

FORM 18-K/A

For Foreign Governments and Political Subdivisions Thereof

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 18

to

ANNUAL REPORT

of

QUÉBEC

(Name of Registrant)

Date of end of last fiscal year: **March 31, 2015**

SECURITIES REGISTERED*

(As of close of fiscal year)

Title of issue	Amounts as to which registration is effective	Names of exchanges on which registered
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Name and address of person authorized to receive notices and
communications from the Securities and Exchange Commission:

Jean-Claude Lauzon
Délégation générale du Québec
One Rockefeller Plaza
26th Floor
New York, N.Y. 10020-2102

Copies to:

Robert E. Buckholz
Sullivan & Cromwell LLP
125 Broad Street
New York, N.Y. 10004-2498

Bernard Turgeon
Ministère des Finances du Québec
12 rue Saint-Louis
Québec, Québec, G1R 5L3, Canada

* The Registrant is filing this Annual Report on a voluntary basis.

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The following additional exhibits are hereby added to the Annual Report:

Exhibits:

- (99.22) Excerpts from Section C - “The Québec Economy: Recent Developments and Outlook for 2016 and 2017” of “Budget 2016-2017 - The Québec Economic Plan – March 2016”, March 17, 2016:
- Economic outlook in Québec (table C.3);
 - Canadian financial markets (table C.5).
- (99.23) Section D - “The Government’s Detailed Financial Framework” from “Budget 2016-2017 - The Québec Economic Plan – March 2016”, March 17, 2016:
- Change in consolidated revenue and expenditure ;
 - Financial framework by sector;
 - Net financial requirements;
 - Appendix 1: Sensitivity analysis of economic variables;
 - Appendix 2 : Consolidated revenue and expenditure by departmental portfolio;
 - Appendix 3 : Allocation of revenue from consumption taxes and natural resources;
 - Appendix 4 : Detailed consolidated financial framework.
- (99.24) Section E - “The Québec Government’s Debt” from “Budget 2016-2017 - The Québec Economic Plan – March 2016”, March 17, 2016:
- Debt;
 - Financing and debt management;
 - Information on the retirement plans and on funds deposited by the Ministère des Finances with the Caisse de dépôt et placement du Québec;
 - Credit ratings.
- (99.25) Excerpts from “Budget Speech 2016-2017”, March 17, 2016:
- Summary of consolidated budgetary transactions – Preliminary results for 2015-2016;
 - Summary of consolidated budgetary transactions – Forecasts for 2016-2017;
 - Consolidated revenue – Forecasts for 2016-2017;
 - Consolidated expenditure – Forecasts for 2016-2017;
 - General fund expenditure – Forecasts 2016-2017;
 - Non-budgetary transactions – Forecasts for 2016-2017.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Amendment no. 18 to be signed on its behalf by its authorized agent.

QUÉBEC

By: /s/ Bernard Turgeon
Name: Bernard Turgeon
Title: Associate Deputy Minister

Date: March 21, 2016

Excerpts from Section C - “The Québec Economy: Recent Developments and Outlook for 2016 and 2017” of “Budget 2016-2017 - The Québec Economic Plan – March 2016”, March 17, 2016

TABLE C. 3

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

	2015	2016	2017
Output			
Real gross domestic product	1.1	1.5	1.6
Nominal gross domestic product	2.0	3.2	3.3
Nominal gross domestic product (\$ billion)	377.5	389.6	402.5
Components of GDP (in real terms)			
Final domestic demand	0.6	1.2	1.3
– Household consumption	1.4	1.9	1.7
– Government spending and investment	0.3	0.2	0.3
– Residential investment	0.9	0.1	–0.7
– Non-residential business investment	–4.7	0.0	2.8
Exports	1.8	2.8	2.6
Imports	0.7	1.5	1.9
Labour market			
Population (thousands)	8 263.6	8 329.5	8 394.8
Population aged 15 and over (thousands)	6 843.3	6 887.8	6 932.0
Jobs (thousands)	4 097.0	4 126.8	4 156.0
Job creation (thousands)	37.3	29.8	29.2
Unemployment rate (%)	7.6	7.5	7.2
Other economic indicators (in nominal terms)			
Household consumption	2.6	3.5	3.7
– Excluding gasoline	3.5	3.9	3.4
– Excluding food and rent	2.2	3.4	3.7
Housing starts (thousands of units)	37.9	36.0	34.4
Residential investment	2.5	2.1	1.0
Non-residential business investment	–1.1	3.7	4.0
Wages and salaries	2.1	3.1	3.1
Household income	3.2	3.1	3.2
Net operating surplus of corporations	–5.0	5.9	6.0
Consumer price index	1.1	1.5	2.4
– Excluding food and energy	1.8	1.8	1.8
GDP per capita (\$)	45 687	46 770	47 950
Disposable income per capita (\$)	26 725	27 364	27 989

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

TABLE C. 5

Canadian financial markets
(average annual rate in per cent, unless otherwise indicated)

	2015	2016	2017
Target for the overnight rate	0.6	0.5	0.6
3-month Treasury bills	0.5	0.5	0.7
10-year bonds	1.5	1.5	2.3
Canadian dollar (in U.S. cents)	77.5	70.6	71.9

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

Section D “The Government’s Detailed Financial Framework” from “Budget 2016-2017 – The Québec Economic Plan – March 2016”, March 17, 2016

Section D

THE GOVERNMENT’S DETAILED FINANCIAL FRAMEWORK**Introduction**

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INTRODUCTION

This section of The Québec Economic Plan presents the government’s detailed financial framework for 2015-2016 to 2017-2018.¹ The information provided concerns:

- the detailed change in consolidated revenue and expenditure, as well as adjustments made since Budget 2015-2016;
- the change in the financial framework for each of the reporting entity’s sectoral components, particularly the general fund, special funds, specified purpose accounts, non-budget-funded bodies and the health and social services and education networks.

The five-year financial framework, i.e. the government’s financial forecasts up to 2020-2021, is presented in Section A of this document.

Change to the presentation of Generations Fund revenue	
When the Generations Fund was established in 2006, the presentation of budgetary information was centred on the revenue and expenditure of the general fund. Presenting the revenue of the Generations Fund separately made it possible to more easily assess all of the revenues that were dedicated to the fund.	
However, in 2016, given the many revenue sources dedicated to the Generations Fund, this presentation complicates the explanation of the change in own-source revenue provided in the budget documents.	
To make it easier to understand and analyze the change in the government’s consolidated revenue, Generations Fund revenue will henceforth be broken down by revenue source instead of being grouped under a single heading.	
—	For example, the specific tax on alcoholic beverages dedicated to the Generations Fund, which used to be entered in “Generations Fund revenue,” is now entered in “Consumption taxes.”
However, deposits of dedicated revenues in the Generations Fund provided for by the <i>Balanced Budget Act</i> are still presented separately in the financial framework.	

¹ Throughout this section, the budgetary data for 2015-2016 and subsequent years are forecasts.

1. CHANGE IN CONSOLIDATED REVENUE AND EXPENDITURE

1.1 Change in the budgetary balance

The government's consolidated financial framework shows a balanced budget in 2015-2016 and the maintenance of a balanced budget thereafter.

Expenditure will grow at a rate below that of revenue.

- In 2016-2017, consolidated revenue will grow by 3.2%, exceeding the growth rate of consolidated expenditure, i.e. 2.5%.
- Growth in consolidated revenue will amount to 2.7% in 2017-2018 and that of expenditure, 2.3%.

The financial framework remains balanced while dedicated revenues continue to be deposited in the Generations Fund. These deposits will total \$2.0 billion in 2016-2017 and \$2.5 billion in 2017-2018.

TABLE D.1

Consolidated summary financial framework – Budget 2016-2017 (millions of dollars)

	2015-2016	2016-2017	2017-2018
Own-source revenue	80 331	82 386	84 566
% change	3.8	2.6	2.6
Federal transfers	19 089	20 180	20 759
% change	3.0	5.7	2.9
Consolidated revenue	99 420	102 566	105 325
% change	3.6	3.2	2.7
Expenditure	-87 634	-89 720	-91 906
% change	2.5	2.4	2.4
Debt service	-10 055	-10 418	-10 515
% change	-2.1	3.6	0.9
Consolidated expenditure	-97 689	-100 138	-102 421
% change	2.0	2.5	2.3
Contingency reserve	-300	-400	-400
SURPLUS (DEFICIT)	1 431	2 028	2 504
BALANCED BUDGET ACT			
Deposits of dedicated revenues in the Generations Fund	-1 431	-2 028	-2 504
BUDGETARY BALANCE⁽¹⁾	—	—	—

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

[] **Adjustments for 2015-2016 to the financial framework since Budget 2015-2016**

Overall, the adjustments to the financial framework since Budget 2015-2016 leave the balance unchanged, thus maintaining budgetary balance.

- Adjustments related to the economic situation leave the budgetary situation unchanged. These adjustments stem from a shortfall of \$390 million in consolidated revenue and a \$413-million reduction in consolidated expenditure, which can be explained, in particular, by a downward adjustment in debt service.
- In addition, the adjustments attributable mainly to consolidated entities make it possible overall to offset the adjustments related to the economic situation and to introduce a contingency reserve of \$300 million.

TABLE D.2

Adjustments for 2015-2016 to the financial framework since Budget 2015-2016
(millions of dollars)

	2015-2016		
	Adjustments related to the economy	Other adjustments	Total
BUDGETARY BALANCE⁽¹⁾ – BUDGET 2015-2016			—
Consolidated revenue			
Own-source revenue excluding government enterprises			
General fund	–254	—	–254
Consolidated entities	144	–274	–130
Government enterprises	6	–7	–1
Own-source revenue	–104	–281	–385
Federal transfers	–286	–69	–355
Total consolidated revenue	–390	–350	–740
Consolidated expenditure			
Expenditure excluding debt service			
Program spending	—	—	—
Consolidated entities	101	356	457
Debt service	312	116	428
Total consolidated expenditure	413	472	885
Contingency reserve	—	–300	–300
Deposits of dedicated revenues in the Generations Fund	—	155	155
TOTAL	23	–23	—
BUDGETARY BALANCE⁽¹⁾ – BUDGET 2016-2017			—

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

This section presents the updated consolidated revenue of the government and the change in this revenue for 2015-2016 to 2017-2018.

The government's revenue will total \$99.4 billion in 2015-2016, i.e. \$80.3 billion in own-source revenue and \$19.1 billion in revenue from federal transfers.

— Consolidated revenue is adjusted downward by \$740 million compared with the forecast in Budget 2015-2016.

Revenue is expected to grow by 3.6% in 2015-2016, 3.2% in 2016-2017 and 2.7% in 2017-2018.

TABLE D.3

Change in consolidated revenue
(millions of dollars)

	Budget 2015-2016		Budget 2016-2017		
	2015-2016	Adjustments	2015-2016	2016-2017	2017-2018
Own-source revenue					
Own-source revenue excluding government enterprises	75 754	−384	75 370	77 536	79 600
% change	5.3		4.7	2.9	2.7
Government enterprises	4 962	−1	4 961	4 850	4 966
% change	−7.0		−8.2	−2.2	2.4
Subtotal	80 716	−385	80 331	82 386	84 566
% change	4.4		3.8	2.6	2.6
Federal transfers	19 444	−355	19 089	20 180	20 759
% change	3.9		3.0	5.7	2.9
TOTAL	100 160	−740	99 420	102 566	105 325
% change	4.3		3.6	3.2	2.7

1.2.1 Consolidated own-source revenue excluding government enterprises

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

Consolidated own-source revenue excluding government enterprises also includes revenue from other sources, i.e. duties and permits and miscellaneous revenue, such as interest, the sale of goods and services, as well as fines, forfeitures and recoveries.

Most consolidated own-source revenue excluding government enterprises is deposited in the general fund to finance the government's missions. The remainder of this revenue is paid, in particular, into special funds (for funding specific programs), the Generations Fund (for reducing the debt), as well as to non-budget-funded bodies and the health and social services and education networks (for funding their activities).

[] Adjustments for 2015-2016

For fiscal 2015-2016, consolidated own-source revenue excluding government enterprises amounts to \$75.4 billion, an increase of 4.7% compared to the revenue observed for fiscal 2014-2015.

Compared with the forecast in Budget 2015-2016, consolidated own-source revenue excluding government enterprises is adjusted downward by \$384 million, which represents a downward adjustment of 0.5% in forecast revenue.

• Tax revenue

Revenue from personal income tax is adjusted upward by \$253 million for fiscal 2015-2016 compared with the forecast in Budget 2015-2016. This adjustment reflects essentially the recurrence of the higher level of tax payable for 2014, which is offset, however, by lower-than-expected withholdings at source since the beginning of the fiscal year due to the lower-than-anticipated level of salaries and wages observed in 2015.

TABLE D.4

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

	Budget 2015-2016		Budget 2016-2017		
	2015-2016	Adjustments	2015-2016	2016-2017	2017-2018
Tax revenue					
Personnal income tax	28 218	253	28 471	29 639	30 776
% change	4.7		3.4	4.1	3.8
Contributions for health services	6 571	-76	6 495	6 463	6 195
% change	2.0		1.5	-0.5	-4.1
Corporate taxes	6 447	-43	6 404	6 565	6 838
% change	12.7		9.7	2.5	4.2
School property tax	2 030	3	2 033	2 135	2 215
% change	6.3		4.0	5.0	3.7
Consumption taxes	18 701	-299	18 402	18 906	19 407
% change	3.8		4.2	2.7	2.6
Other revenue					
Duties and permits	3 627	154	3 781	3 763	3 764
% change	12.0		15.2	-0.5	0.0
Miscellaneous revenue	10 160	-376	9 784	10 065	10 405
% change	4.9		5.0	2.9	3.4
TOTAL	75 754	-384	75 370	77 536	79 600
% change	5.3		4.7	2.9	2.7

Contributions for health services are adjusted downward by \$76 million for 2015-2016, reflecting the lower-than-anticipated growth in salaries and wages in 2015 and 2016, as well as the reduction of the health contribution as of 2016.

Revenue from corporate taxes is adjusted downward by \$43 million for fiscal 2015-2016. This lower level takes into account the downward adjustment in the growth of the net operating surplus of corporations in 2015 and the monitoring of tax revenues since the beginning of the fiscal year.

Revenue from consumption taxes is adjusted downward by \$299 million in 2015-2016. This adjustment reflects mainly the lower-than-expected sales tax revenue stemming from the downward adjustment to the growth of household consumption (excluding food and rent)² in 2015 and 2016.

² Given that food is zero-rated for the most part and that rent is exempt from the tax base, consumption (excluding food and rent) is the economic variable that most faithfully represents the tax base for the Québec sales tax.

- **Other revenue**

Revenue from duties and permits is adjusted upward by \$154 million in 2015-2016, reflecting essentially higher-than-expected revenue from emission allowances under Québec's cap-and-trade system for greenhouse gas emission allowances.

In addition, miscellaneous revenue is adjusted downward by \$376 million, owing to, in particular, the fact that interest income and revenue from fines, forfeitures and recoveries are lower than anticipated.

[] **Outlook for 2016-2017 and 2017-2018**

Consolidated own-source revenue excluding government enterprises will increase by 2.9% in 2016-2017 and 2.7% in 2017-2018. This growth reflects essentially the change in economic activity forecast for those years.

- **Tax revenue**

Personal income tax, the government's largest revenue source, will grow by 4.1% in 2016-2017 and 3.8% in 2017-2018, settling at \$29.6 billion and \$30.8 billion, respectively.

- This change reflects, in particular, growth in household income, indexation of the personal income tax system and the progressive nature of the tax system.
- It also reflects the growing contribution of pension income to the growth of income subject to tax, particularly income from private pension plans.

Contributions for health services will decrease by 0.5% in 2016-2017 and 4.1% in 2017-2018, to \$6.5 billion and \$6.2 billion, respectively. This change reflects mainly the anticipated increase of 3.1% in salaries and wages in 2016 and 2017. It also takes into account the reduction of the tax burden on individuals and SMBs.

- Attention should be drawn, in particular, to the gradual elimination of the health contribution as of 2016 and the reduction of the Health Services Fund contribution rate announced for Québec SMBs.

Revenue from corporate taxes will grow by 2.5% in 2016-2017 and 4.2% in 2017-2018, to \$6.6 billion and \$6.8 billion, respectively.

- This change reflects, in particular, the growth rate of the net operating surplus of corporations, which is expected to be 5.9% and 6.0% for 2016 and 2017, respectively.

The growth of 5.0% and 3.7% in revenue from the school property tax in 2016-2017 and 2017-2018, respectively, can be attributed mainly to the increase in the number of students, as well as the increase in property values on the territory of certain school boards.

Revenue from consumption taxes is expected to increase by 2.7% in 2016-2017 and 2.6% in 2017-2018, to \$18.9 billion and \$19.4 billion, respectively.

— This growth reflects mainly growth of 3.4% and 3.7% in household consumption (excluding food and rent) in 2016 and 2017, respectively.

- **Other revenue**

Revenue from duties and permits will undergo a slight decline of 0.5% in 2016-2017, while they will remain stable in 2017-2018.

Miscellaneous revenue will rise by 2.9 % in 2016-2017 and 3.4% in 2017-2018.

1.2.2 Revenue from government enterprises

[] Adjustments for 2015-2016

For 2015-2016, revenue from government enterprises is maintained at \$5.0 billion. The downward adjustment to Hydro-Québec's results is offset by an increase in the results of other government enterprises, including primarily Loto-Québec and the Société des alcools du Québec.

[] Outlook for 2016-2017 and 2017-2018

Revenue from government enterprises will stand at \$4.9 billion in 2016-2017 and \$5.0 billion in 2017-2018.

- In 2016-2017, the 2.2% decrease in revenue from government enterprises is chiefly attributable to the results of Hydro-Québec, which will decline because of the anticipated reduction in net exports of electricity.³
- In 2017-2018, anticipated revenue will rise by 2.4% due to the increase in the results of Hydro-Québec, the Société des alcools du Québec and Loto-Québec.

TABLEAU D.5

Change in revenue from government enterprises (millions of dollars)

	Budget 2015-2016		Budget 2016-2017		
	2015-2016	Adjustments	2015-2016	2016-2017	2017-2018
Hydro-Québec	2 750	-50	2 700	2 600	2 700
Loto-Québec	1 130	38	1 168	1 147	1 174
Société des alcools du Québec	1 040	10	1 050	1 070	1 108
Other ⁽¹⁾	42	1	43	33	-16
TOTAL	4 962	-1	4 961	4 850	4 966
% change	-7.0		-8.2	-2.2	2.4

(1) Includes the forecast for other government enterprises and the impact of Hydro-Québec's \$42-million electricity discount in 2017-2018.

