revenue in order to judge forecasting performance.

Once the own-source revenue forecasts have been established, they are used to provide an initial overview of the budgetary situation.

The new fiscal and budgetary measures that affect revenue are then evaluated and integrated into the forecasts in order to obtain a complete picture of revenue anticipated over the financial framework's time horizon.

The final own-source revenue forecasts for inclusion in the financial framework are presented to and approved by officials in the Ministère des Finances.

### 2.2.2.2 Federal transfers

Federal transfer revenues corresponds to revenue from the federal government paid to Québec pursuant to the *Federal-Provincial Fiscal Arrangements Act*, to which is added revenue from other programs.

— The revenue forecast from the Canada Health Transfer, the Canada Social Transfer and equalization is determined with a model that accurately reproduces the parameters defined by the Act.

In 2018-2019, federal transfer revenues totals \$23.7 billion, of which \$11.7 billion comes from equalization.

TABLE 3

**Federal transfer revenues – *The Québec Economic Plan – March 2018***  
(millions of dollars)

	2018-2019
Equalization	11 732
Health transfers	6 431
Transfers for post-secondary education and other social programs	1 659
Other programs	3 852
<b>TOTAL</b>	<b>23 674</b>

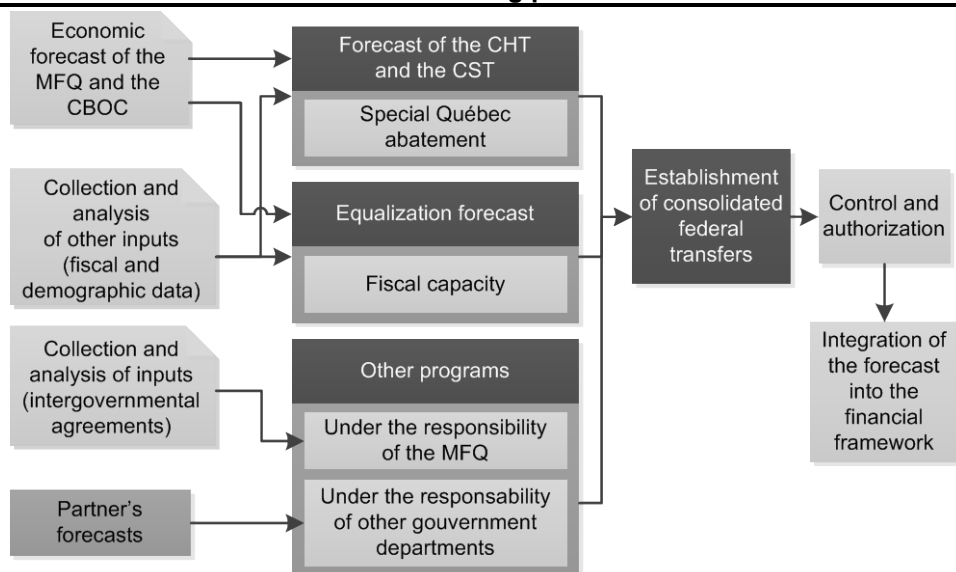
## ❑ Forecast phases

Federal transfer revenues forecasting requires the compilation and analysis of extensive data from several sources. The varied data sources ensure the accuracy of the federal transfer revenues forecast, which hinges, in particular, on:

- economic data from the Conference Board of Canada<sup>7</sup> and the Ministère des Finances du Québec;
- demographic data from Statistics Canada and the Conference Board of Canada;
- taxation data from the Canada Revenue Agency and the Department of Finance Canada.

ILLUSTRATION 7

### The federal transfer revenues forecasting process



MFQ: Ministère des Finances du Québec; CBOC: Conference Board of Canada; CHT: Canada Health Transfer; CST: Canada Social Transfer.

<sup>7</sup> Economic forecasts for the other provinces come from the Conference Board of Canada and are used in the equalization revenue forecast.

## ■ The Canada Health Transfer and the Canada Social Transfer

Health transfers comprise revenue from the Canada Health Transfer and the attendant targeted funds determined by the federal government in its 2017 budget. Transfers for post-secondary education and other social programs are determined according to revenue from the Canada Social Transfer.

- The budget allowance of the Canada Health Transfer increases at the same pace as Canada's nominal GDP while the Canada Social Transfer increases by 3%.
- The budget allowances are broken down per capita.

Québec's revenue from the Canada Health Transfer and the Canada Social Transfer are then deducted from the value of the special Québec abatement, which hinges on an estimate of basic federal tax, which:

- is established by means of a model that reproduces the federal income tax return. The model relies on a sampling of detailed taxation data from Québec taxpayers transmitted by the Canada Revenue Agency;
- also takes into account other inputs such as the impact of the tax measures announced by the federal government.

## ■ Equalization

The equalization program is intended to make up the differences in the fiscal capacity of the provinces in relation to the average for the ten provinces, thereby enabling the equalization-receiving provinces to offer public services at a more or less comparable level.

- Since 2009-2010, the equalization envelope has no longer corresponded to the differences in fiscal capacity since it has grown at the same pace as Canada's nominal GDP.

The calculation of equalization payments is based on the per capita fiscal capacity of a province, which is defined as the revenue that it would obtain if it applied to its own tax bases the average tax rates in force in the 10 provinces.

- To establish Québec's payments, it is necessary to consider the fiscal capacity of each of the provinces.
- The estimate of Québec's fiscal capacity is obtained by means of several economic data such as net operating surpluses and other inputs such as revenue derived from natural resources and the specific tax on tobacco products.

■ **Other programs**

Revenues from the other programs stem, by and large, from agreements with the federal government that target different objectives, for example, the integration of immigrants, labour market agreements and infrastructure agreements.

— The forecasts hinge, in particular, on inputs drawn from different federal government departments and bodies.

Main variables used in federal transfer revenue forecasting models	
The following table presents the main variables found in Québec's economic forecast that are used in federal transfer revenues forecasting models.	
Main economic variables used	
Revenue	Variables
– Equalization	– Canada's nominal GDP
	– Basic federal tax
	– Corporate taxable income
	– Revenue from natural resources
	– Population of the provinces
– Health transfers	– Basic federal tax
	– Population of the provinces
	– Canada's nominal GDP
– Transfers for post-secondary education and other social programs	– Basic federal tax
	– Population of the provinces

■ **Final federal transfer revenue forecast**

Control and validation exercises are conducted during the process to ensure the accuracy and relevance of the hypotheses chosen, especially the economic assumptions.

Lastly, all of the federal transfer revenue forecasts are pooled. They are presented to and approved by officials in the Ministère des Finances.

### 2.2.3 Expenditure forecasts

Government expenditure stands at \$108.7 billion in 2018-2019 and comprises mission expenditures and debt service.

#### 2.2.3.1 Mission expenditures

Mission expenditures<sup>8</sup> represent the resources allocated to the delivery of public services. They total nearly \$99.3 billion in 2018-2019 and include:

- the program spending of government departments, which is funded mainly through taxes;
- other mission expenditures, namely expenditures carried out by the special funds, non-budget-funded bodies, organizations in the health and social services and the education networks, and tax-funded expenditures.<sup>9</sup> Such expenditures are funded through:
  - transfers from the program spending of government departments;
  - own-source revenue specific to such entities.

TABLE 4

**Mission expenditures – *The Québec Economic Plan – March 2018***  
(millions of dollars)

	2018-2019
Program spending of government departments	76 869
Other mission expenditures	84 871
Consolidation adjustments <sup>(1)</sup>	–62 427
<b>TOTAL</b>	<b>99 313</b>

(1) See page 32 for additional information on consolidation rules.

<sup>8</sup> Such expenditures are grouped together in five missions: Health and Social Services, Education and Culture, Economy and Environment, Support for Individuals and Families, and Administration and Justice.

<sup>9</sup> Tax-funded expenditures comprise refundable tax credits and expenditures for doubtful accounts linked to tax revenues.

## ❑ Forecast phases

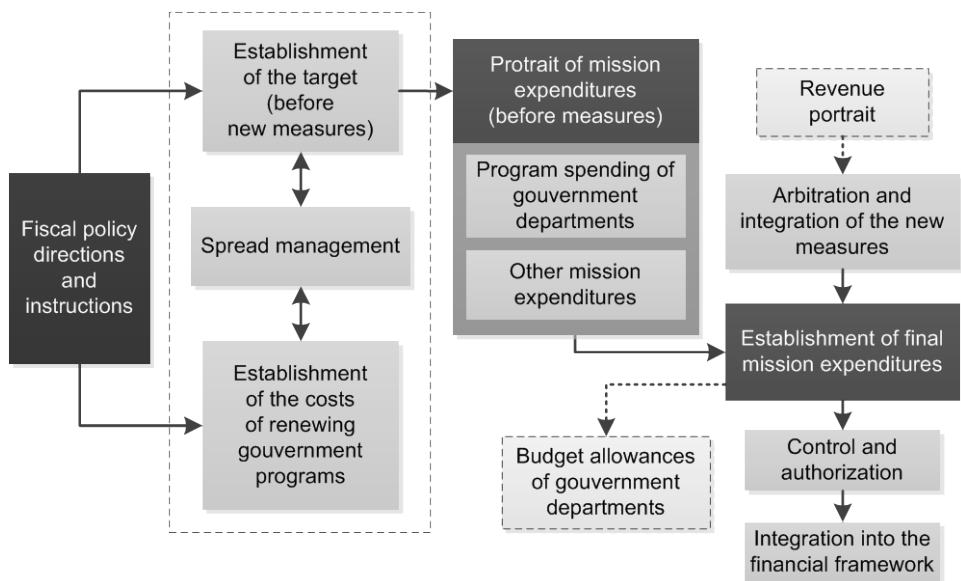
The Ministère des Finances establishes the mission expenditures by means of a formal process in close collaboration with the Secretariat of the Conseil du trésor and the entire array of government departments and bodies.

The process of establishing mission expenditures essentially occurs in five stages:

- the transmission of instructions to government departments and bodies and other entities in the reporting entity;
- the establishment of the multi-year spending target before the new measures;
- an estimate of the cost of renewing the programs of government departments and other mission expenditures;
- a perspective of the multi-year target established and the cost of renewing government programs in order to manage existing shortfalls, where applicable;
- the establishment of the final mission expenditures.

ILLUSTRATION 8

### The process of establishing mission expenditures



## ■ The transmission of instructions

At the outset of the process, the Ministère des Finances and the Secretariat of the Conseil du trésor transmit clear, detailed instructions and economic and budgetary parameters to government departments and bodies to guide them in their budget forecasting.

- The instructions include, for example, the time frame for the production of the forecasts, guidelines to be considered in the establishment of the forecasts, and economic indicators.
- The use of the same hypotheses is essential to ensure, in particular, coherence when the cost of renewing government programs is evaluated.

## ■ The establishment of the multi-year spending target before the new measures

The Ministère des Finances subsequently establishes the multi-year spending target for the time frame of the financial framework.

The target is essentially established according to the government's budgetary guidelines and its ability to pay, which hinges, in particular, on renewal costs, revenue trends and an analysis of and follow-up to during the year of the government's revenue and expenditure.

### **Roles of the Ministère des Finances and the Secretariat of the Conseil du trésor**

The Ministère des Finances and the Secretariat of the Conseil du trésor play a key role in the process leading to the establishment of expenditure forecasts, which requires close collaboration throughout the year.

In particular, according to the *Act respecting the Ministère des Finances* (CQLR, chapter M-24.01, subsection 4(2)) it is the responsibility of the Minister of Finance "to establish and propose to the Government the overall expenditure level."

- The multi-year expenditure target is established over the financial framework's time horizon. It is determined according to the government's budgetary guidelines and reflects its priorities.

