



NATIONAL ASSEMBLY

SECOND SESSION

THIRTY-SEVENTH LEGISLATURE

Bill 1

An Act to reduce the debt and establish the Generations Fund

Introduction

**Introduced by
Mr. Michel Audet
Minister of Finance**

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EXPLANATORY NOTES

This bill follows up on a measure announced in the Budget Speech of 23 March 2006 and intended to reduce the Government's debt burden. The bill provides that the Government's first objective is to reduce its debt to less than 25% of Québec's gross domestic product not later than 31 March 2026.

The bill also follows up on another measure announced in the Budget Speech, the creation of a Generations Fund. It provides that the Fund will be made up, in particular, of sums obtained from charges on hydraulic power, profits made by Hydro-Québec on the sale of electricity outside Québec, revenue from fees or charges for water withdrawal, sums deriving from the sale of assets and revenue from the Fund's investments.

In addition, the bill allows the Government to order that a part, which it establishes, of all the sums it collects or receives and over which Parliament has the power of appropriation, is to be paid directly into the Generations Fund. The bill also provides that the sums in the Fund are managed by the Caisse de dépôt et placement du Québec. The bill specifies that the Minister may take any sums in the Fund to repay the Government's debt.

The bill amends the Hydro-Québec Act and the Watercourses Act in order that Hydro-Québec and other holders of hydraulic power pay charges on that power into the Generations Fund. The bill also provides that the lessee of hydraulic power required for the operation of a hydro-electric power plant generating not more than 50 megawatts must pay the sums payable under the lease into the Fund.

Lastly, the bill introduces consequential and transitional amendments.

LEGISLATION AMENDED BY THIS BILL:

- Financial Administration Act (R.S.Q., chapter A-6.001);
- Public Curator Act (R.S.Q., chapter C-81);
- Balanced Budget Act (R.S.Q., chapter E-12.00001);

- Hydro-Québec Act (R.S.Q., chapter H-5);
- Watercourses Act (R.S.Q., chapter R-13).

Bill 1

AN ACT TO REDUCE THE DEBT AND ESTABLISH THE GENERATIONS FUND

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

1. The object of this Act is to reduce the debt of the Government to less than 25% of Québec's gross domestic product not later than 31 March 2026.

2. A Generations Fund is established at the Ministère des Finances.

The Fund is dedicated exclusively to repaying the Government's debt.

In this Act, "the Government's debt" means the total debt set out in the public accounts.

3. The Generations Fund is made up of

(1) the sums derived from the lease of hydraulic power under section 3 of the Watercourses Act (R.S.Q., chapter R-13) and the sums derived from the development of hydraulic power under sections 68 to 70 of that Act and the development of water power under section 32 of the Hydro-Québec Act (R.S.Q., chapter H-5);

(2) sums representing a part of Hydro-Québec's earnings on the sale of electricity outside Québec as a result of increased generating capacity, subject to section 15.2 of the Hydro-Québec Act;

(3) sums derived from fees or charges for water withdrawal;

(4) sums derived from the sale of government assets, rights or securities;

(5) the sums deposited under section 41.1 of the Public Curator Act (R.S.Q., chapter C-81);

(6) the gifts, legacies and other contributions received by the Minister that the Minister pays into the Fund to reduce the Government's debt; and

(7) the income generated by the investment of the sums making up the Fund.

The Government establishes, under the conditions it determines and on the recommendation of the Minister, the part of the sums or revenue under subparagraphs 2 to 4 of the first paragraph that must be paid into the Fund.

An order establishing the sums referred to in subparagraph 2 of the first paragraph must be made on the recommendation of the Minister, in consultation with Hydro-Québec.

An order establishing the part of the revenue referred to in subparagraph 3 of the first paragraph must be made on the joint recommendation of the Minister of Finance and the Minister of Sustainable Development, Environment and Parks.

4. Despite section 5 of the Financial Administration Act (R.S.Q., chapter A-6.001), the Government may, under the conditions it determines and on the recommendation of the Minister, order that a part, which it establishes, of any sums it collects or receives and over which Parliament has the power of appropriation, is to be paid directly into the Fund.

5. The Minister is responsible for the administration of the Fund. The sums making up the Fund are credited to the Minister, who must deposit them with the Caisse de dépôt et placement du Québec.

The expenditures relating to the Fund are charged to the Fund.

The Minister keeps the Fund's books and records the financial commitments chargeable to it.

6. The Caisse de dépôt et placement du Québec manages the sums derived from the Fund in accordance with the investment policy the Minister determines in collaboration with the Caisse.

7. The Minister may take any sum making up the Fund to repay the Government's debt.

8. Sections 26, 27 and 89 of the Financial Administration Act apply to the Fund, with the necessary modifications.

9. Despite any provision to the contrary, the Minister must, in the event of a deficiency in the consolidated revenue fund, pay out of the Generations Fund the sums required for the execution of a judgment against the State that has become *res judicata*.

10. The fiscal year of the Fund ends on 31 March.

11. The Minister must report to the National Assembly, in the Budget Speech, on the sums making up the Fund and on any sums used to repay the Government's debt.