³ The decrease in net electricity exports for 2016-2017 is due to the shutdown of a transmission line with New England from April to June 2016 for major maintenance work.

1.2.3 Revenues from federal transfers

[] Adjustments for 2015-2016

In 2015-2016, consolidated revenues from federal transfers are expected to increase by 3.0%, to nearly \$19.1 billion. This represents \$355 million less than forecast in Budget 2015-2016.

This decrease of \$355 million in 2015-2016 is explained, in particular, by:

- downward adjustments of \$112 million in health transfers and \$67 million in transfers for post-secondary education and social programs. These adjustments are due mainly to the upward adjustment of the value of the special Québec abatement, a value that is subtracted from these transfers;
- a downward adjustment of \$176 million for other federal transfer programs on account of, in particular, the lower-than-anticipated compensatory payment in respect of the Canada Student Loans Program.

TABLE D.6

Change in consolidated federal transfer revenues
(millions of dollars)

	Budget 2015-2016		Budget 2016-2017		
	2015-2016	Adjustments	2015-2016	2016-2017	2017-2018
Equalization	9 521	—	9 521	10 030	10 501
% change	2.5		2.5	5.3	4.7
Health transfers	5 599	-112	5 487	5 944	6 095
% change	6.0		3.9	8.3	2.5
Transfers for post-secondary education and other social programs	1 609	-67	1 542	1 629	1 666
% change	1.3		-2.9	5.6	2.3
Other programs	2 715	-176	2 539	2 577	2 497
% change	5.9		6.5	1.5	-3.1
TOTAL	19 444	-355	19 089	20 180	20 759
% change	3.9		3.0	5.7	2.9

[] **Outlook for 2016-2017 and 2017-2018**

In 2016-2017, consolidated federal transfers are expected to total nearly \$20.2 billion, an increase of 5.7%. This growth can be attributed primarily to:

- a 5.3% increase in equalization revenue, explained essentially by the increase in the Canadian equalization envelope, which is tied to the growth of Canada's nominal GDP, and by the decrease in the share of Québec, among the recipient provinces, of the consumption tax and personal income tax bases;
- an 8.3% increase in health transfers, which stems from annual growth of 6% in the Canada Health Transfer (CHT) envelope for the provinces as a whole, coupled with the adjustment of the value of the special Québec abatement;

In 2017-2018, consolidated federal transfers are expected to reach nearly \$20.8 billion, which represents an increase of 2.9%. This growth is explained, in particular, by:

- the anticipated increase of 4.7% in Québec's equalization payments as a result of a reduction in Québec's share of certain tax bases, in relation to the average fiscal capacity forecast for the ten provinces;
- a 3.1% decrease in revenue for other federal transfer programs arising, in particular, from a decline in revenue following the end of the Canada-Québec agreement on the Communities and Large Urban Centres components of the Building Canada Fund 2007-2014.

1.3 Change in consolidated expenditure

Consolidated expenditure consists primarily of program spending by government departments, spending by special funds, non-budget-funded bodies and public establishments of the health and social services and education networks, and debt service.

Consolidated expenditure will stand at \$97.7 billion in 2015-2016, \$100.1 billion in 2016-2017 and \$102.4 billion in 2017-2018, representing an increase of 2.0%, 2.5% and 2.3%, respectively.

— Consolidated expenditure is adjusted downward by \$885 million compared with Budget 2015-2016.

TABLE D.7

Change in consolidated expenditure (millions of dollars)

	Budget 2015-2016		Budget 2016-2017		
	2015-2016	Adjustments	2015-2016	2016-2017	2017-2018
Program spending ⁽¹⁾	66 460	—	66 460	68 238	70 156
% change	1.2		1.7	2.7	2.8
Other consolidated expenditures ⁽²⁾	21 631	-457	21 174	21 482	21 750
% change	2.6		4.9	1.5	1.2
Expenditure excluding debt service	88 091	-457	87 634	89 720	91 906
% change	1.5		2.5	2.4	2.4
Debt service	10 483	-428	10 055	10 418	10 515
% change	1.5		-2.1	3.6	0.9
TOTAL	98 574	-885	97 689	100 138	102 421
% change	1.5		2.0	2.5	2.3

(1) Program spending includes transfers intended for consolidated entities.

(2) Other consolidated expenditures include, in particular, consolidation adjustments.

1.3.1 Expenditure excluding debt service

[] Adjustments for 2015-2016

In 2015-2016, consolidated expenditure excluding debt service will stand at \$87.6 billion, which represents a downward adjustment of \$457 million. This adjustment is explained mainly by the decrease in spending related to special funds and non-budget-funded bodies.

Program spending, which makes up the bulk of consolidated expenditure, is maintained at the same level for 2015-2016.

[] Outlook for 2016-2017 and 2017-2018

In 2016-2017 and 2017-2018, consolidated expenditure excluding debt service will amount to \$89.7 billion and \$91.9 billion, respectively.

Growth in expenditure excluding debt service will stand at 2.4% in 2016-2017 and in 2017-2018.

- **Program spending**

Adjustments to the program spending objectives in 2016-2017 and 2017-2018 in relation to Budget 2015-2016 stem mainly from investments in education and health and the measures of the Economic Plan.

— These investments are funded in part through expenditure reallocations.

In addition, certain reallocations between revenue and expenditure with consolidated entities in the health sector affect program spending, but do not have any effect on the budgetary balance.

As a result, program spending will grow by 2.7% in 2016-2017 and 2.8% in 2017-2018.

TABLEAU D.8

Change in program spending
(millions of dollars)

	2015-2016	2016-2017	2017-2018
PROGRAM SPENDING - BUDGET 2015-2016	66 460	67 889	69 788
<i>% change</i>	<i>1.2</i>	<i>2.2</i>	<i>2.8</i>
Plan for Success in Education and Higher Education	—	164	166
Action for vulnerable clientele groups in health and social services	—	88	88
Économie, Science et Innovation	—	34	57
Other increases	—	70	64
Expenditure reallocations	—	-88	-88
Sous-total	—	268	287
Reclassement des dépenses en santé ⁽¹⁾	—	81	81
RÉVISIONS	—	349	368
PROGRAM SPENDING - BUDGET 2016-2017	66 460	68 238	70 156
<i>% change</i>	<i>1.7</i>	<i>2.7</i>	<i>2.8</i>

(1) Expenses previously financed by the Fund to Finance Health and Social Services Institutions (FINESSS), corresponding to the reduction in the health contribution for 2016-2017 announced in Budget 2015-2016.

1.3.2 Consolidated debt service

[] Adjustments for 2015-2016

In 2015-2016, consolidated debt service should stand at \$10.1 billion, i.e. \$7.3 billion for direct debt service and \$2.7 billion for interest on the liability related to the retirement plans of public and parapublic sector employees.

Compared with the March 2015 budget, debt service has been adjusted downward by \$428 million in 2015-2016 mainly because of lower-than-expected interest rates and the higher-than-anticipated return on the Retirement Plans Sinking Fund (RPSF) in 2014-2015, which affects debt service as of 2015-2016. The income of the RPSF is recorded as a deduction from debt service.

[] Outlook for 2016-2017 and 2017-2018

Debt service is expected to rise by 3.6% in 2016-2017 and 0.9% in 2017-2018, owing mainly to the anticipated increase in interest rates and the debt.

TABLE D.9

Change in consolidated debt service (millions of dollars)

	Budget 2015-2016		Budget 2016-2017		
	2015-2016	Adjustments	2015-2016	2016-2017	2017-2018
Direct debt service	7 633	-320	7 313	7 951	8 313
Interest on the retirement plans liability ⁽¹⁾	2 844	-99	2 745	2 475	2 215
Interest on the employee future benefits liability ⁽²⁾	6	-9	-3	-8	-13
TOTAL	10 483	-428	10 055	10 418	10 515
% change	1.5		-2.1	3.6	0.9

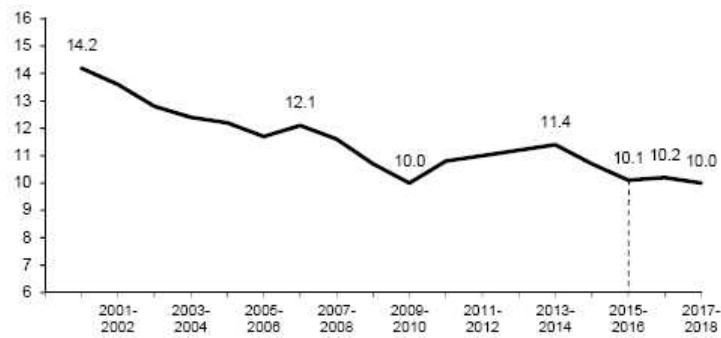
- (1) This corresponds to the interest on the obligations relating to the retirement plans of public and parapublic sector employees less the investment income of the Retirement Plans Sinking Fund.
- (2) This corresponds to the interest on the obligation relating to the survivor's pension plan less the investment income of the Survivor's Pension Plan Fund and the interest on the obligation relating to accumulated sick leave less the investment income of the Accumulated Sick Leave Fund.

• **Proportion of revenue devoted to consolidated debt service**

The proportion of revenue devoted to consolidated debt service will stand at 10.1% in 2015-2016, 10.2% in 2016-2017 and 10.0% in 2017-2018, compared with 14.2% in 2000-2001.

CHART D.1

Consolidated debt service
(percentage of consolidated revenue)



2. FINANCIAL FRAMEWORK BY SECTOR

The consolidated financial framework has several sectoral components included in the government reporting entity that reflect the financial organization of public and parapublic sector activities. Table D.10 presents the forecast revenue and expenditure of these different components for fiscal 2015-2016 to 2017-2018.

Tables D.11 to D.19 present, for 2015-2016 to 2017-2018, the transactions carried out by the general fund, special funds, specified purpose accounts, non-budget-funded bodies and the health and social services and education networks, as well as tax-funded expenditures.

Lastly, to determine consolidated revenue and expenditure levels, financial transactions between entities in the government reporting entity are eliminated.

TABLE D.10

Financial framework for consolidated revenue and expenditure by sector
(millions of dollars)

	2015-2016	2016-2017	2017-2018
Revenue			
General fund	73 924	76 542	78 929
Special funds	13 445	13 746	13 607
Generations Fund	1 431	2 028	2 504
Specified purpose accounts	1 062	982	862
Non-budget-funded bodies	20 312	20 651	21 591
Health and social services and education networks	39 458	40 346	40 907
Tax-funded transfers ⁽¹⁾	6 323	6 265	6 334
Consolidated adjustments ⁽²⁾	-56 535	-57 994	-59 409
Total consolidated revenue	99 420	102 566	105 325
Expenditure			
General fund	-66 460	-68 238	-70 156
Special funds	-11 379	-12 062	-12 001
Specified purpose accounts	-1 062	-982	-862
Non-budget-funded bodies	-19 231	-19 752	-20 813
Health and social services and education networks	-38 687	-39 526	-40 016
Tax-funded transfers ⁽¹⁾	-6 323	-6 265	-6 334
Consolidated adjustments ⁽²⁾	55 508	57 105	58 276
Consolidated expenditures excluding debt service	-87 634	-89 720	-91 906
Debt service			
General fund	-8 019	-8 318	-8 283
Consolidated entities ⁽³⁾	-2 036	-2 100	-2 232
Total consolidated debt service	-10 055	-10 418	-10 515
Total consolidated expenditure	-97 689	-100 138	-102 421
Contingency reserve	-300	-400	-400
SURPLUS (DEFICIT)	1 431	2 028	2 504
BALANCED BUDGET ACT			
Deposits of dedicated revenues in the Generations Fund	-1 431	-2 028	-2 504
BUDGETARY BALANCE⁽⁴⁾	—	—	—

(1) Includes doubtful tax accounts.

(2) Consolidation adjustments stem mainly from the elimination of reciprocal transactions between entities in different sectors.

(3) Includes consolidation adjustments.

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

Change in consolidated expenditure by sector

The following table shows the change in consolidated expenditure by sector for 2015-2016 to 2017-2018.

Change in consolidated expenditure by sector (millions of dollars)

	2015-2016	2016-2017	2017-2018
Expenditure			
General fund (program spending)	-66 460	-68 238	-70 156
<i>% change</i>	1.7	2.7	2.8
Special funds	-11 379	-12 062	-12 001
<i>% change</i>	2.5	6.0	-0.5
Specified purpose accounts	-1 062	-982	-862
<i>% change</i>	6.2	-7.5	-12.2
Non-budget-funded bodies	-19 231	-19 752	-20 813
<i>% change</i>	7.1	2.7	5.4
Health and social services and education network	-38 687	-39 526	-40 016
<i>% change</i>	0.2	2.2	1.2
Tax-funded transfers ⁽¹⁾	-6 323	-6 265	-6 334
<i>% change</i>	-4.8	-0.9	1.1
Consolidated adjustments ⁽²⁾	55 508	57 105	58 276
Consolidated expenditures excluding debt service	-87 634	-89 720	-91 906
<i>% change</i>	2.5	2.4	2.4
Debt service			
General fund (program spending)	-8 019	-8 318	-8 283
<i>% change</i>	-1.6	3.7	-0.4
Consolidated entities ⁽³⁾	-2 036	-2 100	-2 232
<i>% change</i>	-4.0	3.1	6.3
Total consolidated debt service	-10 055	-10 418	-10 515
<i>% change</i>	-2.1	3.6	0.9
Total consolidated expenditure	-97 689	-100 138	-102 421
<i>% change</i>	2.0	2.5	2.3

(1) Includes doubtful tax accounts.

(2) Consolidation adjustments stem mainly from the elimination of reciprocal transactions between entities in different sectors.

(3) Includes consolidation adjustments.

2.1 General fund

The general fund is used to finance nearly three quarters of the government's consolidated expenditure.

The revenue of the general fund, which includes own-source revenue and federal transfers, will amount to \$73.9 billion in 2015-2016 and increase by 3.5% in 2016-2017 and 3.1% in 2017-2018, to \$76.5 billion and \$78.9 billion, respectively.

The expenditure of the general fund, which includes, in particular, program spending, will stand at \$74.5 billion in 2015-2016 and grow by 2.8% in 2016-2017 and 2.5% in 2017-2018, to \$76.6 billion and \$78.4 billion, respectively.

TABLE D.11

Summary of the budgetary transactions of the general fund (millions of dollars)

	2015-2016	2016-2017	2017-2018
Revenue			
Income and property taxes	32 510	34 186	35 584
Consumption taxes	17 782	17 777	18 201
Duties and permits	333	311	311
Miscellaneous revenue	1 400	1 384	1 409
Government enterprises	4 863	4 680	4 531
Own-source revenue	56 888	58 338	60 036
<i>% change</i>	<i>4.0</i>	<i>2.5</i>	<i>2.9</i>
Federal transfers	17 036	18 204	18 893
<i>% change</i>	<i>1.2</i>	<i>6.9</i>	<i>3.8</i>
Total revenue	73 924	76 542	78 929
<i>% change</i>	<i>3.3</i>	<i>3.5</i>	<i>3.1</i>
Expenditure			
Program spending	-66 460	-68 238	-70 156
<i>% change</i>	<i>1.7</i>	<i>2.7</i>	<i>2.8</i>
Debt service	-8 019	-8 318	-8 283
<i>% change</i>	<i>-1.6</i>	<i>3.7</i>	<i>-0.4</i>
Total expenditure	-74 479	-76 556	-78 439
<i>% change</i>	<i>1.3</i>	<i>2.8</i>	<i>2.5</i>
Contingency reserve	-300	-400	-400
SURPLUS (DEFICIT)	-855	-414	90

Change in the revenue of the general fund

The following table shows the revenue of the general fund according to the reporting structure used in the monthly report on financial transactions.

Revenue of the general fund (millions of dollars)

	2015-2016	2016-2017	% change
Own-source revenue excluding government enterprises			
Income and property taxes			
Personal income tax	21 158	22 261	5.2
Contributions to the Health Services Fund	7 022	7 186	2.3
Corporate taxes	4 330	4 739	9.4
Consumption taxes	17 782	17 777	0.0
Other revenue sources	1 733	1 695	-2.2
Total own-source revenue excluding government enterprises	52 025	53 658	3.1
Government enterprises	4 863	4 680	-3.8
Total own-source revenue	56 888	58 338	2.5
Federal transfers			
Equalization	9 521	10 030	5.3
Health transfers ⁽¹⁾	5 109	5 602	9.6
Transfers for post-secondary education and other social programs	1 542	1 629	5.6
Other programs	864	943	9.1
Total federal transfers	17 036	18 204	6.9
TOTAL	73 924	76 542	3.5

(1) In 2015-2016 and 2016-2017, \$378 million and \$342 million, respectively, from health transfers are allocated to the Fund to Finance Health and Social Services Institutions (FINESSS), which is a consolidated entity. These allocations have already been deducted from health transfers.

2.2 Special funds

The special funds are entities set up by law to finance certain activities within government departments and bodies.⁴

The activities of special funds may be funded, in particular, through tax revenues, fees or transfers from program spending.

The following table shows the forecasts pertaining to special funds for 2015-2016 to 2017-2018.

TABLE D.12

Summary of the budgetary transactions of special funds⁽¹⁾ (millions of dollars)

	2015-2016	2016-2017	2017-2018
Revenue			
Income and property taxes	2 065	1 922	1 686
Consumption taxes	2 436	2 458	2 465
Duties and permits	2 245	2 219	2 133
Miscellaneous revenue	1 770	2 052	2 260
Own-source revenue	8 516	8 651	8 544
Québec government transfers	4 479	4 674	4 652
Federal transfers	450	421	411
Total revenue	13 445	13 746	13 607
% change⁽²⁾	3.0	2.2	-1.0
Expenditure			
Expenditure excluding debt service	-11 379	-12 062	-12 001
% change	2.5	6.0	-0.5
Debt service	-1 403	-1 538	-1 724
Total expenditures	-12 782	-13 600	-13 725
% change⁽²⁾	2.5	6.4	0.9
SURPLUS (DEFICIT)	663	146	-118

(1) Excludes the Generations Fund.

The revenue of the special funds will amount to \$13.4 billion for 2015-2016, \$13.7 billion for 2016-2017 and \$13.6 billion for 2017-2018, representing a change of 3.0%, 2.2% and -1.0%, respectively.

⁴ A detailed list of special funds is provided in Appendix 2.