On the other hand, the *Public Administration Act* (CQLR, chapter A-6.01, subsection 77(1)) stipulates that it is the responsibility of the Chair of the Conseil du trésor "to perform the analyses required for the preparation of the estimates and ensure, together with the Minister of Finance, that the estimates are consistent with the Government's budget policy."

- The Secretariat of the Conseil du trésor is responsible for the elaboration of the annual Expenditure Budget for each government department. During the course of its work, it must ensure compliance with the overall spending target established.

The Ministère des Finances and the Secretariat of the Conseil du trésor are also responsible for monitoring the expenses incurred by government departments and bodies throughout the year and formulating recommendations to government authorities when the departments do not adhere to their targets.



## ■ Cost estimates respecting the renewal of government programs

At the same time, the Secretariat of the Conseil du trésor, in collaboration with government departments and bodies, estimates the cost of renewing the government departments' program and other mission expenditures.

The cost of renewing government programs represents an exhaustive assessment of the costs associated with the renewal of service delivery and existing programs.

- Given the sensitivity of expenditures to certain economic, demographic and wage-related parameters, the calculation of the cost of renewal considers, in particular, factors such as the indexation of the price of goods and services and variations in the clientele.
- It also takes into account the impact of government decisions pertaining, for example, to the cost of collective agreements or the implementation costs of new measures.

TABLE 5

### **Factors that affect the cost of renewing government programs and the multi-year spending target**

<b>Cost of renewing government programs</b>	<b>Multi-year spending target</b>
<ul style="list-style-type: none"><li>– Change in clientele</li><li>– Price fluctuation</li><li>– Enhancement of public services</li><li>– New measures</li></ul>	<ul style="list-style-type: none"><li>– Financing capacity that depends, in particular, on revenue trends</li><li>– Fiscal and budgetary policies</li><li>– Budgetary guidelines</li><li>– Monitoring during the year of revenue and expenditure</li></ul>

## ■ The management of discrepancies between the multi-year target and the cost of renewing government programs

The multi-year spending target is then put into perspective with the cost of renewing government programs in order to manage existing discrepancies, where applicable.

When the multi-year spending target falls below the cost of renewing government programs, priorities must be established and choices involving measures to control or reallocate spending or raise the spending target could be carried out to reduce or, indeed, eliminate the shortfall to be offset.

- Government departments and bodies are responsible for pinpointing the measures that should be implemented to ensure the attainment of their spending targets, coordinated by the Secretariat of the Conseil du trésor.

In cases where the cost of renewing government programs falls below the multi-year spending target, a fiscal space is available to implement new initiatives or reduce the expenditure target.

TABLE 6

**Discrepancies between the cost of renewing government programs and the multi-year spending target**

Renewal costs	>	Overall spending target	➡	Saving measures to be identified or an increase in spending
Renewal costs	<	Overall spending target	➡	Fiscal space for new initiatives, reallocation or a reduction in the spending target

To ensure full funding for existing public services, the existing shortfall between the cost of renewing government programs and the spending target must be eliminated for the fiscal year covered by the budget.

- For subsequent fiscal years, discrepancies can remain. This affords the government the necessary time during the year to manage the discrepancies and pinpoint measures aimed at absorbing them.
- Accordingly, when the cost of renewing government programs is next updated, the existing discrepancies for the year that the budget covers will, in turn, be eliminated.

Based on the financial framework of *The Québec Economic Plan – March 2018*, the shortfall between the cost of renewing government programs and the spending targets stands at \$868 million in 2019-2020 and \$739 million in 2020-2021.

TABLE 7

**Shortfall to be offset in mission expenditures – *The Québec Economic Plan – March 2018***  
(millions of dollars)

	2018-2019	2019-2020	2020-2021
Cost of renewing government programs	99 313	102 934	105 435
Mission expenditure objectives	99 313	102 066	104 696
<b>SHORTFALL TO BE OFFSET</b>	<b>—</b>	<b>868</b>	<b>739</b>

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

■ **The establishment of the mission expenditures**

Once the management of the discrepancies has been completed, the multi-year spending target is reconciled with the revenue forecast to provide an overview of the budgetary situation.

The new fiscal and budgetary measures that affect expenditure are then integrated into the forecasts in order to obtain a complete picture of expenditure anticipated over the financial framework’s time horizon.

The final mission expenditure forecasts for inclusion in the financial framework are presented to and approved by officials in the Ministère des Finances.

Budget allowances
Once the Secretariat of the Conseil du trésor has completed the review of the cost of renewing government programs, the budget allowances, including new budget initiatives, are sent to the government departments.
For the sake of transparency and sound management, the Expenditure Budget prepared by the Secretariat of the Conseil du trésor presents the detailed budget allowance of each government department and budget-funded body for the fiscal year covered by the budget. Expenditures are grouped together by program for each portfolio.
The government departments produce an annual expenditure management plan and a financial framework that facilitate detailed planning of the use of their budget allowances.

**2.2.3.2 Debt service**

Debt service corresponds to the amount of interest to be paid on government debt. It depends both on the size of the debt and on interest rates on financial markets. Each year, the government must devote a portion of its revenue to interest payments.

— In 2018-2019, debt service stands at nearly \$9.4 billion, equivalent to 8.6% of all government revenue.

TABLE 8

**Debt service – *The Québec Economic Plan – March 2018***  
(millions of dollars)

	2018-2019
Direct debt service	7 991
Interest on retirement plans liability and employee future benefits	1 389
<b>TOTAL</b>	<b>9 380</b>

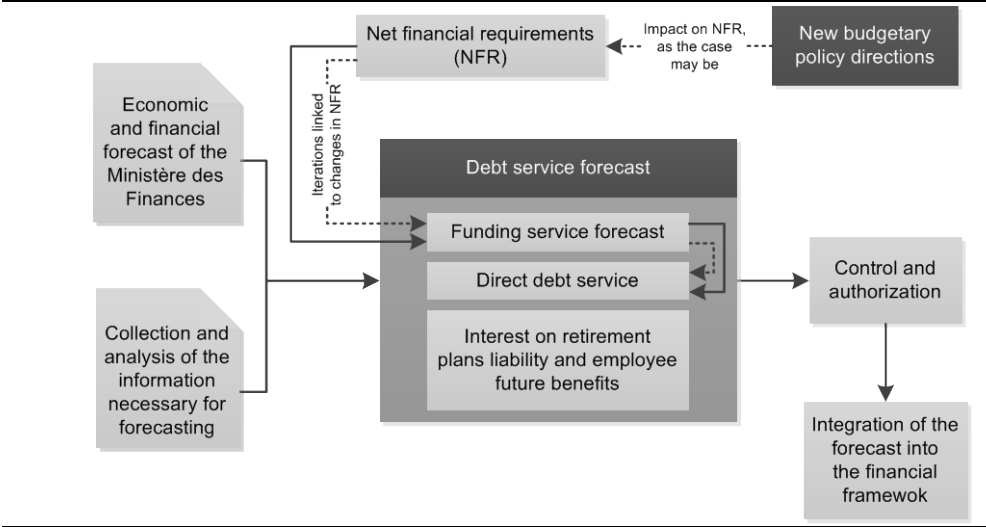
The Ministère des Finances has adopted a rigorous debt service forecasting process, in particular through the implementation of efficient control and validation systems and tools. For example, forecasting differences are closely examined and the different models are constantly updated to improve forecasting performance.

Debt service forecasting incorporates the financial markets development scenario of the Ministère des Finances and the government's future borrowing needs, which stem mainly from capital investments and the government's investments, loans and advances.

The following subsections present the forecasting processes for components of debt service, namely, direct debt service and interest on retirement plans liability and employee future benefits.<sup>10</sup>

ILLUSTRATION 9

**The debt service forecasting process**



<sup>10</sup> Accumulated sick leave and the Survivor's Pension Plan.

## ❑ Direct debt service

Direct debt service corresponds to the interest that the government must pay on the debt.

The forecast of direct debt service is obtained by means of a model that takes into account the entire array of financial instruments that makes up the debt. The specific characteristics of each instrument are considered, for example, face value, coupon rate, selling price used to calculate the amortization of premiums and discounts, currency and maturity date. This detailed approach, combined with efficient control and validation tools, enables the Ministère des Finances to produce a highly accurate forecast of debt service.

The interest payable on existing fixed interest borrowings is known.

The Ministère des Finances' interest rate forecast is used to anticipate the interest expense on existing variable rate borrowings and future borrowings. The Ministère des Finances' exchange rate and inflation forecasts<sup>11</sup> are also used for debt service forecasting.

Future loans come mainly from:

- the repayment of maturing borrowings that must be refinanced;
- the government's net financial requirements, which stem in particular from capital investments;
- deposits to the Retirement Plans Sinking Fund (RPSF), which the Caisse de dépôt et placement du Québec manages.

The forecast uses as its starting point the most recent actual results and integrates all of the government's decisions that have an impact on net financial requirements, for example, new capital investments or an investment in a government enterprise, or on the government's financial requirements in the broadest sense, such as a new deposit to the FPSF.

Debt service forecasting also takes into account the desired structure of the debt by currency and type of interest rate (fixed or variable) and the average maturity date of the debt.

- Accordingly, debt service forecasting integrates the government's debt management strategy, which seeks to minimize the cost of the debt while limiting the risk tied to fluctuations in exchange rates and interest rates.

Lastly, direct debt service forecasting takes into account revenue from the Sinking Fund for government borrowings. Such revenue is deducted from the interest expense.

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<sup>11</sup> The inflation forecast is used to forecast the indexation expense in respect of real return bonds.

## The government's net financial surplus or requirements

The net financial surplus or requirements represent the difference between the government's inflows and disbursements. More specifically, it is the level of cash resources that the government will need during a given year after carrying out all of the anticipated operations.

The net financial requirements group together the financial impact of all entities in the government's reporting entity, whether budgetary transactions (income statement) or non-budgetary transactions (statement of financial position).

They are elaborated over a five-year period and represent one factor that allows the government to establish the level of its gross debt.

The government's consolidated net financial requirements mainly comprise:

- the government's budgetary transactions, which encompass revenue and expenditure (the government's financial framework);
- non-budgetary transactions, namely changes in the government's balance sheet items, which are divided into four main aggregates:
  - loans, investments, advances and others (mainly the government's participation in its enterprises);
  - capital investments (mainly needs stemming from the *Québec Infrastructure Plan*);
  - retirement plans;
  - other accounts (all other balance sheet items excluding cash on hand, debt and the Generations Fund).

The main objective related to the establishment of the net financial requirements is to sustain as accurately as possible the decisions of the Ministère des Finances respecting changes to be made in the government's borrowings.

The impact of the net financial requirements on gross debt varies along the same lines: an increase in net financial requirements increases Québec's gross debt while, conversely, a reduction in the net financial requirements reduces it.

## ☐ Interest on retirement plans liability and employee future benefits

Interest on retirement plans liability and employee future benefits correspond to the interest on obligations pertaining to accrued benefits linked to pension plans and other future benefits, reduced by the investment income of the funds, of which the RPSF is the main one.

As at March 31, 2017, net retirement plans liability and employee future benefits stood at \$24.6 billion.

Interest is calculated on the liability and is integrated into debt service forecasting. The information necessary for this forecast is drawn, in particular, from *Retraite Québec* and stems from proven systems.

## 2.3 The reconciliation of forecasts and policy directions

Once revenue and expenditure forecasts have been produced, it is necessary to reconcile changes in the anticipated economic and budgetary situation with the government's policy directions before establishing the final financial framework.