AMENDING PROVISIONS

12. Section 86 of the Financial Administration Act (R.S.Q., chapter A-6.001) is amended by inserting the following paragraphs after paragraph 1:

“(1.1) a statement of changes in the balance and a statement of the financial position of the Generations Fund established in the Act to reduce the debt and establish the Generations Fund (*insert the year and chapter number of that Act*);

“(1.2) a statement of earnings resulting from the activities of the Generations Fund;”.

13. Section 41.1 of the Public Curator Act (R.S.Q., chapter C-81), amended by section 37 of chapter 44 of the statutes of 2005, is again amended

(1) by striking out “and shall be deposited into the consolidated revenue fund” in the first paragraph;

(2) by replacing the third paragraph by the following paragraphs:

“The Minister of Finance is authorized to take the sums required to make the payments under the second paragraph out of the sums transferred to the Minister under the first paragraph and, if these are insufficient, out of the consolidated revenue fund.

On the conditions and to the extent the Government determines on the joint recommendation of the Minister of Revenue and the Minister of Finance, the Minister of Finance pays into the Generations Fund referred to in the Act to reduce the debt and establish the Generations Fund (*insert the year and chapter number of that Act*) the sums transferred under the first paragraph, minus those required to make payments to the persons with rights under the second paragraph.”

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

(1) by replacing the definition of “expenditure” by the following definition:

““**expenditure**” means expenditure recorded in the consolidated financial statements of the Government in accordance with the accounting policies of the Government, except expenditure relating to the Generations Fund referred to in the Act to reduce the debt and establish the Generations Fund (*insert the year and chapter number of that Act*);”;

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

““**revenue**” means revenue recorded in the consolidated financial statements of the Government in accordance with the accounting policies of the Government, except revenue relating to the Generations Fund;”.

15. Section 16 of the Hydro-Québec Act (R.S.Q., chapter H-5), amended by section 29 of chapter 23 of the statutes of 2005, is again amended by replacing the second “or” in the first line of the first paragraph by “, except the charges under the second paragraph of section 32 and under section 68 of the Watercourses Act (chapter R-13), or”.

16. Section 32 of the Act, amended by section 35 of chapter 3 of the statutes of 2006, is again amended by adding the following paragraphs at the end:

“As of 1 January 2007 the Company shall pay a charge into the Generations Fund, in the manner described in section 69.3 of the Watercourses Act (chapter R-13), for the water power it develops.

The rate of the charge is \$0.625 per 1,000 kilowatt-hours computed on 1 January 2006 and shall be adjusted on 1 January each year according to the percentage of increase, in relation to the preceding year, in the Consumer Price Index for Canada, as published by Statistics Canada under the Statistics Act (Revised Statutes of Canada, 1985, chapter S-19). For that purpose, the Consumer Price Index for a year is the average monthly index for the 12 months ending on 30 September of the preceding year.

If an annual average or the percentage computed under the third paragraph, or the rate of the charge so adjusted, has more than two decimals, it is rounded off to the second decimal place. If the third decimal digit is equal to or greater than 5, the second decimal digit is rounded up.

The Minister of Natural Resources and Wildlife shall publish, in the *Gazette officielle du Québec*, the rate of the charges so adjusted.”

17. Section 3 of the Watercourses Act (R.S.Q., chapter R-13) is amended by adding the following paragraph at the end:

“The lessee shall pay into the Generations Fund any rent and other fees or charges payable under subparagraph 2 of the second paragraph.”

18. Section 68 of the Act, amended by section 35 of chapter 3 of the statutes of 2006, is again amended

(1) by replacing “pay to the Minister of Natural Resources and Wildlife” in the first and second lines of the first paragraph by “pay into the Generations Fund referred to in the Act to reduce the debt and establish the Generations Fund (*insert the year and chapter number of that Act*)”;

(2) by inserting “of Natural Resources and Wildlife” after “Minister” in the first line of the fourth paragraph.

19. Section 69.2 of the Act is amended by inserting “to Hydro-Québec or” after “apply” in the first line of the second paragraph.

20. Section 69.3 of the Act, amended by section 35 of chapter 3 of the statutes of 2006, is again amended by replacing “pay to the Minister of Natural Resources and Wildlife” in the first and second lines of the first paragraph by “pay into the Generations Fund”.

21. Section 70 of the Act, amended by section 35 of chapter 3 of the statutes of 2006, is again amended

(1) by replacing the first paragraph by the following paragraph:

“**70.** Every person required to pay an instalment under section 69.3, or the person’s mandatary, must send to the Minister of Natural Resources and Wildlife and to the Minister of Finance a report, supported by a sworn statement from the declarant, establishing the total kilowatt-hours of electricity generated during the year in his plants situated in Québec.”;

(2) by inserting “is responsible for the collection of the charges. The Minister” after “Wildlife” in the first line of the second paragraph.

TRANSITIONAL PROVISIONS

22. For the calendar year 2007, half the charges payable by the holders of hydraulic power, except Hydro-Québec, under section 68 of the Watercourses Act as amended by section 18 of this Act, or under any order or contract under section 3 of the Watercourses Act, is paid into the Generations Fund. The other half of the charges is paid into the consolidated revenue fund.

The charges on hydraulic power payable by Hydro-Québec for that year are halved and are paid into the Generations Fund.

FINAL PROVISIONS

23. The Minister of Finance is responsible for the administration of this Act.

24. This Act comes into force on 1 January 2007, except subparagraph 3 of the first paragraph of section 3, which comes into force on the date to be set by the Government.