The expenditure of the special funds excluding debt service will stand at \$11.4 billion in 2015-2016, \$12.1 billion in 2016-2017 and \$12.0 billion in 2017-2018, representing a change of 2.5%, 6.0% and -0.5%, respectively.

The growth in spending by special funds stems mainly from:

- the Land Transportation Network Fund, for funding road networks and public transit infrastructure;
- the Green Fund, given the deployment of the 2013-2020 Climate Change Action Plan (2013-2020 CCAP);
- the Northern Plan Fund, following a non-recurring payment to the Société du Plan Nord for the purchase of a limited partnership.

TABLE D.13

Expenditure of special funds excluding debt service
(millions of dollars)

	2015-2016	2016-2017	2017-2018
Land Transportation Network Fund (FORT)	2 742	2 671	2 815
Green Fund	557	867	798
Fonds du Plan Nord	76	172	73
Elimination of reciprocal transactions between FORT and the Green Fund	-244	-258	-250
Subtotal	3 131	3 452	3 436
<i>% change</i>	<i>14.1</i>	<i>10.3</i>	<i>-0.5</i>
Other special funds ⁽¹⁾	8 248	8 610	8 565
<i>% change</i>	<i>-1.3</i>	<i>4.4</i>	<i>-0.5</i>
TOTAL	11 379	12 062	12 001
<i>% change</i>	<i>2.5</i>	<i>6.0</i>	<i>-0.5</i>

(1) Includes other eliminations of reciprocal transactions between special funds.

Reconciliation of the expenditure budget of special funds with the government's consolidated financial framework	
The Secrétariat du Conseil du trésor tables the Special Funds Budget in the National Assembly in order for the expenditure and investment forecasts of these entities to be approved. The following table illustrates the reconciliation of the expenditures presented in the Special Funds Budget with those presented in the Economic Plan. Debt service of the Financing Fund is excluded from Parliamentary authorization since the advances received by the fund are derived from loans made by the government. Expenditures to service the debt of these borrowings are already covered by the general fund and are repaid by the clientele of the Financing Fund. – The Act respecting the Ministère des Finances (CQLR, chapter M-24.01) provides for special treatment of the Financing Fund because of its role as financial intermediary between the general fund and its clientele, which consists of public bodies and special funds. In addition, the Economic Plan presents the consolidated financial framework of the Québec government including the reporting entity's various sectoral components. The spending forecasts for special funds included in the consolidated financial framework incorporate the elimination of reciprocal transactions between entities in the same sector (i.e. between special funds).	
Reconciliation of the special funds' expenditure budget with the government's consolidated financial framework (millions of dollars)	
	2016-2017
Expenditure budget of special funds to be approved by the National Assembly	13 212
Dépenses ayant déjà fait l'objet d'une approbation par l'Assemblée nationale	85
Debt service of the Financing Fund	1 470
Subtotal	14 767
Elimination of reciprocal transactions between special funds ⁽¹⁾	–1 167
Expenditure of special funds presented in the Economic Plan	13 600
(1) Including \$722 million attributable to reciprocal transactions of the Financing Fund with the other special funds.	

Highway Safety Fund

Improving the road safety record is a constant objective of the government. To that end, automated monitoring devices¹ have been used in certain target areas in Québec since 2009. For example, such devices may be used in school zones and on certain road construction sites.

Fines and fees arising from offences detected by automated traffic enforcement devices are paid into the Highway Safety Fund. Created in 2007, this fund is dedicated exclusively to funding highway safety measures and highway safety and road victim assistance programs.

An advisory committee composed of seven members has been formed to make recommendations on the use of the sums paid into the Highway Safety Fund. This committee may also present proposals concerning measures and programs to be financed by the Fund.

Under a pilot project, automated traffic enforcement devices have been installed on the road network in certain municipalities. The financial surplus generated by the use of these devices will be shared with the municipalities in accordance with a formula that is to be determined. In accordance with the objective of the Highway Safety Fund, the sums paid to the municipalities must be used to fund highway safety measures and highway safety and road victim assistance programs.

¹ Photo radar devices and red light camera systems.

[] **Generations Fund**

For 2015-2016, 2016-2017 and 2017-2018, revenues dedicated to the Generations Fund will reach \$1.4 billion, \$2.0 billion and \$2.5 billion, respectively.

Accordingly, as March 31, 2018, the book value of the Generations Fund will be \$13.0 billion. The results of and change in the Generations Fund are presented in greater detail in Section D of *Additional Information 2016-2017*.

TABLE D.14

Summary of the budgetary transactions of the Generations Fund
(millions of dollars)

	2015-2016 ⁽¹⁾	2016-2017	2017-2018
Revenue			
Consumption taxes			
Specific tax on alcoholic beverages	100	500	500
Subtotal	100	500	500
Duties and permits			
Water-power royalties	756	747	780
Mining revenues	80	109	150
Subtotal	836	856	930
Miscellaneous revenue			
Unclaimed property	50	30	15
Investment income	347	472	624
Subtotal	397	502	639
Government enterprises			
Indexation of the price of heritage electricity	98	170	220
Additional contribution from Hydro-Québec	—	—	215
Subtotal	98	170	435
Total revenue	1 431	2 028	2 504

(1) Excludes the deposit of \$108 million from the accumulated surplus of the Commission des normes du travail.

2.3 Specified purpose accounts

A specified purpose account is a financial management mechanism that enables a government department to record separately sums paid into the Consolidated Revenue Fund by a third party under a contract or agreement that provides for the sums to be allocated to a specific purpose.

The following table shows the forecasts pertaining to specified purpose accounts for 2015-2016 to 2017-2018.

TABLE D.15

Summary of the budgetary transactions of specified purpose accounts (millions of dollars)

	2015-2016	2016-2017	2017-2018
Revenue			
Miscellaneous revenue	234	168	164
Own-source revenue	234	168	164
Federal transfers	828	814	698
Total revenue	1 062	982	862
<i>% change</i>	<i>6.2</i>	<i>-7.5</i>	<i>-12.2</i>
Expenditure			
Expenditure excluding debt service	-1 062	-982	-862
Total expenditures	-1 062	-982	-862
<i>% change</i>	<i>6.2</i>	<i>-7.5</i>	<i>-12.2</i>
SURPLUS (DEFICIT)	—	—	—

The revenue and expenditure of specified purpose accounts will amount to \$1.1 billion for 2015-2016, \$1.0 billion for 2016-2017 and \$0.9 billion for 2017-2018.

The decrease in the revenue and expenditure of specified purpose accounts is explained chiefly by:

- the end, in 2016-2017, of the financial assistance agreement stemming from the disaster in the town of Lac-Mégantic;
- the completion of projects to computerize the health and social services network.

2.4 Non-budget-funded bodies

Non-budget-funded bodies were created to provide specific services to the public.⁵

The following table shows the forecasts pertaining to non-budget-funded bodies for 2015-2016 to 2017-2018.

TABLE D.16

Summary of the budgetary transactions of non-budget-funded bodies (millions of dollars)

	2015-2016	2016-2017	2017-2018
Revenue			
Income and property taxes	54	—	—
Consumption taxes	120	120	121
Duties and permits	425	436	449
Miscellaneous revenue	5 752	6 008	5 861
Own-source revenue	6 351	6 564	6 431
Québec government transfers	12 894	13 012	14 073
Federal transfers	1 067	1 075	1 087
Total revenue	20 312	20 651	21 591
% change	5.6	1.7	4.6
Expenditure			
Expenditure excluding debt service	−19 231	−19 752	−20 813
% change	7.1	2.7	5.4
Debt service	−768	−725	−713
Total expenditures	−19 999	−20 477	−21 526
% change	6.1	2.4	5.1
SURPLUS (DEFICIT)	313	174	65

The revenue of non-budget-funded bodies will amount to \$20.3 billion for 2015-2016, \$20.7 billion for 2016-2017 and \$21.6 billion for 2017-2018, representing an increase of 5.6%, 1.7% and 4.6%, respectively.

The expenditure of non-budget-funded bodies excluding debt service will stand at \$19.2 billion in 2015-2016, \$19.8 billion in 2016-2017 and \$20.8 billion in 2017-2018, representing an increase of 7.1%, 2.7% and 5.4%.

⁵ A detailed list of non-budget-funded bodies is presented in Appendix 2.

The priority missions of the Régie de l'assurance maladie du Québec and the Prescription Drug Insurance Fund account, in particular, for the higher growth in the revenue and expenditure of non-budget-funded bodies.

The growth in spending by the Société de financement des infrastructures locales du Québec in 2016-2017 can be attributed mainly to acceleration of the implementation of projects under the program pertaining to the gasoline tax and Québec's 2014-2019 contribution.

TABLE D.17

Expenditure of non-budget-funded bodies excluding debt service
(millions of dollars)

	2015-2016	2016-2017	2017-2018
Régie de l'assurance maladie du Québec (RAMQ)	11 908	12 130	13 073
Prescription Drug Insurance Fund (PDIF)	3 580	3 679	4 033
Société de financement des infrastructures locales du Québec	640	700	701
Elimination of reciprocal transactions between RAMQ and the PDIF	-3 571	-3 670	-4 024
Subtotal	12 557	12 839	13 783
<i>% change</i>	<i>9.7</i>	<i>2.2</i>	<i>7.4</i>
Other non-budget-funded bodies ⁽¹⁾	6 674	6 913	7 030
<i>% change</i>	<i>2.5</i>	<i>3.6</i>	<i>1.7</i>
TOTAL	19 231	19 752	20 813
<i>% change</i>	<i>7.1</i>	<i>2.7</i>	<i>5.4</i>

(1) Includes other eliminations of reciprocal transactions between non-budget-funded bodies.

**Reconciliation of the expenditure
budget of non-budget-funded bodies with
the government's consolidated financial framework**

The Secrétariat du Conseil du trésor tables the revenue and expenditure forecasts for non-budget-funded bodies in the National Assembly.

The following table illustrates the reconciliation of the expenditures presented in the budget of non-budget-funded bodies with those presented in the Economic Plan.

The Economic Plan presents the consolidated financial framework of the Québec government including the reporting entity's various sectoral components. The forecasts for non-budget-funded bodies included in the consolidated financial framework incorporate:

- the elimination of reciprocal transactions between entities in the same sector;
- the harmonization entries intended to harmonize the entities' forecasts with the government's accounting policies.

**Reconciliation of the expenditure budget of non-budget-funded bodies with
the government's consolidated financial framework**
(millions of dollars)

	2016-2017
Expenditure of non-budget-funded bodies to be tabled in the National Assembly	24 536
Elimination of reciprocal transactions between non-budget-funded bodies and harmonizations ⁽¹⁾	-4 059
Expenditure of non-budget-funded bodies presented in the Economic Plan	20 477

(1) Including \$3.7 billion attributable to reciprocal transactions of the Régie de l'assurance maladie du Québec with the Prescription Drug Insurance Fund.

2.5 Health and social services and education networks

The following table shows the forecasts pertaining to the health and social services and education networks for 2015-2016 to 2017-2018.

The organizational structure of the health and social services network was changed following the adoption of the *Act to modify the organization and governance of the health and social services network, in particular by abolishing the regional agencies* (S.Q. 2015, chapter 1), assented to on February 9, 2015. As of April 1, 2015, governance was reduced to two hierarchical levels consisting of the Ministère de la Santé et des Services sociaux and 34 public establishments.

As for the education networks, they are made up of school boards, the Comité de gestion de la taxe scolaire de l'île de Montréal, CEGEPS, as well as the Université du Québec and its constituents.

TABLE D.18

Summary of the budgetary transactions of the health and social services and education networks (millions of dollars)

	2015-2016	2016-2017	2017-2018
Revenue			
Income and property taxes	2 033	2 135	2 215
Miscellaneous revenue	4 064	4 108	4 180
Own-source revenue	6 097	6 243	6 395
Québec government transfers	33 050	33 814	34 219
Federal transfers	311	289	293
Total revenue	39 458	40 346	40 907
% change	0.3	2.3	1.4
Expenditure			
Expenditure excluding debt service	-38 687	-39 526	-40 016
% change	0.2	2.2	1.2
Debt service	-803	-830	-891
Total expenditures	-39 490	-40 356	-40 907
% change	0.2	2.2	1.4
SURPLUS (DEFICIT)	-32	-10	—

The revenue of organizations in the health and social services and education networks will amount to \$39.5 billion for 2015-2016, \$40.3 billion for 2016-2017 and \$40.9 billion for 2017-2018, representing an increase of 0.3%, 2.3% and 1.4%, respectively.

The expenditure of organizations in the health and social services and education networks excluding debt service will stand at \$38.7 billion in 2015-2016, \$39.5 billion in 2016-2017 and \$40.0 billion in 2017-2018, representing an increase of 0.2%, 2.2 % and 1.2%, respectively.

2.6 Tax-funded expenditures

Refundable tax credits for individuals and corporations, which are similar to tax-funded transfer expenditures, are recorded in spending rather than as reductions in revenue. Expenditures related to doubtful tax accounts are added to these refundable tax credits.

There will be a 4.8% decrease in tax-funded expenditures in 2015-2016 in relation to the previous year and a less substantial decline in 2016-2017, i.e. 0.9 %. This change is explained, in particular, by certain measures announced in:

- Budget 2014-2015, including the revision of the rates of tax credits granted to corporations;
- the December 2014 *Update on Québec's Economic and Financial Situation*, including the introduction of a minimum eligible expenditure threshold for R&D tax credits and the investment tax credit;
- Budget 2015-2016, including the measures intended to increase the effectiveness of the sectoral tax assistance granted to corporations and the introduction of a tax shield for individuals, which offset as of 2016-2017 the impact of the measures announced previously;
- Budget 2016-2017, including the improvements to work premiums for households without children and to the tax shield.

The increase for 2017-2018 is attributed, in particular, to the change in the tax credit for home-support services for seniors and in child assistance.

TABLE D.19

Summary of budgetary transactions relating to tax-funded expenditures (millions of dollars)

	2015-2016	2016-2017	2017-2018
Revenue			
Personal income tax	4 279	4 384	4 462
Corporate taxes	1 828	1 638	1 623
Consumption taxes	216	243	249
Total revenue	6 323	6 265	6 334
<i>% change</i>	<i>-4.8</i>	<i>-0.9</i>	<i>1.1</i>
Expenditure	-6 323	-6 265	-6 334
<i>% change</i>	<i>-4.8</i>	<i>-0.9</i>	<i>1.1</i>
SURPLUS (DEFICIT)	—	—	—

3. NET FINANCIAL REQUIREMENTS

Surpluses or net financial requirements represent the difference between the government's cash inflow and disbursements. These surpluses or net financial requirements take into account changes in the budgetary balance on an accrual basis, resources or requirements arising from the acquisition or disposal of fixed assets, investments, loans and advances, and from other activities such as paying accounts payable and collecting accounts receivable.

The government will post a financial surplus of \$233 million in fiscal 2015-2016, a financial requirement of \$1.8 billion for 2016-2017 and a financial surplus of \$463 million for 2017-2018.

TABLE D.20

Net financial requirements⁽¹⁾
(millions of dollars)

	2015-2016	2016-2017	2017-2018
SURPLUS (DEFICIT)	1 431	2 028	2 504
Non-budgetary transactions			
Investments, loans and advances	-1 539	-3 281	-1 532
Capital expenditures	-2 218	-3 330	-2 885
Retirement plans and employee future benefits	3 377	3 382	3 335
Other accounts	-818	-589	-959
Total non-budgetary transactions	-1 198	-3 818	-2 041
NET FINANCIAL REQUIREMENTS	233	-1 790	463

(1) A negative entry indicates a financial requirement and a positive entry, a source of financing.

[] Investments, loans and advances

Investments, loans and advances include mainly investments made by the government in its enterprises and loans and advances granted to entities not included in the government's reporting entity.

Net financial requirements for investments, loans and advances are estimated at \$1.5 billion, \$3.3 billion and \$1.5 billion for fiscal 2015-2016, 2016-2017 and 2017-2018, respectively. In 2016-2017, investments, loans and advances include the government's investment in the implementation of Bombardier's C series program (US\$1 billion, or approximately CAN\$1.3 billion).

[] **Capital expenditures**

In 2015-2016, forecast net financial requirements associated with net capital investments amount to \$2.2 billion.

Net financial requirements attributable to net investments for fiscal 2016-2017 and 2017-2018 will stand at \$3.3 billion and \$2.9 billion, respectively.

TABLE D.21

Consolidated net capital investments⁽¹⁾
(millions of dollars)

	2015-2016	2016-2017	2017-2018
Investments ⁽²⁾	-6 636	-7 311	-6 976
Depreciation	3 687	3 817	3 951
Net investments	-2 949	-3 494	-3 025
Less: PPP investments ⁽³⁾	731	164	140
NET CAPITAL INVESTMENTS	-2 218	-3 330	-2 885

(1) A negative entry indicates a financial requirement and a positive entry, a source of financing.

(2) Includes mainly investments provided for under the 2016-2026 Québec Infrastructure Plan, except for those made outside the reporting entity.

(3) Investments made under public-private partnership (PPP) agreements correspond to new commitments that are taken into account in the government's gross debt. In accordance with the government's accounting policies, PPP investments are recognized in the government's assets as well as in its debt.

[] **Retirement plans and employee future benefits**

Forecast growth in the non-budgetary balance for the retirement plans and employee future benefits stands at \$3.4 billion per year for fiscal 2015-2016 and 2016-2017 and at \$3.3 billion for fiscal 2017-2018.

[] **Other accounts**

Net financial requirements for other accounts consist of a series of changes in assets and liabilities such as accounts receivable and accounts payable.

In 2015-2016, the change in these other accounts of the government raises net financial requirements by \$818 million. Net financial requirements will stand at \$589 million and \$959 million for fiscal 2016-2017 and 2017-2018, respectively.

[] **Net financial requirements by sector**

The following table shows net financial requirements by sector.

TABLE D.22

Net financial requirements by sector⁽¹⁾
(millions of dollars)

	2015-2016	2016-2017	2017-2018
General fund	2 088	755	2 195
Consolidated entities ⁽²⁾	-3 394	-4 573	-4 236
Generations Fund	1 539	2 028	2 504
NET FINANCIAL REQUIREMENTS	233	-1 790	463

(1) A negative entry indicates a financial requirement and a positive entry, a source of financing.

(2) Excludes the Generations Fund.

APPENDIX 1: SENSITIVITY ANALYSIS OF ECONOMIC VARIABLES

The financial framework’s forecasts incorporate certain components of uncertainty that do not depend on the government directly, but which may cause actual results to differ from the forecasts.

[] Sensitivity of the Québec economy to external shocks

The forecasts for the Québec economy are based on numerous analyses, including periodic assessments of the main economic statistics and the results obtained with various econometric models.