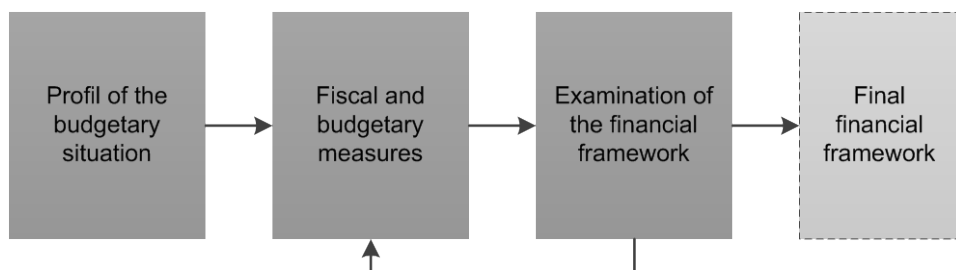
Reconciliation is an essential decision-making stage in the establishment of the financial framework and occurs in three stages.

- The entire array of budgetary forecasts are consolidated to obtain an initial complete picture of the budgetary situation.
- The Minister of Finance, supported by the Ministère des Finances, determines the measures and policy directions that will be integrated into the financial framework.
- A validation review facilitates the establishment of the final financial framework in light of the policy directions adopted.

The following subsections examine in greater detail the three stages.

### ILLUSTRATION 10

#### **The forecast and policy direction reconciliation process**



#### **□ Profile of the budgetary situation**

The profile of the budgetary situation is prepared when the revenue and expenditure forecasts are pooled. A complete representation is obtained through the consolidation of the forecasts produced by the Ministère des Finances and those produced by government departments and bodies.

- The consolidation of budgetary forecasts allows for the presentation of a financial framework harmonized with the government's accounting policies and clear information on intergovernmental unit transactions between entities in the reporting entity.

Once the consolidation has been completed, the profile obtained allows for the production of an initial review of the financial situation, a stage that precedes decision-making concerning the integration of measures. The profile facilitates, in particular, the validation of the similarity between the forecast hypotheses and the results, both for economic forecasts and budgetary forecasts.

## The consolidation rule

The information included in the government's financial framework is presented on a consolidated basis, as it appears in its Public Accounts.

To establish a consolidated financial framework, it is necessary to:

- group together the revenue and expenditure of all of the entities included in the government's reporting entity;
  - To be included in the government's reporting entity, the entities must be under the government's control. Control is defined as the power to oversee the financial and administrative policies of an entity such that its activities engender gains or losses for the government.
  - By way of indication, the grouping together of the expenditures of nearly 350 entities in the government's reporting entity represents transactions totalling nearly \$177 billion.
- eliminate reciprocal transactions between entities in the reporting entity, which is essential to avoid double accounting of revenue and expenditure.
  - For example, without the elimination of reciprocal transactions, funding by the Ministère de la Santé et des Services sociaux for healthcare institutions would be accounted for twice: as an expenditure of the General Fund and as an expenditure of the health and social services network.
  - By way of indication, more than \$68 billion in transactions are eliminated when expenditures are consolidated.

The following table shows the amounts associated with government spending and the elimination of intergovernmental unit transactions between entities in the same sector (intrasectoral eliminations) and different sectors (intersectoral eliminations), for a level of consolidated expenditure of nearly \$110 billion.

### Consolidated expenditure

(millions of dollars)

	2018-2019
General Fund	84 029
Special funds	14 564
Specified purpose accounts	1 548
Non-budget-funded bodies	24 996
Health and social services and education networks	44 731
Tax-funded expenditures	6 970
<b>Total expenditures before eliminations</b>	<b>176 838</b>
Intrasectoral eliminations	
Between special funds	–784
Between non-budget-funded bodies	–3 923
Intersectoral eliminations	–63 438
<b>Total eliminations</b>	<b>–68 145</b>
<b>TOTAL CONSOLIDATED EXPENDITURE</b>	<b>108 693</b>



❑ **Tax and budget measures**

The elaboration of tax and budget measures lies within a comprehensive approach during which the government determines its economic, fiscal, budgetary and financial policy directions and decides which elements its budgetary policy will include.

Several interveners participate in the analysis process. However, the Minister of Finance plays a pivotal role since he is responsible for the implementation of the means aimed at the elaboration of revenue and expenditure measures or policy directions pertaining to investment and at proposing them to the government.

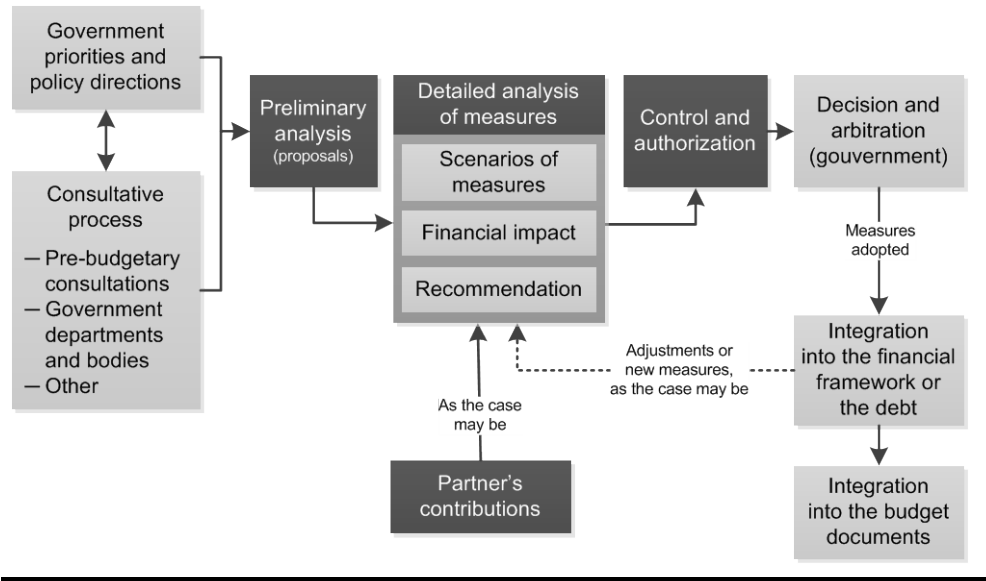
The elaboration of the policy directions and initiatives adopted, such as tax and budget measures, follows an established process that usually begins at the outset of the budget planning phase.

In the context of pre-budgetary consultations, representatives of the business community, the labour unions, organizations as well as elected officials and the general public are invited to express their expectations from the standpoint of policy directions and budgetary priorities.

- The proposals and comments made allow the government to clarify its thinking on budgetary guidelines.

ILLUSTRATION 11

**The tax and budget measure elaboration process**



The government departments and bodies then set out their budget requests for the subsequent fiscal years.

The requests and proposals from groups or organizations are subsequently analyzed to determine needs and evaluate the means that could, where warranted, be adopted to satisfy them.

Certain structuring proposals are subject to more thorough analysis: possible measures are then elaborated and their financial impacts are estimated.

- For example, in a case where a reduction in personal income tax was proposed, the first scenario could examine a reduction in the first tax rate while an alternative scenario could instead analyze the implementation of a single tax rate.
- The analysis of the scenarios can focus on the clienteles targeted, the application parameters of the measure contemplated, typical cases and the measure's impact, especially from a fiscal and budgetary standpoint.
  - For illustrative purposes, in the case of tax measures, financial impact is estimated bearing in mind, by way of an example, the most recent taxation data observed and the economic and demographic outlook of the Ministère des Finances.
- When the analysis has been completed, recommendations are proposed to the Minister of Finance concerning the relevance of adopting the measure in light of government priorities.

It is incumbent upon the government to choose the policies and measures that will be integrated into budgetary policy. Throughout the budget planning process, arbitration occurs between the selected initiatives, especially according to the government's priorities and the fiscal space achieved during the financial framework elaboration process.

- The initiatives adopted are integrated into the different sources of revenue, expenditures and investment decisions, which makes it possible to determine the financial framework and the level of debt presented in budget documents.

The tax and budget measures adopted are announced in the Budget Speech or the fall update.

## ❑ An examination of the financial framework

An examination of the financial framework allows for the validation of its coherence as regards the selected measures and the government's policy directions. It is at this stage that the Ministère des Finances conducts a final analysis of the plausibility of the hypotheses, forecasts and policy directions in the financial framework.

Depending on the results of the examination, it may be necessary to reassess the choice of measures to be integrated into the financial framework. That being the case, certain arbitration is required depending on the level of revenue and expenditure and the debt targets. Such an exercise may require several iterations.

- New initiatives can be funded according to several approaches. For example, they can be funded from the fiscal space obtained, when it is sufficient, or cause the level of debt to vary.

The examination of the financial framework also allows for the integration of prudence factors, if need be. Indeed, it is appropriate to reserve funds to take into account anticipated risk factors all the more so because, in Québec, budgetary balance is enshrined in legislation.

- Prudence factors can take different forms, such as a contingency fund or a contingency reserve.
- The Ministère des Finances recommends to the Minister the level of the contingency reserve and comprehensive review to ensure a coherent, prudent financial framework.

At the conclusion of the examination, the final financial framework is presented for approval to the Minister of Finance.

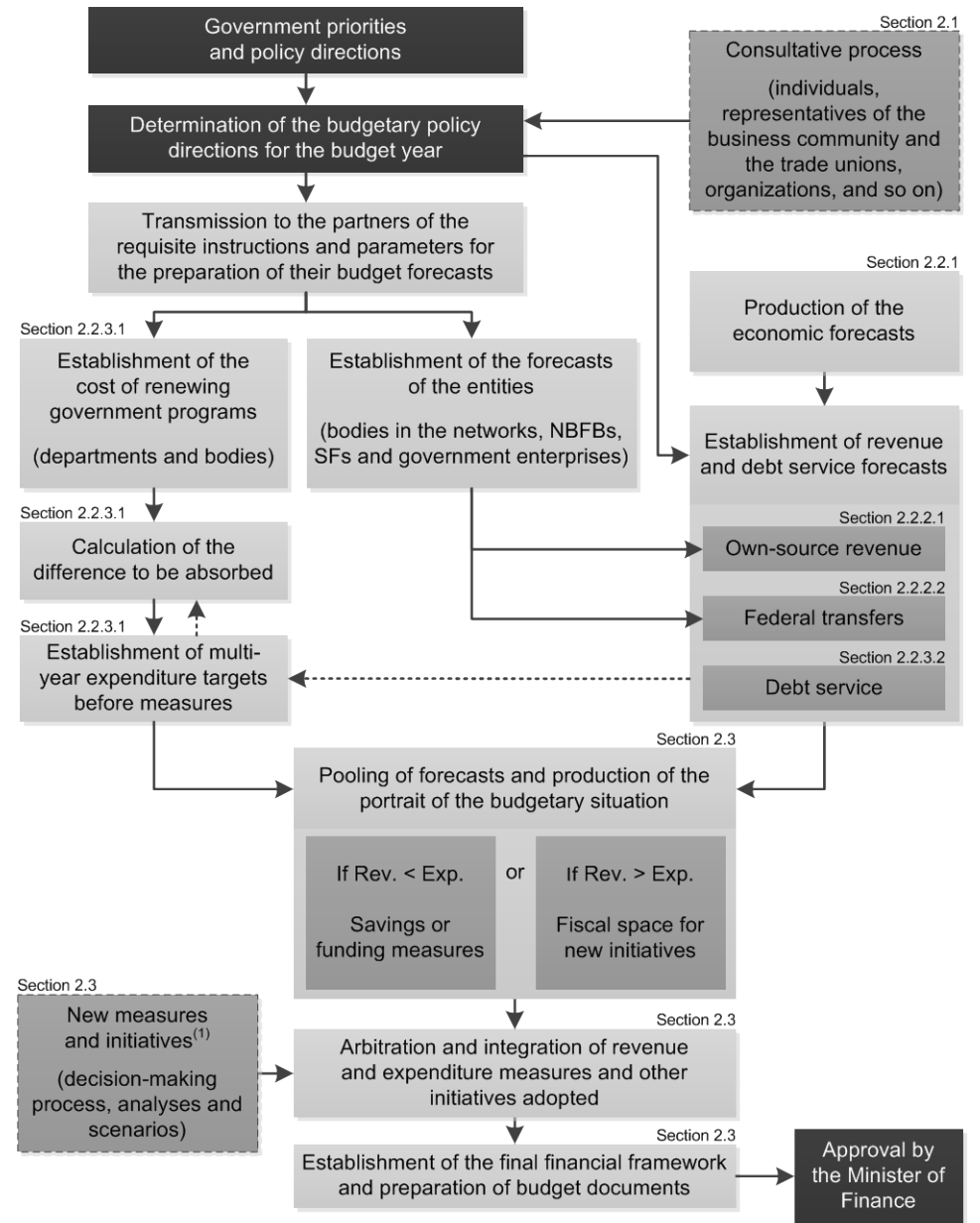
All of the budget documents focusing on the financial framework approved by the Minister are then produced and tabled in the National Assembly.

## 2.4 Summary of the financial framework elaboration process

The following illustration summarizes the key stages in the financial framework elaboration process described in the preceding sections.

ILLUSTRATION 12

### Summary of the financial framework elaboration process



NBFB: non-budget-funded bodies; SF: special funds; Rev.: revenue; Exp.: expenditure.

(1) The process leading to the choice of measures and other initiatives to be integrated into the financial framework spans the entire budget planning period.

## **Roles and responsibilities of the main interveners involved in the financial framework elaboration process**

The following table indicates the main interveners involved in the financial framework elaboration process and their roles and responsibilities.

### **Roles and responsibilities of the interveners**

<b>Main interveners</b>	<b>Roles and responsibilities</b>
Ministère des Finances	<ul style="list-style-type: none"> <li>- Elaborates the budget according to the government's policy directions and priorities</li> <li>- Coordinates the financial framework elaboration process</li> <li>- Produces economic, revenue and debt service forecasts</li> <li>- Establishes the overall spending target</li> </ul>
Secretariat of the Conseil du trésor	<ul style="list-style-type: none"> <li>- Elaborates the Expenditure Budget</li> <li>- Coordinates the process of establishing detailed estimates</li> <li>- Establishes the cost of renewing government programs</li> </ul>
Boards of directors of non-budget-funded bodies and government enterprises	<ul style="list-style-type: none"> <li>- Approve the revenue and expenditure forecasts of the entities for which they are responsible</li> </ul>
Cabinet	<ul style="list-style-type: none"> <li>- Determines the government's priorities and major policy directions</li> <li>- Defines policies and programs</li> <li>- Approves the expenditures of government departments, budget-funded bodies and special funds</li> </ul>
National Assembly	<ul style="list-style-type: none"> <li>- Approves the Budget Speech and the government's budgetary policy</li> <li>- Approves the annual estimates of government departments and budget-funded bodies</li> <li>- Approves the expenditure and investment forecasts of the special funds</li> </ul>



### 3. PUBLIC DOCUMENTATION TO SUPPORT THE BUDGETARY CYCLE

Government accountability respecting the state of public finances in a given fiscal year is mainly intended to compare and analyze differences between the budget forecasts adopted and the results recorded. In this respect, the Ministère des Finances publishes throughout the budgetary cycle a series of documents that inform the population of Québec's financial resources management.

The accountability process begins with the tabling of the Budget Speech, which reviews, in particular, all of the revenue and expenditure forecasts for the coming fiscal year. The process ends approximately a year and a half later with the publication of the Public Accounts that indicate the results for the fiscal year covered by the Budget Speech.

Aside from the Budget Speech and the Public Accounts, several other documents inform the public about budgetary policy, in particular:

- *The Québec Economic Plan* and companion documents, which support the Budget Speech and are published on the same day;
- the fall Economic and Financial Update;
- the monthly report on financial transactions.

Moreover, in conjunction with elections at fixed dates, the *Act respecting the Ministère des Finances* stipulates that the department must prepare a pre-election report on the state of public finances to enable the public to ascertain the reasonable nature of the forecasts and obtain up-to-date financial information. The government will publish the first pre-election report in August 2018 prior to the general election slated for the fall.

- The report, published for the sake of transparency, supplements the documentation made available to the public to assess the plausibility of the budgetary information.

This section informs Quebecers of the entire array of such publications according to the following themes:

- documentation that supports the government's budgetary policy;
- documents focusing on follow-up and budgetary accountability;
- the pre-election report.

### 3.1 Documentation that supports the government's budgetary policy

The elaboration of the government's budgetary policy hinges on the key economic, fiscal, budgetary and financial directions that the government intends to adopt. The budgetary policy dictates government action for the next fiscal year and subsequent years. It influences the level and composition of government revenue and expenditure.

The Minister of Finance sets out government's budgetary policy in the budget speech in the National Assembly.

During the presentation, the Minister of Finance requests the National Assembly's consent to table, in addition to the Budget Speech, *The Québec Economic Plan* and companion documents, which are an integral part of the budget. The documents support the budgetary policy statement and enable Quebecers and parliamentarians to assess the policy directions contemplated.

The parliamentarians approve the budgetary policy once the budget has been examined by a parliamentary committee.

#### The 2018-2019 budget documents

The Québec budget comprises an array of documents that indicate with varying degrees of detail the government's policy directions. Over time, the budget documents has been enriched by information that facilitates better understanding of the government's budgetary policy. Accordingly, in conjunction with Budget 2018-2019, the following documents can be consulted:

- 2018-2019 Budget Speech;
- *The Québec Economic Plan – March 2018*;
- Additional Information 2018-2019;
- *Québec's Economic and Financial Summary*.

What is more, the government also publishes documents to highlight certain themes broached in the budget, including:

- Disposable Income: More Money for Each Quebecer;
- Québec's Economic Record: A Strong Economy That Benefits All Quebecers;
- Health: Accessible, Quality Health Services;
- Education: A Plan for Success;
- Electric Mobility: Sustainable Development of All Transportation Modes;
- Climate Change: Actions to Reduce GHGs;
- Culture: An Ongoing Commitment to Supporting Québec Culture;
- Justice: A Plan to Modernize the Justice System;
- Young People: The Future of Québec;
- Employment: Meeting Labour Market Challenges;
- Biofood: An Economic Priority and Opportunity to Improve Quebecers' Health.

Various calculators and an economic and financial summary are available on the Ministère des Finances website.



Lastly, a distinction must be made between the Budget Speech and the Expenditure Budget, which are two separate documents.

In Québec, the detailed presentation of government spending is found in the Expenditure Budget and companion documents, for which the Chair of the Conseil du trésor is responsible.

### **The Expenditure Budget**

The Secretariat of the Conseil du trésor is responsible for the elaboration of the annual Expenditure Budget, which presents the estimates available to the government departments and bodies to carry out their activities and investments for the coming fiscal year. It is on the basis of this information that the National Assembly authorizes the estimates of the government departments and bodies and the expenditures of the special funds and that the Conseil du trésor monitors the expenditures.

- The presentation of the estimates is at once a communications and an accountability tool for parliamentarians and the public and an essential instrument to ensure the rigorous, enlightened management of public funds.

The Chair of the Conseil du trésor tables each year in the National Assembly the following documents pertaining to the Expenditure Budget in order to have authorized the estimates:

- Expenditure Management Strategy;
- Estimates and Annual Expenditure Management Plans of the National Assembly and Persons Appointed by the National Assembly;
- Estimates of the Departments and Bodies;
- Special Funds Budget;
- Budget of the Bodies Other Than Budget-funded Bodies;
- Annual Expenditure Management Plans of the Government Departments and Bodies;
- Additional Information;
- Québec's Public Infrastructure.

The following pages of this section briefly outlines the documentation that supports the government's budgetary policy. More specifically, it presents the documentation related to:

- the Budget Speech;
- *The Québec Economic Plan*, including:
  - the economic and budgetary policy directions;
  - the government's detailed consolidated financial framework;
  - other information to support budgetary policy.

### 3.1.1 The Budget Speech

In his Budget Speech in the National Assembly, the Minister of Finance communicates to the public the economic and budgetary policy directions that the government intends to pursue in the coming fiscal year. The Budget Speech is the means that the Minister of Finance uses to reflect and give concrete expression to the government's priorities and commitments stemming, in particular, from the inaugural speech of the elected government. In particular, it sets out:

- the government's budgetary objectives and the means adopted to attain them;
- the initiatives contemplated to enhance public service delivery and support the economy.

At the time of the speech, the Minister of Finance also tables an array of documents to support the policy directions adopted:

- the table presenting the preliminary data on consolidated budgetary transactions for the fiscal year under way;
- tables that show forecasts respecting the fiscal framework for the fiscal year covered by the budget:
  - the summary of consolidated budgetary transactions, namely, all revenue and expenditure that affects the budgetary balance;
  - detailed consolidated revenue by source of revenue;
  - consolidated expenditure;
  - General Fund expenditure;
  - non-budgetary transactions, which reconcile the budgetary balance and the monetary flow attributable to the government's operations;
- *The Québec Economic Plan* and companion documents.

### 3.1.2 Economic and budgetary policy directions

The government's economic and budgetary policy directions are presented in Section A of *The Québec Economic Plan*. General information illustrates, in particular, how the government translates its priorities in financial terms, accounts for the budgetary objectives and takes stock of government action.

More specifically, Section A of *The Québec Economic Plan* presents information on:

- the government's consolidated financial framework,<sup>12</sup> which provides forecast data over five years, including the year of the budget, on government revenue and expenditure;
  - The presentation of a five-year financial framework serves mainly as a medium-term planning and decision-making instrument.
  - The forecasts are established according to the accounting standards used to prepare the government's consolidated financial statements.
    - They are also established in light of recent and anticipated changes in the economy.
    - The forecasts are presented by level and in terms of annual variation.
  - For fiscal management purposes, the consolidated financial framework is broken down by sector.<sup>13</sup>
  - Moreover, a presentation of the General Fund and program spending by major portfolios clearly reveals the general and other taxes that fund the departments' missions.
- the strategic choices and measures contemplated by the government that affect the level and composition of revenue and expenditure;
- the expenditure targets for missions;
- the annual targets of the *Québec Infrastructure Plan*;
- the orientations respecting the budgetary balance;
- the debt-reduction targets.

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<sup>12</sup> The box on page 32 explains the consolidation.

<sup>13</sup> The sectorial components are presented on page 46.

Furthermore, to broaden the presentation of budgetary information, Section A of *The Québec Economic Plan* presents additional tables and illustrations. Such information makes it possible, in particular, to:

- compare Québec's financial and economic situation with that of other jurisdictions. For example, the tables present a comparison of growth in the mission expenditures of certain provinces and a forecast of growth in economic activity in Canada;
- show changes in revenue and expenditure as a percentage of GDP;
- make the connection between revenue, expenditure and the economy. Explanations are provided concerning adjustments in relation to the preceding budget, adjustments linked to the economy, and the revenue and expenditure growth rates.

### 3.1.3 The detailed consolidated financial framework

Section F of *The Québec Economic Plan* presents a detailed picture of the government's consolidated financial framework over three years.

- The presentation of a detailed three-year financial framework allows different entities under the government's control to better engage in short-term planning in light of the financial resources available to them.

Accordingly, revenue and expenditure are presented in three ways:

- in terms of change and as revised since the preceding budget;
- according to the sectors of the government's financial organization;
- according to the consolidated departmental portfolios.

The financial framework is established according to the consolidation rule,<sup>14</sup> which facilitates, in particular, the reconciliation of the forecasts with the results as presented in the Public Accounts.