Given that the Québec economy is characterized by considerable openness to trade, Québec’s economic variables are influenced by several external factors. The most important of these factors are related to the activities of Québec’s main trading partners, the United States and the rest of Canada.

• **Impact of external variables on the Québec economy**

An analysis conducted with a Structural VAR⁶ model has made it possible to estimate, on the basis of historical data, the sensitivity of Québec’s economic variables to certain important external variables.

— The findings show that a change of 1% in U.S. real GDP entails on average a change of 0.5% in Québec’s real GDP.

Moreover, the model makes it possible to quantify the extent to which the economy of Ontario influences that of Québec.

— Accordingly, a change of 1% in Ontario’s real GDP gives rise on average to a change of 0.4% in Québec’s real GDP.
 — Ontario is the Canadian province with which Québec has the most commercial ties, in addition to having a similar economic structure. In 2012, exports to Ontario accounted for roughly 60% of Québec’s interprovincial exports.

TABLE D.23

Impact of external shocks on the growth rate of Québec’s real GDP

External shocks of 1%	Maturity ⁽¹⁾ (quarters)	Impact on Québec's real GDP (percentage points)
U.S. real GDP	2	0.5
Ontario real GDP	2	0.4

(1) Maturity corresponds to the number of quarters needed to record the greatest impact on Québec’s real GDP, presented in the right-hand column.

Sources: Institut de la statistique du Québec, Ontario Ministry of Finance, IHS Global Insight, Statistics Canada, Bloomberg and Ministère des Finances du Québec.

⁶ Vector autoregression. This econometric technique is used to estimate, on the basis of numerous observations, the extent to which changes in one economic variable affect another economic variable (impulse response). The estimates were made using quarterly data from Statistics Canada's 1993 System of National Accounts (SNA 1993), for the 1981-2010 period.

[] **Sensitivity of own-source revenue to economic fluctuations**

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

- According to the overall sensitivity analysis, a change of 1 percentage point in nominal GDP has an impact of about \$650 million on the government's consolidated own-source revenue.

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

- In reality, a change in economic outlook can have a greater impact on some economic variables, as well as greater repercussions on certain tax bases and smaller ones on others.

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

- Indeed, for a given year, economic fluctuations may have various impacts on revenue because of changes in the behaviour of economic agents.
- In these situations, the change in own-source revenue can be greater or lower than the change in nominal GDP.

TABLE D.24

Sensitivity of consolidated own-source revenue to major economic variables

Variables	Growth forecasts	
	for 2016	Impacts for fiscal 2016-2017
Nominal GDP	3.2%	A variation of 1 percentage point changes own-source revenue by roughly \$650 million.
— Salaries and wages	3.1%	A variation of 1 percentage point changes personal income tax revenue by about \$270 million.
— Employment insurance	0.2%	A variation of 1 percentage point changes personal income tax revenue by roughly \$5 million.
— Pension income	7.0%	A variation of 1 percentage point changes personal income tax revenue by around \$40 million.
— Net operating surplus of corporations	5.9%	A variation of 1 percentage point changes corporate income tax revenue by almost \$30 million.
— Household consumption	3.5%	A variation of 1 percentage point changes QST revenue by about \$165 million.
— Residential investments	2.1%	A variation of 1 percentage point changes QST revenue by approximately \$20 million.

[] **Sensitivity of debt service to a change in interest rates and exchange rates**

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

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

APPENDIX 2: CONSOLIDATED REVENUE AND EXPENDITURE BY DEPARTMENTAL PORTFOLIO

The budget documents produced by the government provide a detailed picture of the budgets of government entities.

— These documents group these entities according to their financial organization as budgetary entities, special funds or non-budget-funded bodies.

However, the budgetary data pertaining to these entities are not presented on a consolidated basis by departmental portfolio.

— To fulfil its missions, the government sets up programs that are administered directly by government departments or bodies. A portfolio includes all of the programs that fall under the responsibility of a minister.

Like many jurisdictions and with the intention to continue adopting best practices for the presentation of budgetary information, the government has undertaken to implement a new presentation of consolidated revenue and expenditure by departmental portfolio.

Main steps leading to the presentation of revenue and expenditure by departmental portfolio
The government announced in Budget 2015-2016 its intention to gradually implement by 2017-2018 a new presentation of consolidated revenue and expenditure by departmental portfolio. The approach used to determine the level of consolidated revenue and expenditure by portfolio has three main focuses: – developing a model for consolidating revenue and expenditure by departmental portfolio; – making the necessary improvements to budgetary information systems in order to adapt the budget documents to the new presentation and provide the information necessary for decision-making; – making any adjustments required for the government management framework, which contributes in particular to optimum use of the resources of the Administration, not only in the case of expenditures funded by general taxes but also in the case of those funded by other sources. The government aims to present a forecast for consolidated revenue and expenditure by portfolio for 2017-2018 in its Budget 2017-2018.

[] **Objectives of the new presentation**

Presentation of consolidated revenue and expenditure by departmental portfolio:

- makes available consolidated budgetary information broken down by activity sector (rather than by financial organization);
- provides an additional budgetary management tool that contributes to the accountability of public decisions-makers regarding their departmental portfolio as a whole.

[] **Follow-up on the progress of work**

Over the past year, work has been carried out to make it possible to present consolidated revenue and expenditure by portfolio in 2017-2018.

In regard to the consolidation method, major efforts have been devoted to:

- breaking down the forecast for revenue and expenditure by portfolio;
- identifying reciprocal transactions between entities in the same portfolio in order to avoid recording revenue and expenditure twice.

In regard to budgetary information systems, efforts have been deployed to further systematize the process in order to identify and eliminate reciprocal transactions between entities in the same portfolio. In addition, certain models for presenting information have been developed.

This project will be carried out by the Ministère des Finances and the Secrétariat du Conseil du trésor in close cooperation with other departments and bodies.

[] **Consolidated revenue and expenditure by portfolio for 2014-2015**

Tables D.25 and D.26 present consolidated revenue for 2014-2015 by portfolio according to the 2016-2017 budgetary structure. Table D.25 classifies the revenue by sector and Table D.26, by category of revenue.

Tables D.27 and D.28 present consolidated expenditure for 2014-2015 by portfolio according to the 2016-2017 budgetary structure. Table D.27 classifies the expenditure by sector and D.28, by category of expenditure.

Since some programs are funded by reciprocal transactions between entities in different sectors or portfolios, some eliminations are necessary to avoid recording revenue or expenditure twice.

A list of the entities making up each portfolio in 2014-2015, according to the 2016-2017 budgetary structure, is provided after the tables. The list also specifies the sector of each entity.

TABLE D.25

Consolidated revenue by portfolio and sector – 2014-2015
(millions of dollars)

Portfolio	Consolidated Revenue Fund			
	General fund	Special funds	Generations Fund	Specified purpose accounts
Affaires municipales et Occupation du territoire	12	161	—	65
Agriculture, Pêcheries et Alimentation	22	—	—	106
National Assembly	—	—	—	1
Conseil du trésor et Administration gouvernementale	3	2	—	—
Conseil exécutif	—	—	—	—
Culture et Communications	2	16	—	30
Développement durable, Environnement et Lutte contre les changements climatiques	8	544	—	5
Économie, Science et Innovation	3	309	—	6
Éducation et Enseignement supérieur	176	79	—	42
Énergie et Ressources naturelles	118	282	—	—
Famille	16	2 440	—	—
Finances	69 403 ⁽²⁾	2 281	1 279	460
Forêts, Faune et Parcs	67	449	—	3
Immigration, Diversité et Inclusion	394	—	—	5
Justice	218	104	—	—
Persons Appointed by the National Assembly	1	—	—	—
Relations internationales et Francophonie	—	—	—	—
Santé et Services sociaux	86	1 750	—	176
Sécurité publique	57	570	—	93
Tourisme	—	137	—	—
Transports, Mobilité durable et Électrification des transports	44	3 749	—	—
Travail, Emploi et Solidarité sociale	911	1 213	—	8
Sous-total	71 541	14 086	1 279	1 000
Inter-portfolio eliminations ^{(1),(3)}	—	—	—	—
TOTAL	71 541	14 086	1 279	1 000

Note: Presentation according to the 2016-2017 budgetary structure. Totals may not add due to rounding.

- (1) Consolidation adjustments resulting mainly from the elimination of reciprocal transactions between entities in different sectors (intra-portfolio eliminations) or different portfolios (inter-portfolio eliminations).
- (2) Includes an amount of \$5 336 million from government enterprises, consisting of a net result of \$5 407 million less an allocation of \$71 million in revenue from Hydro-Québec to the Generations Fund.
- (3) Includes the cancellation of inter-portfolio gains for consolidation purposes.

Tax-funded expenditures	Non-budget-funded bodies	Health and social services and education networks	Intra-portfolio eliminations ⁽¹⁾	Consolidated revenue
—	1 031	—	–610	659
—	579	—	–558	149
—	—	—	—	1
—	1 570	—	–190	1 385
—	3	—	–3	—
—	478	—	–405	121
—	35	—	–7	585
—	258	—	–382	194
—	35	16 186	–12 427	4 091
—	41	—	–6	435
—	—	—	–2 410	46
6 641	2 205	—	–1 401	80 868
—	153	—	–247	425
—	—	—	—	399
—	190	—	–194	318
—	—	—	—	1
—	7	—	–4	3
—	15 334	24 170	–36 044	5 472
—	37	—	–283	474
—	136	—	–130	143
—	781	—	–495	4 079
—	166	—	–1 102	1 196
6 641	23 039	40 356	–56 898	101 044
				–5 107
6 641	23 039	40 356	–56 898	95 937

TABLE D.26

Consolidated revenue by portfolio and category – 2014-2015
(millions of dollars)

Portfolio	Income and property taxes	Consumption taxes
Affaires municipales et Occupation du territoire	—	—
Agriculture, Pêcheries et Alimentation	—	—
National Assembly	—	—
Conseil du trésor et Administration gouvernementale	—	—
Conseil exécutif	—	—
Culture et Communications	—	16
Développement durable, Environnement et Lutte contre les changements climatiques	—	19
Économie, Science et Innovation	—	—
Éducation et Enseignement supérieur	1 962	55
Énergie et Ressources naturelles	—	—
Famille	—	30
Finances	39 771	15 663
Forêts, Faune et Parcs	—	—
Immigration, Diversité et Inclusion	—	—
Justice	—	—
Persons Appointed by the National Assembly	—	—
Relations internationales et Francophonie	—	—
Santé et Services sociaux	1 098	20
Sécurité publique	—	—
Tourisme	—	77
Transports, Mobilité durable et Électrification des transports	—	2 154
Travail, Emploi et Solidarité sociale	71	—
Subtotal	42 902	18 034
Inter-portfolio eliminations ^{(1),(3)}	-1 167	-377
TOTAL	41 735	17 657

Note: Presentation according to the 2016-2017 budgetary structure. Totals may not add due to rounding.

- (1) Includes \$411 million in Québec government transfers.
- (2) Corresponds to the net result, consisting of \$20 871 million in revenue less \$15 364 million in expenditure and \$100 million in other adjustments.
- (3) Consolidation adjustments resulting mainly from the elimination of reciprocal transactions between entities in different portfolios. Includes the cancellation of inter-portfolio gains for consolidation purposes.

Duties and permits	Miscellaneous revenue	Revenue from government enterprises	Federal transfers and other ⁽¹⁾	Consolidated revenue
5	215	—	439	659
25	29	—	95	149
—	1	—	—	1
—	1 384	—	1	1 385
—	—	—	—	—
1	95	—	9	121
529	31	—	6	585
2	157	—	35	194
—	1 673	—	401	4 091
126	222	—	87	435
13	3	—	—	46
1 025	3 319	5 407 ⁽²⁾	15 683	80 868
305	115	—	5	425
51	7	—	341	399
2	280	—	36	318
—	1	—	—	1
—	1	—	2	3
2	3 682	—	670	5 472
39	348	—	87	474
—	60	—	6	143
1 092	597	—	236	4 079
65	249	—	811	1 196
3 282	12 469	5 407	18 950	101 044
—	−3 152	—	−411	−5 107
3 282	9 317	5 407	18 539	95 937

TABLE D.27

Consolidated expenditure by portfolio and sector – 2014-2015
(millions of dollars)

Portfolio	Consolidated Revenue Fund			
	General fund	Special funds	Specified purpose accounts	Tax-funded expenditures
Affaires municipales et Occupation du territoire	1 801	161	65	—
Agriculture, Pêcheries et Alimentation	922	—	106	—
National Assembly	126	—	1	—
Conseil du trésor et Administration gouvernementale	819	1	—	—
Conseil exécutif	399	—	—	—
Culture et Communications	656	13	30	219
Développement durable, Environnement et Lutte contre les changements climatiques	150	395	5	—
Économie, Science et Innovation	736	228	6	1 496
Éducation et Enseignement supérieur	16 616	82	42	102
Énergie et Ressources naturelles	74	265	—	242
Famille	2 600	2 420	—	2 839
Finances	96	967	460	767
Forêts, Faune et Parcs	456	437	3	45
Immigration, Diversité et Inclusion	156	—	5	—
Justice	833	95	—	—
Persons Appointed by the National Assembly	123	—	—	—
Relations internationales et Francophonie	96	—	—	—
Santé et Services sociaux	32 235	1 708	176	534
Sécurité publique	1 331	570	93	—
Tourisme	124	138	—	4
Transports, Mobilité durable et Électrification des transports	661	2 683	—	4
Travail, Emploi et Solidarité sociale	4 334	1 214	8	389
Inter-portfolio eliminations ⁽¹⁾				
Subtotal	65 342	11 377	1 000	6 641
Debt service	8 150	2 133	—	—
TOTAL	73 492	13 510	1 000	6 641

Note: Presentation according to the 2016-2017 budgetary structure. Totals may not add due to rounding.

- (1) Consolidation adjustments resulting mainly from the elimination of reciprocal transactions between entities in different sectors (intra-portfolio eliminations) or different portfolios (inter-portfolio eliminations).

Non-budget-funded bodies	Health and social services and education networks	Intra-portfolio eliminations ⁽¹⁾	Inter-portfolio eliminations ⁽¹⁾	Consolidated expenditure
981	—	–600		2 408
341	—	–561		808
—	—	–1		126
1 396	—	–199		2 017
3	—	–3		399
467	—	–405		980
35	—	–7		578
260	—	–374		2 352
34	15 681	–12 269		20 288
41	—	–2		620
—	—	–2 410		5 449
1 469	—	–1 396		2 363
144	—	–249		836
—	—	–1		160
189	—	–195		922
—	—	—		123
7	—	–4		99
15 315	23 816	–36 062		37 722
38	—	–280		1 752
118	—	–125		259
759	—	–408		3 699
148	—	–1 102		4 991
			–3 420	–3 420
21 745	39 497	–56 651	–3 420	85 531
906	922	–121	–1 720	10 270
22 651	40 419	–56 772	–5 140	95 801

D.53

TABLE D.28

Consolidated expenditure by portfolio and category – 2014-2015
(millions of dollars)

Portfolio	Remuneration	Operating
Affaires municipales et Occupation du territoire	84	154
Agriculture, Pêcheries et Alimentation	167	77
National Assembly	96	30
Conseil du trésor et Administration gouvernementale	943	1 039
Conseil exécutif	96	20
Culture et Communications	182	220
Développement durable, Environnement et Lutte contre les changements climatiques	141	55
Économie, Science et Innovation	88	81
Éducation et Enseignement supérieur	12 875	3 574
Énergie et Ressources naturelles	102	140
Famille	74	36
Finances	886	429
Forêts, Faune et Parcs	247	431
Immigration, Diversité et Inclusion	80	44
Justice	512	291
Persons Appointed by the National Assembly	83	22
Relations internationales et Francophonie	55	24
Santé et Services sociaux	24 125	8 760
Sécurité publique	1 141	487
Tourisme	56	109
Transports, Mobilité durable et Électrification des transports	548	2 366
Travail, Emploi et Solidarité sociale	500	243
Subtotal	43 081	18 632
Inter-portfolio eliminations ⁽⁴⁾	-1 175	-1 753
TOTAL	41 906	16 879

Note: Presentation according to the 2016-2017 budgetary structure. Totals may not add due to rounding.

- (1) Change in the provision for environmental liability attributable to the Land Transportation Network Fund (Public Accounts 2014-2015, Vol. 2, p. 116).
- (2) Appropriations to be allocated to the Natural Disaster Assistance Fund of the Conseil du Trésor et Administration gouvernementale portfolio (Expenditure Budget 2014-2015, p. 112).
- (3) Appropriations to be allocated to the Administrative Tribunal of Québec of the Justice portfolio (Expenditure Budget 2014-2015, p. 106).
- (4) Consolidation adjustments resulting mainly from the elimination of reciprocal transactions between entities in different portfolios.

Doubtful accounts and other allowances	Transfers	Allocation to a Special Fund	Subtotal	Debt service	Consolidated expenditure
5	2 165	—	2 408	74	2 482
3	561	—	808	1	809
—	—	—	126	—	126
—	40	—5 ⁽¹⁾	2 017	172	2 189
—	283	—	399	—	399
1	577	—	980	20	1 000
—	382	—	578	—	578
147	2 036	—	2 352	108	2 460
32	3 807	—	20 288	460	20 748
1	376	1 ⁽²⁾	620	—	620
—	5 339	—	5 449	—	5 449
680	368	—	2 363	9 972	12 335
3	155	—	836	3	839
—	36	—	160	—	160
3	116	—	922	—	922
—	18	—	123	—	123
—	20	—	99	—	99
32	4 805	—	37 722	341	38 063
—	124	—	1 752	—	1 752
—	94	—	259	14	273
2	783	—	3 699	825	4 524
7	4 234	7 ⁽³⁾	4 991	—	4 991
916	26 319	3	88 951	11 990	100 941
—	—489	—3	—3 420	—1 720	—5 140
916	25 830	—	85 531	10 270	95 801

TABLE D.29

List of entities by portfolio⁽¹⁾

Affaires municipales et Occupation du territoire			Culture et Communications		
Ministère des Affaires municipales et de l'Occupation du territoire			Ministère de la Culture et des Communications		Dept
Commission municipale du Québec	Dept		Commission de toponymie		BFB
Régie du logement	BFB		Conseil du patrimoine culturel du Québec		BFB
Territories Development Fund	BFB		Conseil supérieur de la langue française		BFB
Société d'habitation du Québec	SF		Office québécois de la langue française		BFB
	NBFB		Québec Cultural Heritage Fund		SF
			Bibliothèque et Archives nationales du Québec		NBFB
Agriculture, Pêcheries et Alimentation			Conseil des arts et des lettres du Québec		NBFB
Ministère de l'Agriculture, des Pêcheries et de l'Alimentation	Dept		Conservatoire de musique et d'art dramatique du Québec		NBFB
Commission de protection du territoire agricole du Québec	BFB		Musée d'art contemporain de Montréal		NBFB
Régie des marchés agricoles et alimentaires du Québec	BFB		Musée de la civilisation		NBFB
La Financière agricole du Québec	NBFB		Musée national des beaux-arts du Québec		NBFB
			Régie du cinéma		NBFB
National Assembly			Société de développement des entreprises culturelles		NBFB
National Assembly	Other		Société de la Place des Arts de Montréal		NBFB
			Société de télédiffusion du Québec		NBFB
Conseil du trésor et Administration gouvernementale			Société du Grand Théâtre de Québec		NBFB
Secrétariat du Conseil du trésor	Dept				
			Développement durable, Environnement et Lutte contre les changements climatiques		
Commission de la fonction publique	BFB		Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques		Dept
Natural Disaster Assistance Fund	SF		Bureau d'audiences publiques sur l'environnement		BFB
Centre de services partagés du Québec	NBFB		Green Fund		SF
Commission de la capitale nationale du Québec	NBFB		Société québécoise de récupération et de recyclage		NBFB
Société québécoise des infrastructures	NBFB				
Conseil exécutif					
Ministère du Conseil exécutif	Dept				
Commission d'accès à l'information	BFB				
Centre de la francophonie des Amériques	NBFB				

(1) The list comprises entities of the 2016-2017 budgetary structure that carried out financial transactions in 2014-2015.