The government's reporting entity groups together nearly 350 separate entities, including:

- the National Assembly and the five persons that it designates, that is, the Ethics Commissioner, the Lobbyists Commissioner, the Chief Electoral Officer, the Québec Ombudsman, and the Auditor General;
- 58 departments and budget-funded bodies;
- 41 special funds and 8 Sinking Funds of the Consolidated Revenue Fund;
- 57 non-budget-funded bodies;
- 35 entities in the health and social services network;
- 132 entities in the education networks;
- 10 government enterprises.

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<sup>14</sup> The box on page 32 explains the consolidation rule.

## ❑ Changes in consolidated revenue and expenditure

Revenues broken down by source and consolidated expenditures are presented in detail to provide information on the factors that affect changes in them.

The adjustments of the financial framework for the year under way since the last budget was tabled and the main underlying explanations are also provided.

For example, the following table presents a summary of adjustments and changes in the government's consolidated revenue and expenditure. Section F of *The Québec Economic Plan – March 2018* presents them in greater detail.

TABLE 9

### Changes in consolidated revenue and expenditure (millions of dollars)

	March 2017		March 2018		
	2017-2018	Adjustments	2017-2018	2018-2019	2019-2020
<b>Consolidated revenue</b>					
Own-source revenue excluding government enterprises	79 799	-7	79 792	81 591	84 125
% change	3.3		2.5	2.3	3.1
Revenue from government enterprises	4 480	255	4 735	4 332	4 470
% change	-5.7		-3.3	-8.5	3.2
Federal transfers	22 029	640	22 669	23 674	24 764
% change	7.5		12.3	4.4	4.6
<b>Total revenue</b>	<b>106 308</b>	<b>888</b>	<b>107 196</b>	<b>109 597</b>	<b>113 359</b>
% change	3.7		4.2	2.2	3.4
<b>Consolidated expenditure</b>					
Expenditures for missions	-93 852	-965	-94 817	-99 313	-102 066
% change	3.8		6.5	4.7	2.8
Debt service	-9 868	631	-9 237	-9 380	-9 422
% change	1.9		-3.0	1.5	0.4
<b>Total expenditure</b>	<b>-103 720</b>	<b>-334</b>	<b>-104 054</b>	<b>-108 693</b>	<b>-111 488</b>
% change	3.6		5.6	4.5	2.6
Contingency reserve	-100	100	—	—	-100
<b>SURPLUS</b>	<b>2 488</b>	<b>654</b>	<b>3 142</b>	<b>904</b>	<b>1 771</b>
<b>BALANCED BUDGET ACT</b>					
Deposits of dedicated revenues in the Generations Fund	-2 488	196	-2 292	-2 491	-2 707
Use of the stabilization reserve	—	—	—	1 587	936
<b>BUDGETARY BALANCE<sup>(1)</sup></b>	<b>—</b>	<b>850</b>	<b>850</b>	<b>—</b>	<b>—</b>

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

## ❑ Presentation according to the government's financial organization

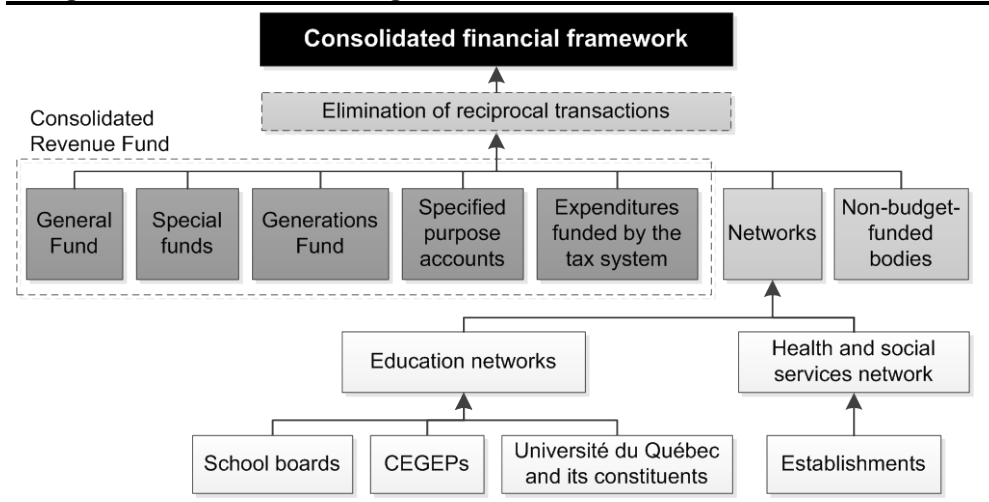
Bearing in mind the financial organization of activities in the public and parapublic sectors, this part of section F of *The Québec Economic Plan* lays out the levels of and changes in revenue and expenditure of each of the sectoral components included in the government's reporting entity.

The government's financial organization includes:

- the General Fund, which comprises revenue, mainly taxes levied by the government, and the program spending of departments and budget-funded bodies;
- the special funds, which establish a link between the funding of a specific service and the revenue collected for this purpose;
- the Generations Fund, a special fund dedicated solely to the repayment of the government's gross debt;
- specified purpose accounts, which isolate funds paid to the government by a third party pursuant to a contract or an agreement that stipulates the allocation to a determined purpose;
- tax-funded expenditures, which group together the refundable tax credits granted under the personal and corporate tax systems, and doubtful tax accounts;
- the health and social services and education networks;
- non-budget-funded bodies, which offer specific services to the public.

ILLUSTRATION 13

### The government's financial organization



## ❑ **Presentation by consolidated departmental portfolio**

To fulfil its missions, the government establishes programs that government departments or bodies directly administer. The array of programs for which a minister is responsible constitutes a portfolio.

The publication of revenue and expenditure by departmental portfolio better informs public decision-makers about the financial resources available to them for all of the entities for which they are responsible.

- The presentation of information in this manner is an additional budget management tool that helps to empower public decision-makers concerning their entire departmental portfolio.
- Furthermore, it enables public decision-makers to obtain a comprehensive view of the breakdown of their resources in each sectoral component of the government's financial organization.

The composition and level of revenue and expenditure in each portfolio varies depending on the nature of the mission and the programs for which the minister in question is responsible. Accordingly, the expenditures of certain portfolios will exceed their revenues while the revenues of other portfolios will exceed their expenditures.

## Illustration of the Finances portfolio

The presentation of data by consolidated departmental portfolio provides an overall view of the financial resources available to the entities under a minister's responsibility.

The following table breaks down the revenue and expenditure by sector of the Finances portfolio, namely, by sectoral components of the government's reporting entity.<sup>1</sup>

- This portfolio groups together most of the revenues given that tax revenues, which are the government's main source of revenue, are under the responsibility of the Minister of Finance.
- However, the level of spending in this portfolio is low since most of the expenditures are concentrated in the government's key missions, that is, health and education.

### Finances portfolio by sector – 2018-2019

(millions of dollars)

Consolidated revenue		Consolidated expenditure	
General Fund	80 621	General Fund	201
Special funds	2 777	Special funds	1 065
Generations Fund	2 491	Generations Fund	—
Specified purpose accounts	504	Specified purpose accounts	504
Tax-funded expenditures	6 970	Tax-funded expenditures	848
Non-budget-funded bodies	2 369	Non-budget-funded bodies	2 049
Health and social services and education networks	—	Health and social services and education networks	—
Intraportfolio eliminations	–1 510	Intraportfolio eliminations	–1 501
		<b>Subtotal, expenditures, excluding debt service</b>	<b>3 166</b>
		Debt service	9 091
<b>TOTAL</b>	<b>94 221</b>	<b>TOTAL</b>	<b>12 257</b>

Note: Since the amounts are rounded, they may not add up to the total shown.

<sup>1</sup> The list of entities in the Finances portfolio is presented in Appendix 3 of section F of *The Québec Economic Plan – March 2018*.



### 3.1.4 Information to support budgetary policy

The following pages first examine the other sections of *The Québec Economic Plan*:

- Sections B, C and D: The Québec Economic Plan;
- Section E: The Québec Economy: Recent Developments and Outlook;
- Section G: The Québec Government's Debt;
- Section H: Update on Federal Transfers.

They also provide a brief survey of the sections of the companion document, *Additional Information 2018-2019*.

#### **□ The Québec Economic Plan**

The government sets out its economic development perspective in Sections B, C and D of *The Québec Economic Plan*.

These sections present a complete picture of the initiatives that the government intends to adopt to promote, in particular, economic growth, private investment and job creation, and to provide quality public services.

- More specifically, Section B summarizes the entire array of initiatives. Section C explains in detail initiatives aimed at individuals and Section D, those intended to support economic development.

The tax and budgetary initiatives are presented there in a simplified manner and describe:

- all of the initiatives by theme;
- their financial impact and funding methods;
- contextual factors to facilitate an understanding of government initiatives, supported by illustrations and statistical examples.

What is more, the procedural requirements respecting the tax measures are described in detail in the document entitled *Additional Information 2018-2019*.

Lastly, the Minister of Finance presents in Sections C and D of *The Québec Economic Plan* an overview of impending budget measures and action plans.

- However, he leaves to the ministers responsible the task of providing details of the measures and their procedural requirements once the budget is tabled.

## Illustration – Financial impact of the initiatives by theme

The presentation of the government's tax and budgetary initiatives by theme enables the government to better inform Quebecers of the financial impact of the measures.

For example, in *The Québec Economic Plan – March 2018*, the government's initiatives are presented under the following themes:

- bolster funding for public services: education and health;
- measures aimed at individuals and communities;
- foster economic development.

The entire array of initiatives grouped together under a theme are described more explicitly in Sections B, C and D of *The Québec Economic Plan*.

### Financial impact of the measures in *The Québec Economic Plan – March 2018* (millions of dollars)

	2017- 2018 <sup>(1)</sup>	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	Total
Ensure quality public services, mainly in education and health	-136	-916	-1 486	-1 774	-1 820	-1 844	<b>-7 976</b>
Offer all Quebecers better support to enhance their standard of living	-72	-406	-431	-463	-620	-733	<b>-2 725</b>
Foster economic development	-640	-728	-967	-1 044	-997	-1 023	<b>-5 399</b>
<b>TOTAL</b>	<b>-848</b>	<b>-2 050</b>	<b>-2 884</b>	<b>-3 281</b>	<b>-3 437</b>	<b>-3 600</b>	<b>-16 100</b>

(1) The subsidies granted in 2017-2018 are funding new initiatives.

## ❑ The Québec economy: recent developments and outlook

The economic and financial forecasts on which the government's financial framework hinges are presented in Section E of *The Québec Economic Plan*.

The forecasts underpin the Québec government's revenue and expenditure forecasting process. They also allow the government to optimize its debt management strategy and to define the key directions of its economic policy.

Section E of *The Québec Economic Plan* presents, in particular:

- the anticipated changes over two years in the main economic variables in Québec, namely, economic activity (real and nominal GDP), household consumption, business investment, the expenditures and investments of public administrations, exports, imports, employment, the unemployment rate, housing starts, the consumer price index, and so on;
- the growth outlook for real GDP and nominal GDP over five years in light of the major trends that are shaping Québec's economy, in particular the ageing of the population, productivity and the labour market;
- the anticipated change in the Canadian economy, the US economy and the world economic outlook. Such forecasts highlight the factors that affect the Québec economy, which is open to the world;
- changes in financial variables, especially the price of oil and other raw materials, exchange rates, and interest rates (the latter are used to forecast the Québec government's debt service).

Furthermore, comparisons with the private sector are also presented to demonstrate the prudence and coherence of the economic scenario of the Ministère des Finances. The comparisons show real GDP, nominal GDP and the GDP deflator over a five-year time horizon.

## Economic assumptions comparable to those of the private sector

The Ministère des Finances du Québec ensures the prudence and coherence of its economic scenario. Real GDP, nominal GDP and GDP deflator growth forecasts are compared with the average of 11 private sector forecasts. For the sake of transparency, *The Québec Economic Plan* presents the comparisons.

- It is worth noting that the Québec government uses centered economic forecasts. They must neither overestimate nor underestimate revenue.
- Such discrepancies would lead to inappropriate decisions in terms of government policy.

By way of an example, over a period of five years, the forecasts in *The Québec Economic Plan – March 2018* are equivalent to the private sector average both from the standpoint of change in real GDP and that in prices and nominal GDP. Accordingly:

- for real GDP, the average growth that the Ministère des Finances is forecasting for 2018 to 2022 stands at 1.6%, an increase equivalent to that forecast by the private sector;
- for nominal GDP, the Ministère des Finances expects average growth between 2018 and 2022 of 3.2%, compared to the private sector forecast of 3.4%.

### Québec's economic outlook – Comparison with the private sector (percentage change)

	2017	2018	2019	2020	2021	2022	2018-2022 average
<b>Real GDP</b>							
Ministère des Finances du Québec	3.0	2.1	1.7	1.5	1.3	1.3	1.6
Private sector average	2.9	2.2	1.7	1.4	1.3	1.4	1.6
<b>Price fluctuation<sup>(1)</sup></b>							
Ministère des Finances du Québec	1.4	1.4	1.6	1.7	1.7	1.7	1.6
Private sector average	1.5	1.7	1.8	1.8	1.8	1.8	1.8
<b>Nominal GDP</b>							
Ministère des Finances du Québec	4.4	3.5	3.3	3.2	3.0	3.0	3.2
Private sector average	4.5	3.9	3.5	3.3	3.1	3.2	3.4

Note: Since figures are rounded off, they may not add up to the total shown.

(1) The GDP deflator.

Source: Ministère des Finances du Québec summary as at March 12, 2018, which includes the forecasts of 11 private sector institutions.

❑ **Government debt**

Section G of *The Québec Economic Plan* presents detailed information on government debt, the government’s funding program and strategy, the retirement plans and the funds deposited by the Ministère des Finances in the Caisse de dépôt et placement du Québec, and the government’s credit ratings.

A detailed five-year forecast is presented there on the debt and the financing program. It automatically informs parliamentarians and the public of the reasons for which the debt is changing and the government is borrowing on financial markets.

The government’s debt reduction targets are stipulated in the *Act to reduce the debt and establish the Generations Fund*. For fiscal year 2025-2026:

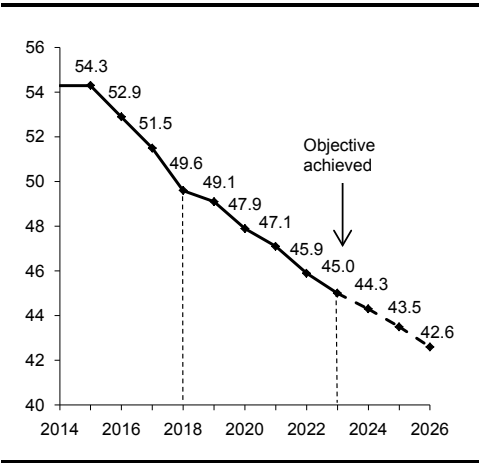
- gross debt may not exceed 45% of GDP (the objective will be attained in 2022-2023);
- the debt representing accumulated deficits may not exceed 17% of GDP (the objective will be attained in 2025-2026).

This information and a prediction of debt until 2034-2035 are presented in the Section G of *The Québec Economic Plan*.

CHART 1

**Gross debt as at March 31**

(as a percentage of GDP)

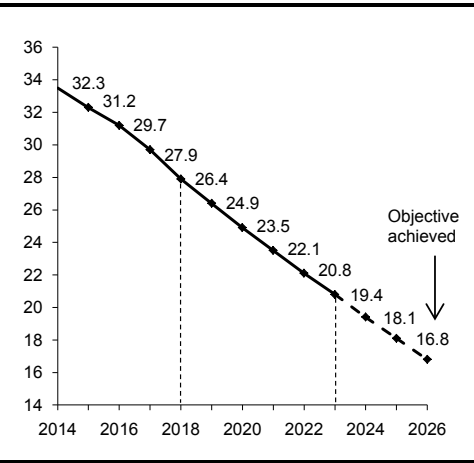


Note: These are forecasts until 2023 and projections thereafter.

CHART 2

**Debt representing accumulated deficits as at March 31**

(as a percentage of GDP)



Note: These are forecasts until 2023 and projections thereafter.

## Indebtedness and the credit rating

Bond issuers like the Québec government must obtain a credit rating from credit rating agencies. A credit rating measures the borrower's ability to pay interest on its debt and repay the principal at maturity.

Generally speaking, the less indebted a government is, the higher the credit rating granted by the credit rating agencies. A higher credit rating leads to lower borrowing costs and affords access to a broader pool of investors.

To establish a borrower's credit rating, the credit rating agencies analyze an array of factors in addition to the debt load. Among such factors are the size, structure and vitality of the economy, labour market conditions, tax competitiveness and the budgetary situation, and the level of liquid assets.

In the context of the budgetary process, the government meets with the credit rating agencies in the spring following the tabling of the budget. The agencies announce in the subsequent weeks their decision to maintain, raise or lower the credit rating. An outlook, which can be stable, positive or negative, is linked to the credit rating.

Five credit rating agencies grant the Québec government a credit rating, namely, Moody's, Standard & Poor's, Fitch, DBRS and Japan Credit Rating Agency (JCR).

## □ Update on federal transfers

The update on federal transfers is presented in Section H of *The Québec Economic Plan*.

— Federal transfers account for 22% of the Québec government's revenues.

This section explains Québec's demands of the federal government concerning the main transfers, namely, the Canada Health Transfer, the Canada Social Transfer, and the equalization program, and as regards federal infrastructure programs.

— The demands are supported by facts on Québec's historic stances in the fields, especially based on the constitutional powers of the provinces.

This section is intended both for the public and the other provinces and the federal government. It seeks to heighten awareness of the challenges related to federal transfers.

## Additional Information 2018-2019

### Additional information on tax measures

This section presents in detail the methods of application of the entire array of tax measures applicable to individuals and businesses and procedures respecting other measures of more general scope.

It is essential for specialists since it enables them to grasp the technical aspects of the tax measures announced. It also guides the drafting of taxing statutes.

### Action plan to ensure tax fairness

To preserve funding of public services but also for reasons of fairness among taxpayers, the government must ensure that it collects all of the revenues due to it. This section examines new initiatives intended to reduce international tax losses stemming from recourse to tax havens and to subject to taxation activities associated with the digital economy.

It also presents other initiatives to combat unreported work and tax evasion and the outcomes of the initiatives already implemented.

### Regulation of cannabis

This section presents the control measures that the Québec government intends to implement to steer current adult consumers to the legal market following the adoption of the *Projet de loi constituant la Société québécoise du cannabis, édictant la Loi encadrant le cannabis et modifiant diverses dispositions en matière de sécurité routière*.

### Report on the application of legislation respecting budgetary balance and the Generations Fund

The information presented in this section makes it possible to report on the application of the *Balanced Budget Act* and the *Act to reduce the debt and establish the Generations Fund*. In particular, the government presents information on changes in the budgetary balance, transactions in the stabilization reserve, debt-reduction targets, and the amounts in the Generations Fund.

### Measures that require legislative amendments

Certain measures in the budget require legislative amendments. This section sets out the measures that will be presented in the bill in the National Assembly and the attendant amendments. The draft omnibus bill groups together all of the legislative amendments that are not of a tax nature.

## **Additional Information 2018-2019 (continued)**

### **Québec's budget statistics**

The publication of Québec's budget statistics is an integral part of the government's budgetary accountability. It seeks, in particular, to facilitate monitoring of the government's overall revenue and expenditure on a historic basis. This section comprises five chapters.

- The first four chapters present budgetary information as published in the Public Accounts but also take into account certain changes in government accounting over the years.
- The fifth chapter presents changes in revenue and expenditure on a comparable basis, that is, adjusted by parametric estimates for the various accounting changes. The adjusted data thus facilitate analyses free of breaks.

### **Analysis of sensitivity to economic and budgetary variables**

This section presents sensitivity analyses, which indicate to the reader the risks to the financial framework stemming from a potential change in the most important economic variables that affect:

- Québec GDP;
- own-source revenue (tax bases);
- revenue from government enterprises;
- federal transfer revenue;
- program spending;
- debt service.

### **Support for the taxi industry**

This section presents the Québec government's support for the taxi industry in light of the uncertainty surrounding the transformation of the paid transportation services industry.



## 3.2 Monitoring and accountability

The Minister of Finance devotes considerable effort to the elaboration and preparation of the budget. To ensure monitoring to the government's budgetary and financial guidelines presented in the budget, the Ministère des Finances produces throughout the year information related to monitoring and accountability.

In this respect, the three most significant documents are:

- the fall update;
- the monthly report on financial transactions;
- the Public Accounts.

The accountability documents complement each other and it is necessary to examine them overall in order to fully grasp the state of public finances throughout the budgetary cycle.

### 3.2.1 The fall update

Since the 2006-2007 fiscal year, the government has published each fall an update to *The Québec Economic Plan*.

The first objective of the publication is to take stock of Québec's economic and financial situation during the year. The information produced is sufficiently exhaustive to enable the government to:

- note the impact on the financial framework of the real results presented in the Public Accounts and to adjust the anticipated targets if necessary;
- illustrate the progress achieved respecting the government's policy directions since the Budget Speech;
- work on a prospective basis to elaborate the next budget.

This also affords the government an opportunity to announce, if need be, new policy directions, which will be presented when the next budget is published.

The publication of the fall update is, therefore, an additional gesture by the government to enhance the transparency of information on public finances.

What is more, the presentation adopted by Québec in this publication makes it the most complete and detailed among the Canadian provinces. For example:

- the information is presented on a consolidated basis according to a presentation similar to that of the budget, which facilitates understanding of it;
- as with the budget, a five-year financial framework is presented therein along with explanations on the revisions for the year under way and growth in subsequent years.

### 3.2.2 The monthly report on financial transactions

In order to act upon a commitment to enhance the clarity of the information available to Quebecers on the state of public finances, since 2006-2007, the government has published a monthly report on financial operations.

- The monthly report is published 11 times a year<sup>15</sup> according to a timetable announced in the publication of the monthly report concerning the month of March in the preceding fiscal year.
- The monthly report is published, on average, within 69 days after the end of the month, with the exception of the March preliminary monthly report,<sup>16</sup> given the complexity of the work related to the closure of a fiscal year.

The data presented in the monthly report enable Quebecers to obtain a comprehensive picture of monthly changes in the state of public finances.

- The report presents the real results for the month, the cumulative results, and reviews the objectives of the budget.
- Changes in relation to the preceding year are also presented.

### 3.2.3 The Public Accounts

At the conclusion of the budgetary cycle and in keeping with the *Financial Administration Act*,<sup>17</sup> the government tables the Public Accounts, no later than the December 31 following the end of a fiscal year. Essentially, the Public Accounts present:

- the government's consolidated financial statements;
- information on the revenues, expenditures and other costs of departments and budget-funded bodies, and the revenues, expenditures and investments of the special funds;
- the other information necessary to explain the government's financial situation, including an analysis of financial indicators aimed at clarifying and explaining the information in the consolidated financial statements.
  - Such indicators are based on those that the Public Sector Accounting Board proposes in a statement on recommended practices.

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<sup>15</sup> The first monthly report presents the financial operations of the first two months of the government's activity, namely, April and May.

<sup>16</sup> The preliminary data presented in the March monthly report are revised to take into account additional information obtained up to the time of closure of the financial statements. The final results are presented in the Public Accounts.

<sup>17</sup> Section 87 of the *Financial Administration Act* (chapter A-6.001).