Legend: Dept: department; BFB: budget-funded body; SF: special fund; NBFB: non-budget-funded body; HSSE: health and social services and education networks.

TABLE D.29 (cont.)

List of entities by portfolio (cont.)

Économie, Science et Innovation		Énergie et Ressources naturelles	
Ministère de l'Économie, de la Science et de l'Innovation	Dept	Ministère de l'Énergie et des Ressources naturelles	Dept
Conseil du statut de la femme	BFB	Territorial Information Fund	SF
Commission de l'éthique en science et en technologie	BFB	Natural Resources Fund	SF
Fonds de recherche du Québec – Nature et technologies	NBFB	Régie de l'énergie	NBFB
Fonds de recherche du Québec – Santé	NBFB	Société de développement de la Baie-James	NBFB
Fonds de recherche du Québec – Société et culture	NBFB	Société nationale de l'amiante	NBFB
Economic Development Fund	SF		
Centre de recherche industrielle du Québec	NBFB	Famille	
Société du parc industriel et portuaire de Bécancour	NBFB	Ministère de la Famille	Dept
		Curateur public	BFB
		Caregiver Support Fund	SF
		Educational Childcare Services Fund	SF
		Early Childhood Development Fund	SF
Éducation et Enseignement supérieur			
Ministère de l'Éducation et de l'Enseignement supérieur	Dept	Finances	
Advisory Committee on the Financial Accessibility of Education	BFB	Ministère des Finances	Dept
Commission consultative de l'enseignement privé	BFB	Financing Fund	SF
Commission d'évaluation de l'enseignement collégial	BFB	Generations Fund	SF
Conseil supérieur de l'éducation	BFB	Fonds du Bureau de décision et de révision	SF
University Excellence and Performance Fund	BFB	Fonds du centre financier de Montréal	SF
Sports and Physical Activity Development Fund	SF	Northern Plan Fund	SF
Institut de tourisme et d'hôtellerie du Québec	SF	Tax Administration Fund	SF
Institut national des mines	NBFB	Agence du revenu du Québec	NBFB
General and vocational colleges (CEGEPs)	NBFB	Autorité des marchés financiers	NBFB
School boards	HSSE	Financement-Québec	NBFB
Université du Québec and its constituents	HSSE	Institut de la statistique du Québec	NBFB
		Société de financement des infrastructures locales du Québec	NBFB
		Government enterprises ⁽²⁾	Other

(2) At the financial level, the net result of government enterprises is credited to the Finances portfolio. However, the administration of a government enterprises may come under another portfolio.

TABLE D.29 (cont.)

List of entities by portfolio (cont.)

Forêts, Faune et Parcs		Persons Appointed by the National Assembly	
Ministère des Forêts, de la Faune et des Parcs			
Natural Resources Fund – Sustainable forest development component	Dept	Ethics Commissioner	BFB
Fondation de la faune du Québec	SF	Lobbyists Commissioner	BFB
Société des établissements de plein air du Québec	NBFB	Chief Electoral Officer	BFB
Société des parcs de sciences naturelles du Québec	NBFB	Québec Ombudsman	BFB
		Auditor General	BFB
Immigration, Diversité et Inclusion		Relations internationales et Francophonie	
Ministère de l'Immigration, de la Diversité et de l'Inclusion		Ministère des Relations internationales et de la Francophonie	Dept
	Dept	Office Québec-Amériques pour la jeunesse	NBFB
		Office Québec-Monde pour la jeunesse	NBFB
Justice		Santé et Services sociaux	
Ministère de la Justice	Dept	Ministère de la Santé et des Services sociaux	Dept
Committee on the Remuneration of Judges	BFB	Commissaire à la santé et au bien-être	BFB
Committee on the Remuneration of Criminal and Penal Prosecuting Attorneys	BFB	Office des personnes handicapées du Québec	BFB
Commission des droits de la personne et des droits de la jeunesse	BFB	Fund to Finance Health and Social Services	
Conseil de la justice administrative	BFB	Institutions	SF
Conseil de la magistrature	BFB	Health and Social Services Information	
Directeur des poursuites criminelles et pénales	BFB	Resources Fund	SF
Office de la protection du consommateur	BFB	Fund for the Promotion of a Healthy Lifestyle	SF
Human Rights Tribunal	BFB	Corporation d'urgences-santé	NBFB
Access to Justice Fund	BFB	Prescription Drug Insurance Fund	NBFB
Fonds d'aide aux victimes d'actes criminels	SF	Héma-Québec	NBFB
Register Fund of the Ministère de la Justice	SF	Institut national de santé publique du Québec	NBFB
Fund of the Administrative Tribunal of Québec	SF	Institut national d'excellence en santé et en services sociaux	NBFB
Commission des services juridiques	NBFB	Régie de l'assurance maladie du Québec	NBFB
Fonds d'aide aux recours collectifs	NBFB	Integrated health and social services centre,	
Office des professions du Québec	NBFB	other public establishments and regional authorities	HSSE
Société québécoise d'information juridique	NBFB		

TABLE D.29 (cont.)

List of entities by portfolio (cont.)

Sécurité publique		Travail, Emploi et Solidarité sociale	
Ministère de la Sécurité publique	Dept	Ministère du Travail, de l'Emploi et de la	
Bureau des enquêtes indépendantes	BFB	Solidarité sociale	Dept
Bureau du coroner	BFB	Commission de l'équité salariale ⁽³⁾	BFB
Comité de déontologie policière	BFB	Commission des partenaires du marché du travail	BFB
Commissaire à la déontologie policière	BFB	Assistance Fund for Independent Community	
Commissaire à la lutte contre la corruption	BFB	Action	SF
Commission québécoise des libérations conditionnelles	BFB	Labour Market Development Fund	SF
Régie des alcools, des courses et des jeux	BFB	Goods and Services Fund	SF
Police Services Fund	SF	Information Technology Fund of the	
École nationale de police du Québec	NBFB	Ministère de l'Emploi et de la Solidarité	
École nationale des pompiers du Québec	NBFB	sociale	SF
		Administrative Labour Tribunal Fund	SF
		Fonds québécois d'initiatives sociales	SF
		Commission des normes du travail ⁽³⁾	NBFB
		Office de la sécurité du revenu des	
		chasseurs et piégeurs cris	NBFB
		Régie du bâtiment du Québec	NBFB
Tourisme			
Ministère du Tourisme	Dept		
Tourism Partnership Fund	SF		
Régie des installations olympiques	NBFB		
Société du Centre des congrès de Québec	NBFB		
Société du Palais des congrès de Montréal	NBFB		
Transports, Mobilité durable et			
Électrification des transports			
Ministère des Transports, de la Mobilité	Dept		
durable et de l'Électrification des transports	BFB		
Commission des transports du Québec	SF		
Government Air Service Fund	SF		
Rolling Stock Management Fund	SF		
Highway Safety Fund	SF		
Land Transportation Network Fund	SF		
Agence métropolitaine de transport	NBFB		
Société de l'assurance automobile du			
Québec	NBFB		
Société des traversiers du Québec	NBFB		

(3) On January 1, 2016, the activities of these bodies were transferred to the Commission des normes, de l'équité, de la santé et de la sécurité du travail, which is not included in the government reporting entity.

APPENDIX 3: ALLOCATION OF REVENUE FROM CONSUMPTION TAXES AND NATURAL RESOURCES**[] Consumption taxes**

Consumption taxes include sales taxes and specific taxes. Sales taxes include, in particular, the Québec sales tax (QST) and the tax on insurance premiums, while specific taxes are applied to fuel, tobacco products and alcoholic beverages.

For 2015-2016, revenue from consumption taxes will amount to \$18.4 billion, i.e. \$14.3 billion from sales taxes and \$4.1 billion from specific taxes.

TABLE D.30

Revenue from consumption taxes
(millions of dollars)

	2015-2016	2016-2017	2017-2018
Sales taxes⁽¹⁾	14 342	14 896	15 418
Specific taxes			
Fuel	2 340	2 355	2 382
Tobacco products	1 093	1 027	977
Alcoholic beverages ⁽²⁾	627	628	630
Subtotal	4 060	4 010	3 989
TOTAL	18 402	18 906	19 407

(1) Includes revenue from pari mutuel.

(2) Includes an annual amount of \$100 million in 2015-2016 and an amount of \$500 million in 2015-2016 and 2017-2018 dedicated to the Generation Fund.

• **Sales taxes**

Within the meaning of the *Act respecting the Québec sales tax*,⁷ sales taxes include the QST as well as the tax on insurance premiums, the tax on lodging and the specific duty on new tires.

For 2015-2016, sales tax revenue will reach \$14.3 billion. More specifically:

- the revenue of the general fund derived from the QST and the tax on insurance premiums will amount to \$16.3 billion;
- revenue of \$79 million, derived mainly from the tax on lodging, is allocated to the Tourism Partnership Fund to promote and develop tourism;
- revenue of \$21 million, derived in particular from the specific duty on new tires (\$3 per tire), is dedicated to the Société québécoise de récupération et de recyclage (RECYC-QUÉBEC) to finance the recycling of used tires.

Consolidated revenue also takes into account the cost of the solidarity tax credit and consolidation adjustments, such as the elimination of reciprocal transactions between entities in different sectors.

TABLE D.31

Allocation of sales tax revenue⁽¹⁾
(millions of dollars)

	2015-2016	2016-2017	2017-2018
General fund ⁽²⁾	16 278	16 744	17 196
Tourism Partnership Fund	79	79	79
RECYC-QUÉBEC	21	22	23
Solidarity tax credit and other ⁽³⁾	-2 036	-1 949	-1 880
TOTAL	14 342	14 896	15 418

- (1) Includes revenue from pari mutuel.
- (2) Includes, in particular, the solidarity tax credit and the partial rebate of the QST paid on property and services acquired by establishments in the health and social services and education networks.

⁷ CQLR, chapter T-0.1.

- **Specific taxes**
- **Specific tax on fuel**

For 2015-2016, the government’s own-source revenue from the specific tax on fuel will total \$2.3 billion. This amount includes:

- revenue from the specific tax of 19.2 cents per litre and 20.2 cents per litre on gasoline and diesel fuel (non-coloured fuel oil) respectively, paid into the Land Transportation Network Fund (FORT) to finance the road network and public transit infrastructure (\$2.2 billion):
 - revenue from FORT also includes revenue from the specific tax of 1 cent per litre of gasoline sold within the territory of the Gaspésie–Îles-de-la- Madeleine administrative region to improve public transportation services in this region (\$1 million);
- revenue from the specific tax of 3 cents per litre on kerosene fuel (domestic), aviation fuel and fuel oil for locomotives, paid into the general fund (\$15 million);
- revenue from the specific tax of 3 cents per litre of gasoline sold within the territory of the Agence métropolitaine de transport (AMT), paid to the AMT, for public transportation services in the metropolitan Montréal region (\$99 million).

TABLE D.32

Allocation of revenue from the specific taxes on fuel
(millions of dollars)

	2015-2016	2016-2017	2017-2018
FORT	2 226	2 242	2 269
General fund	15	15	15
AMT	99	98	98
TOTAL	2 340	2 355	2 382

- **Specific tax on tobacco products**

For 2015-2016, tax revenue from the sale of tobacco products amounts to \$1.1 billion, including:

- \$962 million paid into the general fund;
- \$131 million allocated to various special funds.

TABLE D.33

Allocation of revenue from the specific tax on tobacco products
(millions of dollars)

	2015-2016	2016-2017	2017-2018
General fund	962	890	860
Special funds			
Sports and Physical Activity Development Fund	60	66	66
Québec Cultural Heritage Fund	16	16	16
Fund for the Promotion of a Healthy Lifestyle	20	20	—
Early Childhood Development Fund	15	15	15
Caregiver Support Fund	15	15	15
Fonds Avenir Mécénat Culture	5	5	5
Subtotal	131	137	117
TOTAL	1 093	1 027	977

• **Specific tax on alcoholic beverages**

Tax revenue from the sale of alcoholic beverages totals \$627 million in 2015-2016. This revenue will reach \$630 million in 2017-2018.

- In 2015-2016, an annual amount of \$100 million from the specific tax will be allocated to the Generations Fund.
- As of 2016-2017, an additional amount of \$400 million will be deposited in the fund, bringing the total deposit from the specific tax on alcoholic beverages in the Generations Fund to \$500 million annually.

TABLE D.34

Allocation of revenue from the specific tax on alcoholic beverages
(millions of dollars)

	2015-2016	2016-2017	2017-2018
General fund	527	128	130
Generations Fund	100	500	500
TOTAL	627	628	630

[] **Natural resource duties and permits**

The government uses various means to enable Quebecers to benefit from the development of natural resources. It collects revenues from resource development, as well as revenue from the granting of permits.

- An exploration licence confers on the holder an exclusive right for exploration and the future development of the resource concerned. A lease (or right) to produce enables the holder to develop the resource in exchange for the payment of an annual rent.

In addition, to enable future generations to benefit from natural resource development and to ensure the sustainable development of resources, the legislation currently stipulates that a portion of the revenue derived from natural resources must be devoted to:

- the Natural Resources Fund, in particular, to fund:
 - activities fostering the development of mineral potential, including geoscientific knowledge acquisition activities, research and development on techniques for the exploration, development, redevelopment and rehabilitation of mining sites and support for the development of Québec entrepreneurship (mining heritage component),
 - forest development work to ensure the sustainability of Québec's forest (sustainable forest development component);
- reduction of the debt through the deposit in the Generations Fund of revenue from mining resources (100% as of 2015-2016) and water-power royalties.

In 2015-2016, natural resource revenue of \$836 million, \$259 million and \$53 million will be allocated to the Generations Fund, special funds and the general fund, respectively.

TABLE D.35

Revenue from natural resources
(millions of dollars)

	2015-2016	2016-2017	2017-2018
Duties and royalties			
Mining	86	122	162
Forest	258	292	300
Water-power	759	750	783
Oil and natural gas	—	—	—
Subtotal	1 103	1 164	1 245
Other duties and permits			
Minig	8	8	9
Forest	36	37	35
Oil and natural gas	1	1	1
Subtotal	45	46	45
TOTAL	1 148	1 210	1 290
Allocation of revenue			
General fund	53	28	26
Special funds ⁽¹⁾	259	326	334
Generations Fund	836	856	930

- (1) Includes revenue paid into the Natural Resources Fund (sustainable forest development, mining heritage and mining activity management components).



TABLE D.36

Detailed consolidated financial framework
(millions of dollars)

	2015-2016			
	Consolidated Revenue Fund			
	General fund	Special funds	Generations Fund	Specified purpose accounts
Revenue				
Personal income tax	21 158	1 174	—	—
Contributions for health services	7 022	699	—	—
Corporate taxes	4 330	192	—	—
School property tax	—	—	—	—
Consumption taxes	17 782	2 436	100	—
Duties and permits	333	2 245	836	—
Miscellaneous revenue	1 400	1 770	397	234
Government enterprises	4 863	—	98	—
Own-source revenue	56 888	8 516	1 431	234
Québec government transfers	—	4 479	—	—
Federal transfers	17 036	450	—	828
Total revenue	73 924	13 445	1 431	1 062
Expenditure				
Expenditure	-66 460	-11 379	—	-1 062
Debt service	-8 019	-1 403	—	—
Total expenditure	-74 479	-12 782	—	-1 062
Contingency reserve	-300	—	—	—
SURPLUS (DEFICIT)	-855	663	1 431	—
BALANCED BUDGET ACT				
Deposits of dedicated revenues in the Generations Fund			-1 431	
BUDGETARY BALANCE⁽³⁾				

(1) Includes doubtful tax accounts.

(2) Reclassification of abatements and consolidation adjustments resulting mainly from the elimination of reciprocal transactions between entities in different sectors.

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

2015-2016

Tax-funded expenditures ⁽¹⁾	Non-budget-funded bodies	Health and social services and education networks	Consolidation adjustments ⁽²⁾	Consolidated results
4 279	—	—	1 860	28 471
—	—	—	-1 226	6 495
1 828	54	—	—	6 404
—	—	2 033	—	2 033
216	120	—	-2 252	18 402
—	425	—	-58	3 781
—	5 752	4 064	-3 833	9 784
—	—	—	—	4 961
6 323	6 351	6 097	-5 509	80 331
—	12 894	33 050	-50 423	—
—	1 067	311	-603	19 089
6 323	20 312	39 458	-56 535	99 420
-6 323	-19 231	-38 687	55 508	-87 634
—	-768	-803	938	-10 055
-6 323	-19 999	-39 490	56 446	-97 689
—	—	—	—	-300
—	313	-32	-89	1 431

-1 431

—

D.69

TABLE D.37

Detailed consolidated financial framework
(millions of dollars)

	2016-2017			
	Consolidated Revenue Fund			
	General fund	Special funds	Generations Fund	Specified purpose accounts
Revenue				
Personal income tax	22 261	1 203	—	—
Contributions for health services	7 186	531	—	—
Corporate taxes	4 739	188	—	—
School property tax	—	—	—	—
Consumption taxes	17 777	2 458	500	—
Duties and permits	311	2 219	856	—
Miscellaneous revenue	1 384	2 052	502	168
Government enterprises	4 680	—	170	—
Own-source revenue	58 338	8 651	2 028	168
Québec government transfers	—	4 674	—	—
Federal transfers	18 204	421	—	814
Total revenue	76 542	13 746	2 028	982
Expenditure				
Expenditure	-68 238	-12 062	—	-982
Debt service	-8 318	-1 538	—	—
Total expenditure	-76 556	-13 600	—	-982
Contingency reserve	-400	—	—	—
SURPLUS (DEFICIT)	-414	146	2 028	—
BALANCED BUDGET ACT				
Deposits of dedicated revenues in the Generations Fund			-2 028	
BUDGETARY BALANCE⁽³⁾				

(1) Includes doubtful tax accounts.