### 3.3 The pre-election report

In June 2014, the government announced in the 2014-2015 Budget Speech that it would make public a pre-election report on the state of Québec's public finances prior to the anticipated date of the general election at a fixed date. In the wake of the announcement:

- the *Act respecting the Ministère des Finances* was amended so as to assign to the Minister of Finance the preparation and publication of the pre-election report;
- the *Auditor General Act* was also amended so as to assign to the Auditor General the preparation of a report in which he expresses his opinion on the plausibility of the forecasts and hypotheses presented in the pre-election report published by the Minister of Finance.

More specifically, the pre-election report is intended to:

- inform the public of Québec's financial and economic situation and ascertain the plausible nature of the budget estimates pertaining to the financial framework and the debt;
- establish a common basis to enable the political parties to propose their own budget plan;
- determine whether the budget estimates have been prepared according to an efficient, rigorous process.

The pre-election report will offer a shared understanding of the budgetary and financial information published on Québec's financial framework and debt.

Furthermore, as stipulated in section 23.2 of the *Act respecting the Ministère des Finances* (CQLR, chapter M-24.01) and when the requisite adjustments have been made, the following items must be published in the pre-election report:

- economic forecasts and the underlying assumptions that appear in the Budget Plan that were presented in the most recent Budget Speech;
- the forecasts respecting the components of the government's financial framework that appear in the Budget Plan;
- spending forecasts broken down by field of government activity for a period of three fiscal years;
- the reports stipulated in section 15 of the *Balanced Budget Act* (CQLR, chapter E-12.00001) and section 11 of the *Act to reduce the debt and establish the Generations Fund* (CQLR, chapter R-2.2.0.1).



## 4. THE ADOPTION OF BEST PRACTICES

Over the years, the Ministère des Finances has adopted a rigorous process based on tried-and-tested practices, which is reflected in the budget documents that it publishes.

- Recourse to best practices enables the Ministère des Finances to present complete financial information, recognized by the OECD.

This section briefly examines the entire array of good practices adopted by the government and presented throughout this document.

### 4.1 The budgetary process

#### ☐ A rigorous process

The government prepares its financial framework according to an efficient, rigorous process. The stages in the process are coherent, integrated and clearly defined. Moreover, the budget forecasts are plausible and hinge on best practices. Below are examples of good practices:

- a collaborative process with government departments and bodies coordinated by the Ministère des Finances is emphasized;
  - The responsibilities of the interveners in the process are clearly defined.
- clear policy directions and instructions are transmitted to government departments and bodies to ensure the uniformity of forecast hypotheses;
- the working assumptions are plausible, justified, documented and constitute a reasonable basis for establishing the forecasts;
- the use of efficient forecasting models reflects the working assumptions adopted;
- the forecasts take into account the most recent financial results and the entire array of government announcements and the latest economic and financial statistics;
- the forecasts are established according to accounting standards and comply with the legislation and regulations in force;
- the forecasts established are coherent with government policy directions and priorities;
- the financial framework control and authorization process is effective and well established.

## Examples of good practices used in the process to establish the financial framework

The process that Québec emphasizes to establish the financial framework reflects recognized best practices. The following table lists the main practices employed.

### Examples of good practices in force in Québec

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#### AN EFFECTIVE, RIGOROUS PROCESS

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- Twice-yearly update of the financial framework
  - Establishment of a calendar with clear time frames and coherent steps
  - Pre-budgetary consultations to take into account Quebecers' needs and priorities
  - Concerted action by several interveners
  - Clear, uniform instructions for collaborators
  - Clearly defined roles and responsibilities
  - Compliance with the legislation and regulations in force
  - Recognition of the government's accounting standards
  - Establishment of a medium-term fiscal outlook
  - Efficient forecasting tools and methods
  - A clearly defined control and approval process
  - Transmission of forecasts through fully-secured platforms
  - Updating and frequent enhancement of forecasting models
  - Risk management (reliance on prudence factors)
- 

#### PLAUSIBILITY OF THE ASSUMPTIONS ADOPTED

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- Strategic monitoring, especially through a comparison of economic assumptions with those of the private sector
  - The use of economic models specific to each tax base
  - Ongoing follow-up to and analysis of forecast differences
  - Analysis of changes in economic parameters and budgetary forecasts
  - The integration of the most recent trends and information
  - Coherence with previous forecasts and comparative information
  - Assessments of the impact on the financial framework of new government initiatives
-

## ❑ Prudence factors

The Québec government's financial framework is not shielded from external shocks such as the significant deterioration of economic conditions or a natural disaster that markedly affects revenue or expenditure. Because of such factors that do not depend directly on the government, prudence factors are an integral part of good practices in any organization in order to increase the certainty of attaining budgetary targets.

### ■ Reserves integrated into the financial framework

The reserves integrated into the financial framework reflect the Québec government's prudence with respect to its forecasts. The financial framework generally includes the following prudence factors:

- the contingency reserve, a comprehensive reserve to offset uncertainty that can affect the overall financial framework;
- fiscal room and the Contingency Fund, to guard against risks that can affect expenditures;
- the debt service reserve, in particular to offset sudden fluctuations on financial markets.

### ■ Stabilization reserve

Lastly, the *Balanced Budget Act* ensures the presentation of balanced fiscal forecasts. It makes provision for the allocation of any surplus to a stabilization reserve to facilitate the government's multi-year budget planning and, subsidiarily, the payment of funds to the Generations Fund in accordance with the *Act to reduce the debt and establish the Generations Fund*.

- The stabilization reserve, established at \$4.6 billion in early 2017-2018, should reach \$5.4 billion in early 2018-2019. It will be reduced to \$2.4 billion at the end of 2020-2021, which is a sufficient level considering the soundness of the government's financial framework.

## The reserves integrated into the financial framework

The government has recourse to several reserves in the context of the preparation of the budget. Such reserves are integrated into the financial framework in order to offset certain risks.

- The contingency reserve seeks to deal with risks that result either from economic conditions or other events that affect the government's financial situation.
- The fiscal room seeks to handle unforeseen events when the Expenditure Budget is prepared.
- The Contingency Fund is intended to cover unforeseen expenditures that may arise in government programs, planned expenditures not broken down in the departmental portfolios, and certain measures announced in the Budget Speech.
- The debt service reserve seeks to cover various contingencies, such as a bigger-than-anticipated increase in interest rates and sudden fluctuations on financial markets.

### Reserves in the financial framework of *The Québec Economic Plan – March 2018*

(millions of dollars)

	2018-2019	2019-2020	2020-2021
Contingency reserve	—	100	100
Fiscal room	—	—	—
Contingency Fund	1 078	568	571
Debt service reserve	50	150	150

## ❑ Triennial retroactive analysis of discrepancies observed in the forecasts

Considering the direct link between the forecasts and recent economic conditions, the validation of the forecasting performance is an integral part of forecasting good practices.

It is in this context that the Ministère des Finances has sought to compare its forecasts with the results observed over a three-year horizon. The analysis is conducted with respect to:

- economic forecasts in relation to the most recent reading of the Institut de la statistique du Québec and Statistics Canada;
- own-source revenue and mission expenditures according to readings of public accounts.



## ■ Economic forecasts

At the outset of the economic forecasting process, the Ministère des Finances compares previous forecasts with the most recent available official statistics, published in particular by Statistics Canada and the Institut de la statistique du Québec.

- The retroactive analysis allows for the evaluation of the forecast differences and the validation of the forecasting performance.

What is more, official statistics are subject to numerous revisions.

- Such revisions update information drawn, in particular, from censuses, annual surveys, administrative files and public accounts, which are published subsequently to the first estimates of economic data.

For example, in June 2014, when Budget 2014-2015 was published, Québec's real GDP growth and nominal GDP growth for 2013 were initially estimated at 1.1% and 1.9%, respectively. In 2018, the official statistics count instead on real GDP growth and nominal GDP growth in 2013 of 1.4% and 3.0%, respectively.

TABLE 10

### Change in economic growth forecasts in Québec (percentage change)

	2013	2014	2015	2016	2017	2018	2019
<b>Real GDP</b>							
Budget 2014-2015 <sup>(1)</sup>	1.1	1.8	2.0	n/a	n/a	n/a	n/a
The Québec Economic Plan							
– March 2015	1.0	1.5	2.0	2.0	n/a	n/a	n/a
– March 2016	1.2	1.5	1.1	1.5	1.6	n/a	n/a
– March 2017	1.4	1.3	1.2	1.7	1.7	1.6	n/a
– March 2018	1.4	1.8	1.0	1.4	3.0	2.1	1.7
<b>Nominal GDP</b>							
Budget 2014-2015 <sup>(1)</sup>	1.9	3.4	3.9	n/a	n/a	n/a	n/a
The Québec Economic Plan							
– March 2015	1.5	3.5	3.8	3.4	n/a	n/a	n/a
– March 2016	2.0	2.5	2.0	3.2	3.3	n/a	n/a
– March 2017	3.0	1.9	2.6	3.0	3.3	3.3	n/a
– March 2018	3.0	3.0	2.4	2.7	4.4	3.5	3.3

Note: The grey zones correspond to official historical statistics published by the Institut de la statistique du Québec and Statistics Canada that were available when the different Budget Plans were published.

(1) Budget 2014-2015 was published on June 4, 2014.

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

## ■ Own-source revenue and mission expenditure forecasts

A three-year retroactive analysis of the differences between the anticipated change in own-source revenue, mission expenditures and the differences subsequently observed in the Public Accounts of the same year put into perspective, in particular, forecasting performance.

The results must be analyzed cautiously since they depend on several factors, some of which can arise after the forecast. The key factors are:

- the evolution of the economy;
- the measures announced *a posteriori*;
- adjustments and reclassifications to correspond to the budgetary structure of the reference year.

### ■ Own-source revenue

According to the triennial retroactive analysis, the forecast difference in own-source revenue was  $-0.3$  percentage point in 2014-2015,  $0.9$  percentage point in 2015-2016 and  $-1.4$  percentage point in 2016-2017.

- On average, the difference is less than 1 percentage point for the three years.

However, the results must be analyzed cautiously to be able to pinpoint the factors that contributed to the forecast differences.

- For example, the abolition of the healthcare contribution starting in 2016 was announced in *The Québec Economic Plan – March 2017*. This measure alone reduced growth in revenue by  $0.6$  percentage point for 2016-2017.
  - Were it not for this factor, growth in relation to 2015-2016 would have stood at  $2.4\%$ , similar to that anticipated in *The Québec Economic Plan – March 2016*.

TABLE 11

### Changes in forecast and observed own-source revenue (as a percentage and in percentage points)

	2014-2015	2015-2016	2016-2017
Budget 2014-2015	3.9	3.5	3.6
<i>The Québec Economic Plan – March 2015</i>		4.4	3.3
<i>The Québec Economic Plan – March 2016</i>			2.6
<b>Observed<sup>(1)</sup></b>	<b>3.6</b>	<b>4.9</b>	<b>1.8</b>
<b>Mean deviation<sup>(2)</sup></b>	<b>-0.3</b>	<b>0.9</b>	<b>-1.4</b>

(1) According to the Public Accounts in the reference year.

(2) The average of the differences between the changes observed and forecast in different budgets for a given year.

## ■ Mission expenditures

According to the triennial retroactive analysis, the forecast difference in mission expenditures was -0.5 percentage point in 2014-2015, -0.3 percentage point in 2015-2016 and 0.9 percentage point in 2016-2017.

— On average, the difference is less than 1 percentage point for the three years.

The mission expenditures reflect the government's commitment to the investments that it intends to make in public services.

— The government estimates the mission expenditures based on the program spending targets of government departments, to which are added the forecasts of the entities that make up the government's reporting entity.