(2) Reclassification of abatements and consolidation adjustments resulting mainly from the elimination of reciprocal transactions between entities in different sectors.

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

2016-2017

Tax-funded expenditures ⁽¹⁾	Non-budget-funded bodies	Health and social services and education networks	Consolidation adjustments ⁽²⁾	Consolidated results
4 384	—	—	1 791	29 639
—	—	—	-1 254	6 463
1 638	—	—	—	6 565
—	—	2 135	—	2 135
243	120	—	-2 192	18 906
—	436	—	-59	3 763
—	6 008	4 108	-4 157	10 065
—	—	—	—	4 850
6 265	6 564	6 243	-5 871	82 386
—	13 012	33 814	-51 500	—
—	1 075	289	-623	20 180
6 265	20 651	40 346	-57 994	102 566
-6 265	-19 752	-39 526	57 105	-89 720
—	-725	-830	993	-10 418
-6 265	-20 477	-40 356	58 098	-100 138
—	—	—	—	-400
—	174	-10	104	2 028
—	—	—	—	-2 028
—	—	—	—	—

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TABLE D.38

Detailed consolidated financial framework
(millions of dollars)

	2017-2018			
	Consolidated Revenue Fund			
	General fund	Special funds	Generations Fund	Specified purpose accounts
Revenue				
Personal income tax	23 325	1 267	—	—
Contributions for health services	7 242	221	—	—
Corporate taxes	5 017	198	—	—
School property tax	—	—	—	—
Consumption taxes	18 201	2 465	500	—
Duties and permits	311	2 133	930	—
Miscellaneous revenue	1 409	2 260	639	164
Government enterprises	4 531	—	435	—
Own-source revenue	60 036	8 544	2 504	164
Québec government transfers	—	4 652	—	—
Federal transfers	18 893	411	—	698
Total revenue	78 929	13 607	2 504	862
Expenditure				
Expenditure	-70 156	-12 001	—	-862
Debt service	-8 283	-1 724	—	—
Total expenditure	-78 439	-13 725	—	-862
Contingency reserve	-400	—	—	—
SURPLUS (DEFICIT)	90	-118	2 504	—
BALANCED BUDGET ACT				
Deposits of dedicated revenues in the Generations Fund			-2 504	
BUDGETARY BALANCE⁽³⁾				

(1) Includes doubtful tax accounts.

(2) Reclassification of abatements and consolidation adjustments resulting mainly from the elimination of reciprocal transactions between entities in different sectors.

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

2017-2018

Tax-funded expenditures ⁽¹⁾	Non-budget-funded bodies	Health and social services and education networks	Consolidation adjustments ⁽²⁾	Consolidated results
4 462	—	—	1 722	30 776
—	—	—	-1 268	6 195
1 623	—	—	—	6 838
—	—	2 215	—	2 215
249	121	—	-2 129	19 407
—	449	—	-59	3 764
—	5 861	4 180	-4 108	10 405
—	—	—	—	4 966
6 334	6 431	6 395	-5 842	84 566
—	14 073	34 219	-52 944	—
—	1 087	293	-623	20 759
6 334	21 591	40 907	-59 409	105 325
-6 334	-20 813	-40 016	58 276	-91 906
—	-713	-891	1 096	-10 515
-6 334	-21 526	-40 907	59 372	-102 421
—	—	—	—	-400
—	65	—	-37	2 504

-2 504

—

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**Section E “The Québec Government’s debt” from “Budget 2016-2017
– The Québec Economic Plan – March -2016”, March 17, 2016**

Section E

THE QUÉBEC GOVERNMENT’S DEBT

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1. DEBT

Several concepts of debt are used to measure a government's indebtedness. The following table presents data on Québec's debt according to three concepts, i.e. gross debt, net debt and debt representing accumulated deficits.

TABLE E.1

Debt of the Québec government as at March 31
(millions of dollars)

	2015	2016 ^P	2017 ^P	2018 ^P	2019 ^P	2020 ^P	2021 ^P
GROSS DEBT⁽¹⁾	203 957	207 709	213 017	216 067	218 037	218 404	219 061
<i>% of GDP</i>	<i>55.1</i>	<i>55.0</i>	<i>54.7</i>	<i>53.7</i>	<i>52.4</i>	<i>50.9</i>	<i>49.5</i>
Less: Financial assets, net of other liabilities	-18 377	-20 611	-24 453	-26 982	-29 099	-30 722	-33 204
NET DEBT	185 580	187 098	188 564	189 085	188 938	187 682	185 857
<i>% of GDP</i>	<i>50.1</i>	<i>49.6</i>	<i>48.4</i>	<i>47.0</i>	<i>45.4</i>	<i>43.7</i>	<i>42.0</i>
Less: Non-financial assets	-64 419	-67 368	-70 862	-73 887	-76 622	-78 677	-80 606
DEBT REPRESENTING ACCUMULATED DEFICITS	121 161	119 730	117 702	115 198	112 316	109 005	105 251
<i>% of GDP</i>	<i>32.7</i>	<i>31.7</i>	<i>30.2</i>	<i>28.6</i>	<i>27.0</i>	<i>25.4</i>	<i>23.8</i>

P: Preliminary results for 2016 and forecasts for subsequent years.

(1) The gross debt excludes pre-financing and takes into account the sums accumulated in the Generations Fund.

1.1 Gross debt

The gross debt represents the amount of debt issued on financial markets and the net liabilities in respect of the retirement plans and future benefits of public and parapublic sector employees, minus the balance of the Generations Fund.

As at March 31, 2016, the gross debt should stand at \$207 709 million, i.e. 55.0% of GDP. The gross debt burden is down compared with March 31, 2015.

TABLE E.2

Gross debt as at March 31 (millions of dollars)

	2015	2016 ^P	2017 ^P	2018 ^P	2019 ^P	2020 ^P	2021 ^P
Consolidated direct debt ⁽¹⁾	182 723	189 413	196 864	202 916	208 623	213 457	219 239
Plus: Net retirement plans liability	28 041	26 704	26 658	26 160	25 305	24 149	22 778
Plus: Net employee future benefits liability	131	69	—	—	—	—	—
Less: Generations Fund	-6 938	-8 477	-10 505	-13 009	-15 891	-19 202	-22 956
GROSS DEBT⁽¹⁾	203 957	207 709	213 017	216 067	218 037	218 404	219 061
<i>% of GDP</i>	<i>55.1</i>	<i>55.0</i>	<i>54.7</i>	<i>53.7</i>	<i>52.4</i>	<i>50.9</i>	<i>49.5</i>

P: Preliminary results for 2016 and forecasts for subsequent years.

(1) The consolidated direct debt and the gross debt exclude pre-financing.

Retirement plans liability

The net retirement plans liability, which is included in the gross debt, is calculated by subtracting from the retirement plans liability the balance of the Retirement Plans Sinking Fund (RPSF), an asset established to pay the retirement benefits of public and parapublic sector employees.

The retirement plans liability represents the present value of the retirement benefits the government will pay to public and parapublic sector employees, taking into account the conditions of their plans and their years of service. This liability stood at \$83 304 million as at March 31, 2015.

The government created the RPSF in 1993. As at March 31, 2015, the RPSF's book value stood at \$55 263 million.

Thus, the net retirement plans liability represented \$28 041 million as at March 31, 2015.

Net retirement plans liability as at March 31, 2015

(millions of dollars)

Retirement plans liability	
Government and Public Employees Retirement Plan (RREGOP)	51 966
Pension Plan of Management Personnel (PPMP) and Retirement Plan for Senior Officials (RPSO)	12 264
Other plans ⁽¹⁾	19 074
Subtotal	83 304
Less: Retirement Plans Sinking Fund (RPSF)	-55 263
NET RETIREMENT PLANS LIABILITY	28 041

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

Employee future benefits liability

The government records in the gross debt the value of its commitments regarding future benefits programs for its employees, namely, programs for accumulated sick leave and for pensions paid to the survivors of government employees. These programs give rise to long-term obligations whose costs are covered in full by the government.

As at March 31, 2015, the employee future benefits liability stood at \$1 488 million.

As at March 31, 2015, the value of the sums accumulated to pay for employee future benefits programs (Accumulated Sick Leave Fund and Survivor's Pension Plan Fund) stood at \$1 357 million.

Thus, the net employee future benefits liability was \$131 million as at March 31, 2015.

Net employee future benefits liability as at March 31, 2015

(millions of dollars)

Employee future benefits liability		
Accumulated sick leave		877
Survivor's pension plan		412
Université du Québec programs		199
Subtotal		1 488
Less:		
Accumulated Sick Leave Fund		-918
Survivor's Pension Plan Fund		-439
Subtotal		-1 357
NET EMPLOYEE FUTURE BENEFITS LIABILITY		131

Generations Fund

The Generations Fund was created by the Liberal government in June 2006, through the adoption of the *Act to reduce the debt and establish the Generations Fund*. The sums accumulated in the fund are dedicated solely to repaying the debt.

As at March 31, 2016, the book value of the Generations Fund is expected to be \$8 477 million.

The sums accumulated in the Generations Fund are expected to reach \$22 956 million as at March 31, 2021.

Generations Fund (millions of dollars)

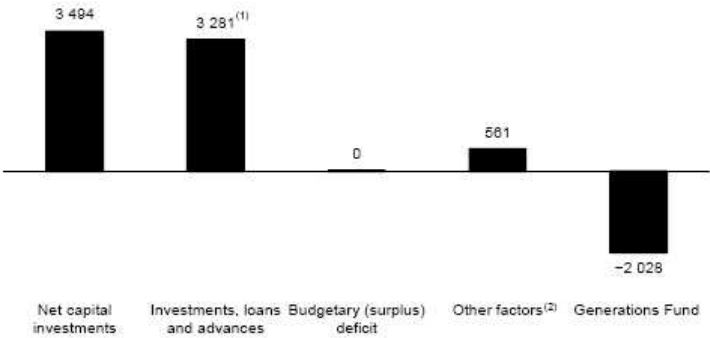
	2014- 2015	2015- 2016-	2016- 2017-	2017- 2018-	2018- 2019-	2019- 2020-	2020- 2021-
Book value, beginning of year	5 659	6 938	8 477	10 505	13 009	15 891	19 202
Dedicated revenues							
Water-power royalties							
Hydro-Québec	660	658	652	684	699	723	748
Private producers	101	98	95	96	98	100	103
Subtotal	761	756	747	780	797	823	851
Indexation of the price of heritage electricity	71	98	170	220	300	415	520
Additional contribution from Hydro-Québec	—	—	—	215	215	215	215
Mining revenues	—	80	109	150	241	296	336
Specific tax on alcoholic beverages	100	100	500	500	500	500	500
Unclaimed property	32	50	30	15	15	15	15
Investment income	315	347	472	624	814	1 047	1 317
Total dedicated revenues	1 279	1 431	2 028	2 504	2 882	3 311	3 754
Deposit from the accumulated surplus of the Commission des normes du travail	—	108	—	—	—	—	—
Total deposits	1 279	1 539	2 028	2 504	2 882	3 311	3 754
BOOK VALUE, END OF YEAR	6 938	8 477	10 505	13 009	15 891	19 202	22 956

[] **Factors responsible for the growth in the gross debt**

In 2016-2017, the gross debt is expected to increase by \$5.3 billion, mainly because of capital investments (\$3.5 billion) and investments, loans and advances (\$3.3 billion). Deposits in the Generations Fund will help to reduce the gross debt by \$2.0 billion.

CHART E.1

Factors responsible for the growth in the gross debt in 2016-2017
(millions of dollars)



- (1) The government’s investments, loans and advances in 2016-2017 include the investment in the C Series program (US\$1 billion, or approximately CAN\$1.3 billion).
(2) Other factors include in particular the change in other accounts, such as accounts receivable and accounts payable.

Investments, loans and advances (\$3 281 million) include the investment of US\$1 billion (approximately CAN\$1.3 billion) that the government will make in Bombardier’s C Series program in 2016-2017. Under an agreement entered into with Bombardier last October, Québec will hold an equity participation of 49.5% in a limited partnership created specifically for the C Series program. Bombardier’s interest will be 50.5%.

This investment will entail additional financial requirements for the government in 2016-2017 and thus an increase in the gross debt. On the other hand, the government will hold a financial asset worth the equivalent of its investment.

The government’s investment in Bombardier’s C Series program does not have any effect, however, on the net debt or the debt representing accumulated deficits, because the government owns a financial asset in exchange for its participation.

The table on the next page shows the factors responsible for the growth in the government’s gross debt since March 31, 2000.

TABLE E.3

Factors responsible for the growth in the Québec government's gross debt
(millions of dollars)

	Debt, beginning of year	Budgetary (surplus) deficit	Closure of Gentilly-2	Investments, loans and advances	Net investment in the networks ⁽¹⁾	Net capital investments ⁽²⁾	Other factors ⁽³⁾	Deposits in the Generations Fund ⁽⁴⁾	Total change	Debt, end of year	As a % of GDP
With networks consolidated at modified equity value											
2000-2001	116 761	-427		1 701	841	578	1 108		3 801	120 562	52.4
2001-2002	120 562	-22		1 248	934	1 199	-9		3 350	123 912	51.9
2002-2003	123 912	728		1 921	631	1 706	237		5 223	129 135	51.7
2003-2004	129 135	358		1 367	560	1 186	625		4 096	133 231	51.4
2004-2005	133 231	664		1 303	1 486	1 006	-796		3 663	136 894	50.4
2005-2006	136 894	-37		1 488	1 013	1 179	-809		2 834	139 728	49.9
2006-2007	139 728	-109		2 213	1 002	1 177	1 078	-584	4 777	144 505	49.7
2007-2008	144 505	—		2 658	487	1 457	767	-649	4 720	149 225	48.8
2008-2009	149 225	—		966	622	2 448	-28	-719	3 289	152 514	48.5
With networks consolidated line by line⁽⁵⁾											
2009-2010	157 630	3 174		1 746		4 226	-2 733	-725	5 688	163 318	51.9
2010-2011	163 318	3 150		2 507		4 923	298	-760	10 118	173 436	52.9
2011-2012	173 436	2 628		1 861		5 071	1 228	-840	9 948	183 384	53.2
2012-2013	183 384	1 600	1 876	659		4 863	445	-961	8 482	191 866	54.2
2013-2014	191 866	2 824		1 349		3 977	-788	-1 421	5 941	197 807	54.8
2014-2015	197 807	1 143		2 146		2 980	1 160	-1 279	6 150	203 957	55.1
2015-2016	203 957	—		1 539		2 949	803	-1 539	3 752	207 709	55.0
2016-2017	207 709	—		3 281		3 494	561	-2 028	5 308	213 017	54.7
2017-2018	213 017	—		1 532		3 025	997	-2 504	3 050	216 067	53.7
2018-2019	216 067	—		1 861		2 735	256	-2 882	1 970	218 037	52.4
2019-2020	218 037	—		1 636		2 055	-13	-3 311	367	218 404	50.9
2020-2021	218 404	—		1 927		1 929	555	-3 754	657	219 061	49.5

- (1) The net investment in the networks includes mainly loans by Financement-Québec to the health and social services and education networks. Since 2009-2010, these items have been part of net capital investments.
- (2) Investments made under private-public partnership agreements are included in net capital investments.
- (3) Other factors include in particular the change in other accounts, such as accounts receivable and accounts payable.
- (4) In 2015-2016, deposits in the Generations Fund include \$1 431 million in dedicated revenues and \$108 million from the accumulated surplus of the Commission des normes du travail.
- (5) The line-by-line consolidation of the health and social services and education networks raised the gross debt by \$5 116 million as at March 31, 2009. This amount represents the debt contracted by the networks in their own name. The data prior to 2009-2010 could not be restated and are thus not comparable.

[] **Gross debt burden**

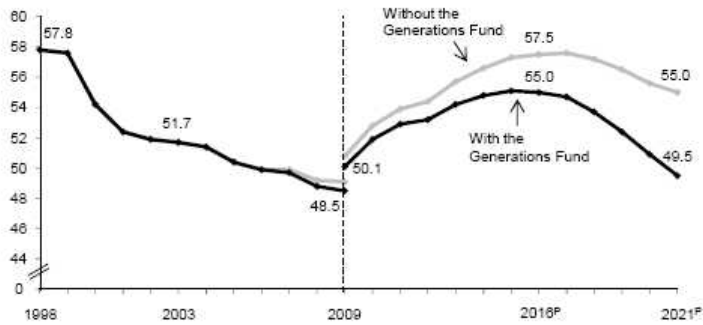
Between 1998 and 2009, the government’s gross-debt-to-GDP ratio fell significantly. While the gross debt was equivalent to 57.8% of GDP as at March 31, 1998, this ratio stood at 51.7% as at March 31, 2003 and 48.5% as at March 31, 2009. The line-by-line consolidation of the health and social services and education networks with those of the government raised the gross-debt-to-GDP ratio to 50.1% as at March 31, 2009.

The increase in the ratio as of 2009 is due to the growth in capital investments and the 2008-2009 recession. A decline in the gross-debt-to-GDP ratio is expected as at March 31, 2016.

The following chart illustrates the importance of the Generations Fund. Without the deposits made in the Generations Fund, the ratio of gross debt to GDP would be much higher. As at March 31, 2021, the gross debt burden should stand at 49.5%. Without the Generations Fund, the forecast would be 55.0%, or 5.5 percentage points of GDP higher.

CHART E.2

Gross debt as at March 31^{(1),(2)}
(percentage of GDP)



P: Preliminary results for 2016 and forecasts for subsequent years.
 (1) The gross debt excludes pre-financing and takes into account the sums accumulated in the Generations Fund.
 (2) The gross debt takes into account the debt that the health and social services and education networks have issued in their own name. The data as of 2009 are not comparable with those for prior years, which do not include this debt.

1.2 Net debt

The net debt is equal to the Québec government's liabilities less its financial assets. It represents the debt that has funded capital investments and current expenditures. The net debt is obtained by subtracting from the gross debt the government's financial assets, net of other liabilities.

As at March 31, 2016, the net debt should stand at \$187 098 million, or 49.6% of GDP. As a proportion of GDP, the net debt began to decrease in 2013-2014 and will continue to fall over the coming years, to 42.0% as at March 31, 2021.

TABLE E.4

Factors responsible for the growth in the net debt (millions of dollars)

	Debt, beginning of year	Budgetary (surplus) deficit	Closure of Gentilly-2	Net capital investments	Other	Generations Fund	Total change	Debt, end of year	As a % of GDP
2012-2013	167 700	1 600	1 876	4 863	4 959 ⁽¹⁾	-961	12 337	180 037	50.9
2013-2014	180 037	2 824		3 977	-2 465 ⁽²⁾	-1 121	3 215	183 252	50.7
2014-2015	183 252	1 143		2 980	-516 ⁽²⁾	-1 279	2 328	185 580	50.1
2015-2016 ^P	185 580	—		2 949	—	-1 431	1 518	187 098	49.6
2016-2017 ^P	187 098	—		3 494	—	-2 028	1 466	188 564	48.4
2017-2018 ^P	188 564	—		3 025	—	-2 504	521	189 085	47.0
2018-2019 ^P	189 085	—		2 735	—	-2 882	-147	188 938	45.4
2019-2020 ^P	188 938	—		2 055	—	-3 311	-1 256	187 682	43.7
2020-2021 ^P	187 682	—		1 929	—	-3 754	-1 825	185 857	42.0

P: Preliminary results for 2015-2016 and forecasts for subsequent years.

(1) The amount of \$4 959 million in 2012-2013 is explained mainly by changes made to Hydro-Québec's accounting policies. These changes led to a decrease in the value of the government's investment in Hydro-Québec and thus an increase in the net debt.

(2) The amounts of \$2 465 million in 2013-2014 and \$516 million in 2014-2015 are explained mainly by the other comprehensive income items of government enterprises that led to a decrease in the net debt for the years concerned.

1.3 Debt representing accumulated deficits

The debt representing accumulated deficits corresponds to the difference between the Québec government's liabilities and its financial and non-financial assets as a whole. This debt is calculated by subtracting financial assets, net of other liabilities, as well as non-financial assets from the gross debt.

As at March 31, 2016, the debt representing accumulated deficits should stand at \$119 730 million, or 31.7% of GDP. As a proportion of GDP, the debt representing accumulated deficits began to decrease in 2013-2014 and will continue to fall over the coming years, to 23.8% as at March 31, 2021.

The following table shows the factors responsible for the growth in the debt representing accumulated deficits since March 31, 2009.

TABLE E.5

Factors responsible for the growth in the debt representing accumulated deficits (millions of dollars)

	Debt, beginning of year	Budgetary (surplus) deficit	Closure of Gentilly-2	Accounting adjustments	Generations Fund	Total change	Debt, end of year	As a % of GDP
2009-2010	103 433	3 174		3 243	-725	5 692	109 125	34.7
2010-2011	109 125	3 150		431	-760	2 821	111 946	34.1
2011-2012	111 946	2 628		1 486	-840	3 274	115 220	33.4
2012-2013	115 220	1 600	1 876	4 880 ⁽¹⁾	-961	7 395	122 615	34.6
2013-2014	122 615	2 824		-2 471 ⁽²⁾	-1 121	-768	121 847	33.7
2014-2015	121 847	1 143		-550 ⁽²⁾	-1 279	-686	121 161	32.7
2015-2016 ^P	121 161	—		—	-1 431	-1 431	119 730	31.7
2016-2017 ^P	119 730	—		—	-2 028	-2 028	117 702	30.2
2017-2018 ^P	117 702	—		—	-2 504	-2 504	115 198	28.6
2018-2019 ^P	115 198	—		—	-2 882	-2 882	112 316	27.0
2019-2020 ^P	112 316	—		—	-3 311	-3 311	109 005	25.4
2020-2021 ^P	109 005	—		—	-3 754	-3 754	105 251	23.8

P: Preliminary results for 2015-2016 and forecasts for subsequent years.

- (1) The amount of \$4 880 million in 2012-2013 is explained mainly by changes made to Hydro-Québec's accounting policies. These changes led to a decrease in the value of the government's investment in Hydro-Québec and thus an increase in the debt representing accumulated deficits.
- (2) The amounts of \$2 471 million in 2013-2014 and \$550 million in 2014-2015 are explained mainly by the other comprehensive income items of government enterprises that led to a decrease in the debt representing accumulated deficits for the years concerned.

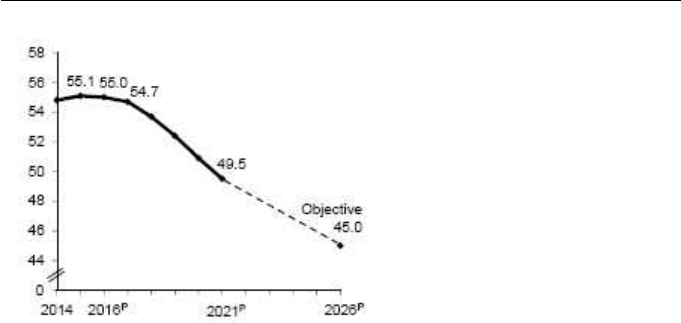
1.4 Debt reduction objectives

The Québec government has set debt reduction objectives that have been included in the *Act to reduce the debt and establish the Generations Fund*. For fiscal 2025-2026:

- the gross debt must not exceed 45% of GDP;
- the debt representing accumulated deficits must not exceed 17% of GDP.

CHART E.3

Gross debt as at March 31
(percentage of GDP)



P: Preliminary results for 2016, forecasts for 2017 to 2021 and projections for subsequent years.
Note: The gross debt excludes pre-financing and takes into account the sums accumulated in the Generations Fund.

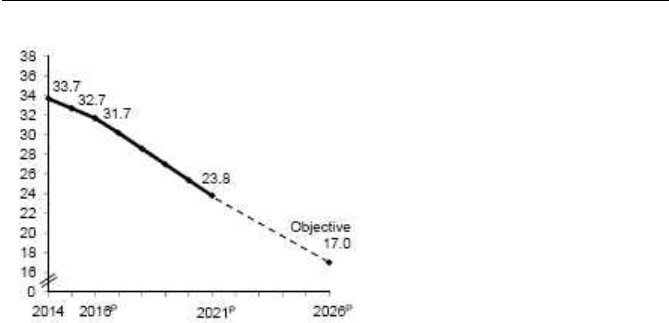
To achieve these debt reduction objectives, the government established the Generations Fund in 2006. In addition to the water-power royalties paid by Hydro-Québec and private producers of hydro-electricity,¹ the following revenue sources are dedicated to the Generations Fund:

- revenue generated by the indexation of the price of heritage electricity;
- all mining revenues;
- an amount of \$215 million per year from Hydro-Québec, as of 2017-2018;
- an amount of \$100 million per year, in 2014-2015 and 2015-2016, derived from the specific tax on alcoholic beverages. This amount will increase to \$500 million per year as of 2016-2017.

¹ The *Act to reduce the debt and establish the Generations Fund* also provides for the deposit in the Generations Fund of unclaimed property administered by Revenu Québec and income generated by the investment of the sums making up the fund.

CHART E.4

Debt representing accumulated
deficits as at March 31
(percentage of GDP)



P: Preliminary results for 2016, forecasts for 2017 to 2021 and projections for subsequent years.

In addition, the government has decided to deposit in the Generations Fund the accumulated surplus of the Commission des normes du travail, which should amount to \$108 million. The deposit will be made in 2015-2016.

The Generations Fund is expected to amount to \$22 956 million as at March 31, 2021.

TABLEAU E.6

Generations Fund
(millions of dollars)

	2014- 2015	2015- 2016	2016- 2017	2017- 2018	2018 2019	2019- 2020	2020- 2021
Book value, beginning of year	5 659	6 938	8 477	10 505	13 009	15 891	19 202
Dedicated revenues							
Water-power royalties							
Hydro-Québec	660	658	652	684	699	723	748
Private producers	101	98	95	96	98	100	103
Subtotal	761	756	747	780	797	823	851
Indexation of the price of heritage electricity	71	98	170	220	300	415	520
Additional contribution from Hydro-Québec	—	—	—	215	215	215	215
Mining revenues	—	80	109	150	241	296	336
Specific tax on alcoholic beverages	100	100	500	500	500	500	500
Unclaimed property	32	50	30	15	15	15	15
Investment income	315	347	472	624	814	1 047	1 317
Total dedicated revenues	1 279	1 431	2 028	2 504	2 882	3 311	3 754
Deposit from the accumulated surplus of the Commission des normes du travail	—	108	—	—	—	—	—
Total deposits	1 279	1 539	2 028	2 504	2 882	3 311	3 754
BOOK VALUE, END OF YEAR	6 938	8 477	10 505	13 009	15 891	19 202	22 956

1.5 Public sector debt

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

As at March 31, 2016, Québec's public sector debt is expected to stand at \$276 231 million, or 73.2% of GDP. These figures must be seen in perspective for they do not take into account the economic value of certain assets held by the government, such as Hydro-Québec, the Société des alcools du Québec and Loto-Québec.

TABLE E.7

Public sector debt as at March 31 (millions of dollars)

	2012	2013	2014	2015	2016 ^P
Government's gross debt ⁽¹⁾	183 384	191 866	197 807	203 957	207 709
Hydro-Québec	38 514	39 631	40 361	41 662	42 899
Municipalities ⁽²⁾	20 719	21 820	22 622	23 305	23 641
Universities other than the Université du Québec and its constituents ⁽³⁾	1 797	1 739	1 610	1 624	1 624
Other government enterprises ⁽⁴⁾	1 363	1 479	433	383	358
PUBLIC SECTOR DEBT	245 777	256 535	262 833	270 931	276 231
% of GDP	71.3	72.5	72.8	73.2	73.2

P: Preliminary results.

(1) The gross debt excludes pre-financing and takes into account the sums accumulated in the Generations Fund.

(2) These amounts correspond to the long-term debt contracted by municipalities in their own name. Part of this debt is subsidized by the government (\$4 702 million as at March 31, 2016).

(3) These amounts correspond to the debt contracted by universities other than the Université du Québec and its constituents in their own name. Part of this debt is subsidized by the government (\$628 million as at March 31, 2016).

(4) These amounts correspond to the debt of the Financing Fund to finance government enterprises and entities not included in the reporting entity.

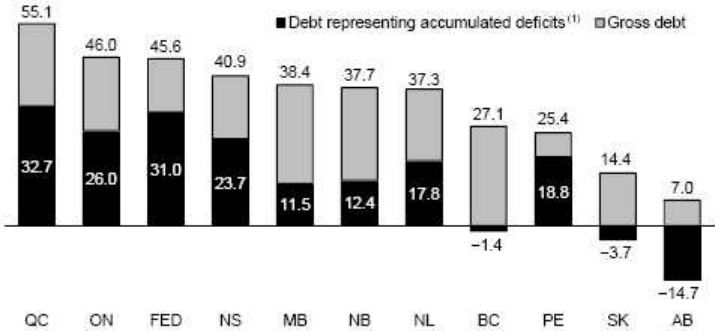
1.6 Comparison of the debt of governments in Canada

Whether on the basis of gross debt or debt representing accumulated deficits, as a percentage of GDP, Québec is the most heavily indebted province.

As at March 31, 2015, the ratio of Québec’s gross debt to GDP was 55.1%, compared with 46.0% in Ontario, the second most indebted province, and 40.9% in Nova Scotia, which ranked third.

CHART E.5

Gross debt and debt representing accumulated deficits as at March 31, 2015
(percentage of GDP)



(1) A negative entry means that the government has an accumulated surplus.
Sources: Governments’ public accounts, Statistics Canada and Ministère des Finances du Québec.

The table on the following page shows the debt of the federal government and each of the provinces as at March 31, 2015. The boxes indicate the debt concept used by each government in its budget documents to measure its debt level. Some governments use more than one concept.

Contrary to the net debt and the debt representing accumulated deficits, the gross debt cannot be observed directly in the public accounts of the other provinces. However, the public accounts show the components of gross debt, i.e. the consolidated direct debt, the net retirement plans liability and the net employee future benefits liability. Therefore, it is possible to calculate the level of the gross debt according to the same concept used by Québec.

TABLE E.8

Debt of governments in Canada as at March 31, 2015 according to various concepts
(millions of dollars)

	QC	ON	FED	NS	MB	NB	NL	BC	PE	SK	AB
Consolidated direct debt	182 723	328 744	671 182	13 434	21 895	11 357	5 527	62 181	1 849	4 839	14 982
Net retirement plans liability	28 041	-7 679	152 664	609	2 245	380	4 378	261	-385	7 077	11 196
Net employee future benefits liability	131	10 830	76 140	1 955	478	363	2 609	1 921	58	—	—
Generations Fund	-6 938	—	—	—	—	—	—	—	—	—	—
Gross debt	203 957	331 895	899 986	15 998	24 618	12 100	12 514	64 363	1 522	11 916	26 178
% of GDP	55.1	46.0	45.6	40.9	38.4	37.7	37.3	27.1	25.4	14.4	7.0
Less: Financial assets, net of other liabilities	-18 377	-47 409	-213 027	-967	-5 655	322	-2 186	-25 461	612	-6 364	-36 676
Net debt⁽¹⁾	185 580	284 486	686 959	15 031	18 963	12 422	10 328	38 902	2 134	5 552	-10 498
% of GDP	50.1	39.4	34.8	38.5	29.6	38.8	30.8	16.4	35.5	6.7	-2.8
Less: Non-financial assets	-64 419	-97 065	-74 629	-5 758	-11 578	-8 461	-4 350	-42 154	-1 003	-8 626	-44 753
Debt representing accumulated deficits⁽¹⁾	121 161	187 421	612 330	9 273	7 385	3 961	5 978	-3 252	1 131	-3 074	-55 251
% of GDP	32.7	26.0	31.0	23.7	11.5	12.4	17.8	-1.4	18.8	-3.7	-14.7

Note: The figures in boxes indicate the debt concept(s) used in the governments' budget documents.

(1) A negative entry indicates that the government has net assets or an accumulated surplus.

Sources: Governments' public accounts, Statistics Canada and Ministère des Finances du Québec.

2. FINANCING AND DEBT MANAGEMENT

2.1 Financing program

The government's financing program for 2015-2016 amounted to \$15 532 million, i.e. \$7 317 million more than forecast in March 2015. This upward revision is primarily attributable to pre-financing.

TABLE E.9

The government's financing program in 2015-2016^P

(millions of dollars)

	March 2015	Revisions	Revised program
GENERAL FUND			
Net financial requirements ⁽¹⁾	1 891	-901	990
Repayments of borrowings	7 370	205	7 575
Change in cash position ⁽²⁾	-8 952	-692	-9 644
Deposits in the Retirement Plans Sinking Fund ⁽³⁾ and other funds related to the retirement plans	—	1 678	1 678
Transactions under the credit policy ⁽⁴⁾	—	-1 720	-1 720
Additional contributions to the Sinking Fund for borrowings	—	2 846	2 846
Pre-financing	—	7 584	7 584
GENERAL FUND	309	9 000	9 309
FINANCING FUND	7 406	-1 183	6 223
Subtotal – General fund and Financing Fund	7 715	7 817	15 532
FINANCEMENT-QUÉBEC	500	-500	—
TOTAL	8 215⁽⁵⁾	7 317	15 532
Including: repayments of borrowings	10 525	321	10 846

P: Preliminary results based on borrowings contracted or negotiated as at March 7, 2016.

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

- (1) These amounts exclude the net financial requirements of consolidated entities funded through the Financing Fund. They are adjusted to take into account the non-receipt of revenues of the RPSF and of funds dedicated to employee future benefits.
- (2) Corresponds to pre-financing carried out the previous year.
- (3) Deposits in the RPSF are optional. They are recorded in the financing program only once they are made.
- (4) Under the credit policy, which is designed to limit financial risk with respect to counterparties, the government disburses or receives amounts because of movements in exchange rates. These amounts have no effect on the debt.
- (5) This amount is \$4 billion less than the financing program of \$12.2 billion presented in the March 2015 budget documents. A pre-financing forecast of \$4 billion was then included in the financing program. Given that pre-financing is optional, it was decided to not include forecasts in that regard for 2015-2016 as well as subsequent years. Only pre-financing that has already been carried out is shown in this table.

The financing program is expected to reach \$13 978 million in 2016-2017, \$16 010 million in 2017-2018 and \$17 808 million in 2018-2019.

TABLE E.10

The government's financing program, 2016-2017 to 2018-2019
(millions of dollars)

	2016-2017 ^F	2017-2018 ^F	2018-2019 ^F
GENERAL FUND			
Net financial requirements ⁽¹⁾	2 740	1 707	1 039
Repayments of borrowings	9 322	5 303	7 769
Change in cash position ⁽²⁾	-7 584	—	—
GENERAL FUND	4 478	7 010	8 808
FINANCING FUND	9 000	8 000	8 000
Subtotal – General fund and Financing Fund	13 478	15 010	16 808
FINANCEMENT-QUÉBEC	500	1 000	1 000
TOTAL	13 978	16 010	17 808
Including: repayments of borrowings	13 835	10 556	15 810

F: Forecasts.

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

- (1) These amounts exclude the net financial requirements of consolidated entities funded through the Financing Fund. They are adjusted to take into account the non-receipt of revenues of the RPSF and of funds dedicated to employee future benefits.
- (2) Corresponds to pre-financing carried out the previous year.

2.2 **Financing strategy**

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

2.2.1 **Diversification by market**

Financing transactions are carried out regularly on most markets, i.e. in Canada, the United States, Europe, Australia and Asia.

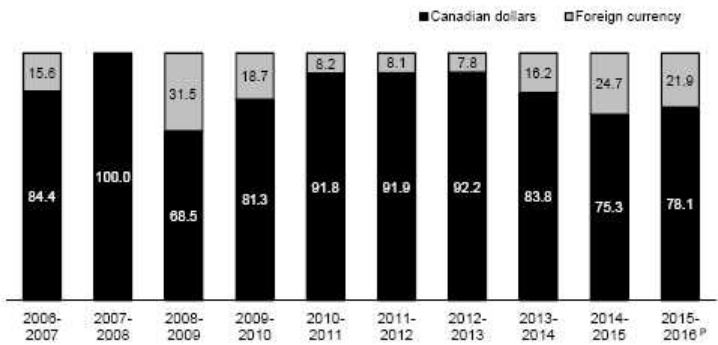
Over the past ten years, 15.3% of borrowings have been contracted in foreign currencies. Nonetheless, the government keeps no exposure of its debt to these currencies (see section 2.5).