However, such expenditures can be affected by:

- changes in the economic situation, which varies the cost of certain programs;
- contingencies that arise during the year, which require financial intervention by the government;
- more gradual-than-anticipated completion of certain projects, especially in with regard to public infrastructure.

TABLE 12

### Changes in forecast and observed mission expenditures (as a percentage and in percentage points)

	2014-2015	2015-2016	2016-2017
Budget 2014-2015	1.9	1.3	1.7
<i>The Québec Economic Plan – March 2015</i>		1.5	1.9
<i>The Québec Economic Plan – March 2016</i>			2.4
<b>Observed<sup>(1)</sup></b>	<b>1.4</b>	<b>1.1</b>	<b>2.9</b>
<b>Mean deviation<sup>(2)</sup></b>	<b>-0.5</b>	<b>-0.3</b>	<b>0.9</b>

(1) According to the Public Accounts in the reference year.

(2) The average of the differences between the changes observed and forecast in different budgets for a given year.

## 4.2 Budget Documents

### ☐ Complete information

The information presented in the budget documents is complete and accessible to everyone. In particular, it explains changes in the components of the financial framework and its revisions. In the same way, the assumptions are explained clearly and justified so that the reader grasps the changes made since the last budget. For example:

- the Ministère des Finances publishes information, in particular on economic and financial indicators that explain the levels, growth rates and adjustments of the key items in the financial framework;
- the government's policy directions and announcements that significantly affect the forecasts are described in the documents;
- the impact of economic conditions and government policy directions on the budgetary situation and, as the case may be, significant changes in public services are presented;
- comparisons with the other Canadian jurisdictions are also presented.

What is more, the presentation of the budget documents adopted by Québec is the most complete among the Canadian provinces.

- Québec is the only province to explain in detail the adjustments to revenue and expenditure and to link such adjustments to economic conditions in conjunction with an economic and financial update.
- Québec is also the only province to produce a monthly report on its financial operations.

The Ministère des Finances also periodically publishes medium-term projections on the evolution of the economy and Québec's financial framework.

### ☐ A continuous improvement process

Given the government's desire to be increasingly transparent and draw closer to Quebecers, the presentation of budgetary information also falls under a continuous improvement process. Accordingly, in recent years, new information, in particular, has been added to public documents.

The table on the following page presents the main enhancements to budget documents since the fall 2013 update.

TABLE 13

## Enhancements to budget documents

<b><i>Update on Québec's Economic and Financial Situation – Fall 2013</i></b>	<ul style="list-style-type: none"> <li>– Sensitivity analysis of own-source revenue and debt service in relation to economic variables (pages C.31 and C.32).</li> </ul>
<b><i>Budget Plan 2014-2015</i></b>	<ul style="list-style-type: none"> <li>– Consolidated expenditure by mission: information published at the time of the budgets (pages A.13 and A.14).</li> <li>– Sensitivity analysis in respect of economic variables: impact of external variables on the Québec economy (pages D.51 and D.52).</li> <li>– Breakdown of consolidated revenue: “income and property tax” category (pages A.24 and D.12 to D.14).</li> </ul>
<b><i>Update on Québec's Economic and Financial Situation – Fall 2014</i></b>	<ul style="list-style-type: none"> <li>– Presentation of detailed budgetary information on a consolidated basis (page E.3).</li> </ul>
<b><i>Monthly report on financial transactions as at June 30, 2014</i></b>	<ul style="list-style-type: none"> <li>– Announcement of the publication date of the next monthly report</li> </ul>
<b><i>The Québec Economic Plan – March 2015</i></b>	<ul style="list-style-type: none"> <li>– Consolidated revenue and expenditure by departmental portfolio: actual data (pages D.51 to D.65).</li> <li>– Reconciliation of the Expenditure Budget of the special funds and non-budget-funded bodies with the government's consolidated financial framework (pages D.29 and D.34).</li> </ul>
<b><i>Monthly report on financial transactions prior to March 31, 2015</i></b>	<ul style="list-style-type: none"> <li>– Announcement of the publication dates of the monthly report for the subsequent fiscal year.</li> </ul>
<b><i>2014-2015 Public Accounts</i></b>	<ul style="list-style-type: none"> <li>– A detailed presentation of the adjustments to Hydro-Québec's financial results for consolidation in the government's financial statements (Volume 1, pages 180 to 185).</li> </ul>
<b><i>The Québec Economic Plan – March 2016</i></b>	<ul style="list-style-type: none"> <li>– Revenue from the Generations Fund broken down by source of revenue instead of being grouped together under a single heading (page D.3).</li> </ul>
<b><i>2015-2016 Public Accounts</i></b>	<ul style="list-style-type: none"> <li>– Enhancement of information concerning changes in the Generations Fund (Volume 1, page 32)</li> </ul>
<b><i>Additional Information 2016-2017</i></b>	<ul style="list-style-type: none"> <li>– Québec budget statistics: revenues by source and expenditures on a consolidated basis (pages F.5 to F.26) and statistics adjusted for historical analysis (pages F.41 to F.46).</li> </ul>
<b><i>October 2016 update</i></b>	<ul style="list-style-type: none"> <li>– Consolidated expenditures by mission: addition of this information when the fall update is published (pages A.12 and D.17).</li> <li>– Annual debt-reduction targets (page A.42).</li> </ul>
<b><i>The Québec Economic Plan – March 2017</i></b>	<ul style="list-style-type: none"> <li>– Consolidated revenue and expenditure by departmental portfolio: forecast data (page D.23).</li> <li>– Sensitivity analysis of program spending (page D.53).</li> <li>– Separate presentation of forecasts for the health and social services and the education networks (pages D.43 and D.44).</li> <li>– Presentation of the debt service reserve (page 29 of the companion document <i>Budget Documents</i>).</li> </ul>

TABLE 13

**Enhancements to budget documents (continued)**

<b>November 2017 update</b>	– Separate presentation of consolidated revenue and expenditure adjustments stemming from the economic and budgetary situation and measures in <i>The Québec Economic Plan</i> (page F.6).
<b><i>The Québec Economic Plan – March 2018</i></b>	<ul style="list-style-type: none"> <li>– Presentation of medium-term forecasts (companion document <i>The Generations Fund: Québec Is Repaying Its Debt</i>).</li> <li>– Presentation of the financial framework elaboration process (section 2 of this document).</li> </ul>
<b>Additional information 2018-2019</b>	– Sensitivity analysis of revenue from government corporations and federal transfer revenue (section G, pages G.6 and G.7).

### 4.3 Comparison with other jurisdictions

In keeping with the government's commitment to display rigour and present quality budgetary information, the publications of the Ministère des Finances are regularly enhanced from the standpoint of the presentation of the government's financial situation. To this end, the Ministère des Finances:

- engages in monitoring in order to remain at the forefront of best practices in the realm of accountability;
- discusses budgetary practices with other jurisdictions;
- ensures that it adopts the best practices to produce all of its publications, in particular those recommended by the OECD.

Furthermore, the budget documents and Québec's fall update present more information than most of the provinces do, in particular concerning differences and explanations respecting sources of revenue and changes in expenditures.

- The fall update is the most complete, detailed update of all of the provinces. It enables the government, in particular, to present initiatives, where warranted.

As for Québec's budgetary practices, an OECD analysis,<sup>18</sup> published in December 2013, ranked Québec second among the 10 Canadian provinces from the standpoint of budgetary organization and good practices.

<sup>18</sup> Benoît Rigaud and Paul-Émile Arsenault, "Budget governance in Canada: comparing practices within a federation," *OECD Journal on Budgeting*, Volume 13, Number 1, 2013, pages 9-30.

## OECD budget transparency best practices – Survey of Québec

Québec's initiatives from the standpoint of accountability and financial transparency reflect best international practices. In particular, they are among the best practices that the OECD recommends.

PRACTICES THAT THE OECD RECOMMENDS	PRACTICES IN EFFECT IN QUÉBEC
<b>BUDGET</b>	
<ul style="list-style-type: none"> <li>- An exhaustive document that covers all expenditures and revenues</li> <li>- A medium-term fiscal outlook</li> <li>- Coherence with previous forecasts and comparative information</li> <li>- Classification of expenditures by key administrative units</li> <li>- Economic assumptions in line with best practices</li> <li>- Analysis of accounts receivable and commitments, non-financial assets, pension-related obligations, and contingent commitments</li> </ul>	<ul style="list-style-type: none"> <li>- A detailed financial framework</li> <li>- Five-year fiscal forecasts</li> <li>- 20-year fiscal projections</li> <li>- Summary table of adjustments and detailed explanations of the adjustments for the year under way</li> <li>- Expenditures by key portfolios<sup>(1)</sup> 2016-2017 to 2019-2020 and expenditures by mission<sup>(2)</sup> 2016-2017 to 2019-2020</li> <li>- Explanations of economic assumptions and comparisons with those of the private sector</li> <li>- Sections on net financial requirements and the debt</li> </ul>
<b>PRE-BUDGET REPORT</b>	
<ul style="list-style-type: none"> <li>- A pre-budget report that formulates, in particular, the objectives of the economic and budgetary policy</li> </ul>	<ul style="list-style-type: none"> <li>- An online survey aimed at structuring the pre-budgetary consultations</li> <li>- Publication of a fall update with budgetary and economic forecasts revised four months prior to the tabling of the budget</li> </ul>
<b>MONTHLY REPORTS</b>	
<ul style="list-style-type: none"> <li>- Monthly reports containing monthly revenue and expenditure figures, including a brief commentary and data on borrowing needs</li> </ul>	<ul style="list-style-type: none"> <li>- Monthly reports published according to a timetable announced at the beginning of the year</li> <li>- Comments on differences in relation to the preceding year</li> <li>- Net financial requirements</li> </ul>
<b>MID-YEAR REPORT</b>	
<ul style="list-style-type: none"> <li>- A complete update of budget implementation containing revised forecasts for a minimum period of three years</li> </ul>	<ul style="list-style-type: none"> <li>- Publication of a fall update with revised budgetary and economic forecasts</li> <li>- The five-year financial framework</li> <li>- Comments on the adjustments for the year under way</li> </ul>
<b>YEAR-END REPORT</b>	
<ul style="list-style-type: none"> <li>- Comparison of the results attained with targeted performance and the results for the year</li> </ul>	<ul style="list-style-type: none"> <li>- Public Accounts presenting the Québec government's financial situation and its results of operations</li> <li>- A comparative analysis in relation to budgetary data and the results of the preceding year</li> <li>- An analysis of changes in the state of public finances according to 11 indicators</li> </ul>
<b>THE PRE-ELECTION REPORT</b>	
<ul style="list-style-type: none"> <li>- Publication prior to elections of a report on public finances</li> </ul>	<ul style="list-style-type: none"> <li>- The report is to be published in 2018 according to the <i>Act respecting the Ministère des Finances</i></li> </ul>

(1) Santé et Services sociaux, Éducation et Enseignement supérieur, and other portfolios.

(2) Health and Social Services, Education and Culture, Economy and Environment, Support for Individuals and Families, and Administration and Justice.

Sources: OECD and Ministère des Finances du Québec.





## CONCLUSION

This document explains the process of establishing the financial framework and the debt, the scope of budget documents in Québec and their main characteristics.

The Ministère des Finances follows an elaborate, rigorous budgetary process that hinges on the collaboration of numerous interveners.

Budget documents ensure full accountability in respect of public finances throughout the budgetary cycle.

- The documentation relies on the best practices in force and compares favourably with the documentation published by other jurisdictions.
- It contributes to government decision-making.
- The budgetary information is presented transparently, thereby helping to make it more accessible to Quebecers.

All of the processes and budget documents are subject to continuous improvement.

- Over time, new information that enables Quebecers to better understand the government's budgetary policy has been incorporated into the public documents.