More precisely, in 2015-2016, the government carried out 21.9% of its borrowings on foreign markets, i.e.:

- €1 100 million (CAN\$1 605 million);
- US\$1 200 million (CAN\$1 596 million);
- AU\$205 million (CAN\$207 million).

CHART E.6

Long-term borrowings by currency⁽¹⁾
(per cent)



P: Preliminary results based on borrowings contracted or negotiated as at March 7, 2016.
(1) Borrowings of the general fund, the Financing Fund and Financement-Québec.

2.2.2 **Diversification by instrument**

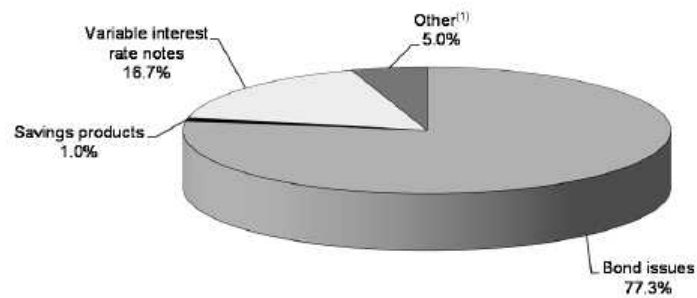
To satisfy investors’ needs, an extensive array of financial products is used in the course of financing transactions.

Long-term instruments consist primarily of bond issues and variable interest rate notes.

In 2015-2016, bond issues represented 77.3% of the instruments used.

CHART E.7

Long-term borrowings contracted in 2015-2016^P by instrument
(per cent)



P: Preliminary results based on borrowings contracted or negotiated as at March 7, 2016.
(1) Business Assistance – Immigrant Investor Program.

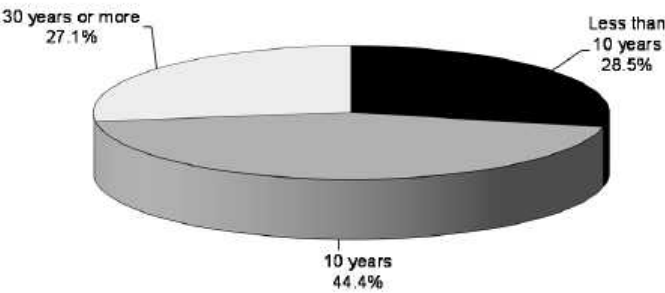
2.2.3 **Diversification by maturity**

Maturities of new borrowings are distributed over time to obtain a stable refinancing profile and ensure the government’s regular presence on capital markets.

In the case of borrowings contracted in 2015-2016, 28.5% had a maturity of less than 10 years, 44.4% a maturity of 10 years and 27.1% a maturity of 30 years or more.

CHART E.8

Long-term borrowings contracted in 2015-2016^P by maturity
(per cent)

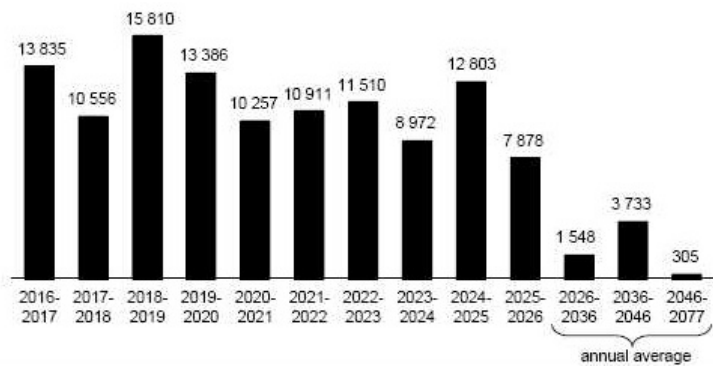


P: Preliminary results based on borrowings contracted or negotiated as at March 7, 2016.

This diversification by maturity is reflected on the maturity of the debt shown in the following chart. As at March 31, 2016, the average maturity of the debt is expected to be 12 years.

CHART E.9

Maturity of the long-term debt as at March 31, 2016^P
(millions of dollars)



P: Preliminary results.
Note: Direct debt of the general fund, debt issued to make advances to the Financing Fund and debt of Financement-Québec.

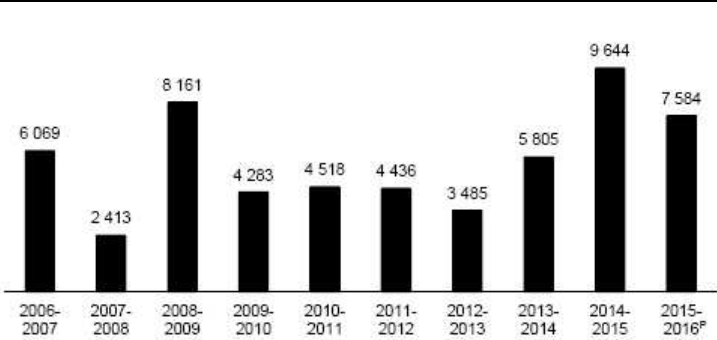
2.3 **Pre-financing**

The government carries out pre-financing to take advantage of favourable market conditions. These are borrowings that would normally be contracted during the subsequent fiscal year.

In 2015-2016, the government carried out pre-financing totalling \$7 584 million. The average for the past ten years is \$5.6 billion per year.

CHART E.10

Pre-financing
(millions of dollars)



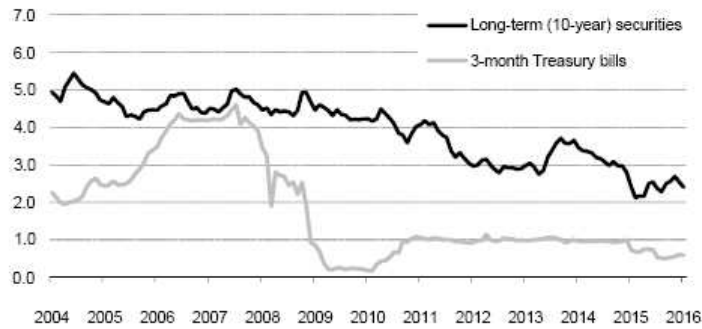
P: Preliminary results.

2.4 Yield

The yield on the Québec government’s long-term securities is currently about 2.4%, while that on short-term securities is roughly 0.6%.

CHART E.11

Yield on the Québec government’s securities
(per cent)

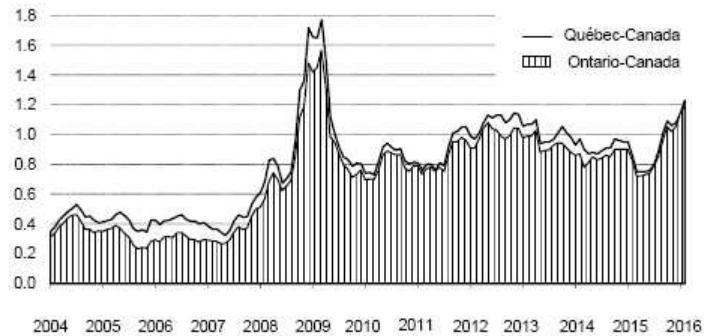


Sources: PC-Bond and Ministère des Finances du Québec.

In addition, the substantial increase in the spread between the yield on Québec and federal government securities, observed starting in the summer of 2008 during the financial crisis, has narrowed considerably since then. However, the level of the spread has not returned to the levels observed prior to 2008. The same situation has also been observed in the case of the other provinces.

CHART E.12

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



Source: PC-Bond.

2.5 **Debt management**

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

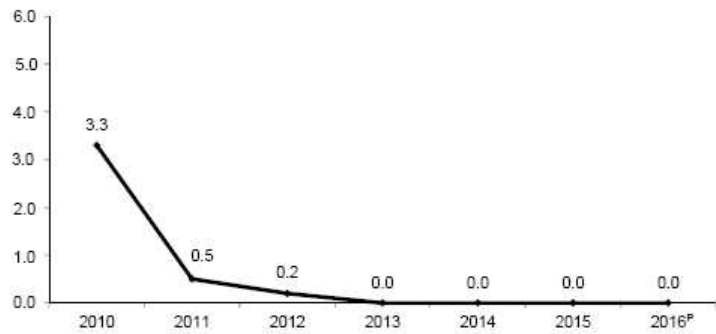
The government uses a range of financial instruments, particularly interest rate and currency swap agreements, to achieve desired debt proportions by currency and interest rate.

[] **Proportion of the gross debt in foreign currency**

As at March 31, 2016, the proportion of the government’s gross debt in foreign currency, after taking into account interest rate and currency swap agreements, is expected to be nil.² This proportion has been nil since 2013.

CHART E.13

Proportion of the gross debt in foreign currency as at March 31
(per cent)



P: Preliminary results.
Note: Gross debt including pre-financing.

² As at March 31, 2016, before taking into account interest rate and currency swap agreements, the proportion of the gross debt is expected to be 83.1% in Canadian dollars, 8.6% in U.S. dollars, 5.8% in euros, 1.2% in Swiss francs and 1.3% in other foreign currencies (yen, Australian dollars, and pounds sterling).

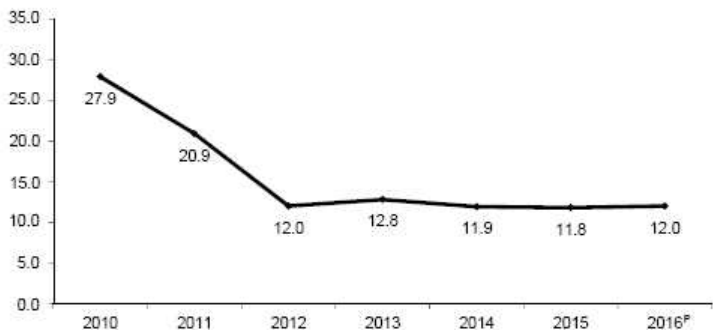
[] **Proportion of the gross debt at variable interest rates**

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

After taking into account interest rate and currency swap agreements, the proportion of the gross debt at variable interest rates is expected to be 12.0% as at March 31, 2016.

CHART E.14

Proportion of the gross debt at variable interest rates as at March 31⁽¹⁾
(per cent)



P: Preliminary results.
Note: Gross debt including pre-financing.
(1) The debt at variable interest rates includes variable interest rate financial instruments as well as fixed interest rate financial instruments that mature in one year or less.

2.6 **Borrowings contracted**

TABLE E.11

Québec government
Summary of long-term borrowings⁽¹⁾ in 2015-2016^P

Currency	\$ millions	%
CANADIAN DOLLAR		
Bond issues	10 194	65.6
Variable interest rate notes	1 000	6.5
Savings products	150	1.0
Business Assistance – Immigrant Investor Program	780	5.0
Subtotal	12 124	78.1
OTHER CURRENCIES		
Euro	1 605	10.3
U.S. dollar	1 596	10.3
Australian dollar	207	1.3
Subtotal	3 408	21.9
TOTAL	15 532	100.0

P: Preliminary results based on borrowings contracted or negotiated as at March 7, 2016.

(1) The amounts include the borrowings of the general fund, the Financing Fund and Financement-Québec.

TABLE E.12

Québec government
Borrowings contracted in 2015-2016 – General fund⁽¹⁾

Amount received in Canadian dollars ⁽²⁾	Face value in foreign currency	Interest rate ⁽³⁾	Date of issue	Date of maturity	Price to investor	Yield to investor ⁽⁴⁾
(millions)		(%)			(\$)	(%)
561	—	3.50	April 15	2045-12-01	112.274	2.893
104	AUS100	4.20	May 1	2025-03-10	108.461	3.193
506	—	2.75	May 15	2025-09-01	101.146	2.622
510	—	2.75	May 19	2025-09-01	101.916	2.537
536	—	3.50	June 2	2045-12-01	107.277	3.128
506	—	2.75	June 12	2025-09-01	101.211	2.614
512	—	2.75	July 17	2025-09-01	102.466	2.473
539	—	3.50	July 31	2045-12-01	107.682	3.107
521	—	2.75	August 11	2025-09-01	104.202	2.280
929	US\$700	Variable ⁽⁵⁾	September 4	2018-09-04	100.000	Variable ⁽⁶⁾
522	—	3.50	September 9	2045-12-01	104.411	3.269
267 ⁽⁷⁾	US\$200	Variable ⁽⁵⁾	September 24	2018-09-04	100.006	Variable ⁽⁶⁾
516	—	3.50	September 28	2048-12-01	103.130	3.343
67 ⁽⁷⁾	US\$50	Variable ⁽⁵⁾	September 30	2018-09-04	100.012	Variable ⁽⁶⁾
67 ⁽⁷⁾	US\$50	Variable ⁽⁵⁾	September 30	2018-09-04	100.011	Variable ⁽⁶⁾
507	—	3.50	October 13	2048-12-01	101.436	3.427
571	—	4.50	October 22	2020-12-01	114.293	1.577
1 080	€750	1.125 ⁽⁸⁾	October 28	2025-10-28	99.018	1.230 ⁽⁹⁾
329	—	3.50	November 4	2022-12-01	109.723	2.018
199 ⁽⁷⁾	US\$150	Variable ⁽⁵⁾	November 9	2018-09-04	100.010	Variable ⁽⁶⁾
48	AUS50	3.70	November 20	2026-05-20	99.957	3.705
501	—	3.50	November 20	2048-12-01	100.214	3.489
504	—	2.75	November 23	2025-09-01	100.751	2.662
505	—	2.75	November 24	2025-09-01	101.026	2.630
525	€350	1.125 ⁽⁸⁾	December 14	2025-10-28	99.093	1.223 ⁽⁹⁾
25	AUS25	3.70	January 25	2026-05-20	101.283	3.550
520	—	2.75	February 8	2025-09-01	103.911	2.292
501	—	2.50	February 22	2026-09-01	100.202	2.478
502	—	2.50	February 26	2026-09-01	100.498	2.446

TABLE E.12 (cont.)

Québec government
Borrowings contracted in 2015-2016 – General fund⁽¹⁾

Amount received in Canadian dollars ⁽²⁾	Face value in foreign currency	Interest rate ⁽³⁾	Date of issue	Date of maturity	Price to investor	Yield to investor ⁽⁴⁾
(millions)		(%)			(\$)	(%)
67 ⁽⁷⁾	US\$50	Variable ⁽⁵⁾	March 4	2018-09-04	99.796	Variable ⁽⁶⁾
525	—	3.50	March 8	2048-12-01	105.073	3.247
30	AUS\$30	3.70	March 9	2026-05-20	101.356	3.540
1 000	—	Variable ⁽⁵⁾	March 10	2020-06-10	100.000	Variable ⁽⁶⁾
150 ⁽¹⁰⁾	—	Various	Various	Various	Various	Various
780 ⁽¹¹⁾	—	Zero coupon	Various	Various	Various	Various
15 532						

Note: Borrowings contracted or negotiated as at March 7, 2016.

- (1) Includes borrowings contracted by the general fund to make advances to the Financing Fund.
- (2) Borrowings in foreign currency given in Canadian equivalent of their value on the date of borrowing.
- (3) Interest payable semi-annually except if another frequency is indicated in a note.
- (4) Yield to investor is determined on the basis of interest payable semi-annually except if another frequency is indicated in a note.
- (5) Interest payable quarterly.
- (6) Yield to investor is determined on the basis of interest payable quarterly.
- (7) Private borrowings.
- (8) Interest payable annually.
- (9) Yield to investor is determined on the basis of interest payable annually.
- (10) Savings products issued by Épargne Placements Québec.
- (11) Business Assistance – Immigrant Investor Program.

TABLE E.13

Borrowings contracted in 2015 by Hydro-Québec

Amount received in Canadian dollars ⁽¹⁾	Face value in foreign currency	Interest rate⁽²⁾	Date of issue	Date of maturity	Price to investor	Yield to investor⁽³⁾
(millions)		(%)			(\$)	(%)
13	—	4.205	March 4	2017-03-02	106.785	0.770
6	—	Zero coupon	April 24	2017-04-15	97.939	1.058
19						

Note: Borrowings contracted from January 1 to December 31, 2015.

(1) Borrowings in foreign currency given in Canadian equivalent of their value on the date of borrowing.

(2) Interest payable semi-annually except if another frequency is indicated in a note.

(3) Yield to investor is determined on the basis of interest payable semi-annually except if another frequency is indicated in a note.

3. INFORMATION ON THE RETIREMENT PLANS AND ON FUNDS DEPOSITED BY THE MINISTÈRE DES FINANCES WITH THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

3.1 Retirement plans

The Québec government participates financially in the retirement plans of its employees. These plans had 591 747 active participants and 352 273 beneficiaries as at December 31, 2014.

TABLE E.14

Retirement plans of public and parapublic sector employees as at December 31, 2014

	Active participants	Beneficiaries
Government and Public Employees Retirement Plan (RREGOP)	543 434	248 740
Pension Plan of Management Personnel (PPMP) and Retirement Plan for Senior Officials (RPSO)	29 154	28 858
Other plans:		
– Teachers Pension Plan (TPP) ⁽¹⁾ and Pension Plan of Certain Teachers (PPCT) ⁽¹⁾	54	43 571
– Civil Service Superannuation Plan (CSSP) ⁽¹⁾	15	19 196
– Superannuation Plan for the Members of the Sûreté du Québec (SPMSQ)	5 725	5 107
– Pension Plan of Peace Officers in Correctional Services (PPPOCS)	3 827	1 821
– Pension Plan of the Judges of the Court of Québec and of Certain Municipal Courts (PPJCQM)	290	365
– Pension Plan for Federal Employees Transferred to Employment with the Gouvernement du Québec (PPFEQ) ⁽²⁾	165	170
– Pension Plan of the Members of the National Assembly (PPMNA)	121	420
– Pension Plan of the Université du Québec (PPUQ)	8 962	4 025
Total for other plans	19 159	74 675
TOTAL	591 747	352 273

(1) These plans have not accepted any new participants since July 1, 1973.

(2) This plan has not accepted any new participants since it came into effect on January 1, 1992.

Source: Public Accounts 2014-2015.

[] Summary description of the retirement plans

The retirement plans of public and parapublic sector employees are defined benefit retirement plans. Benefits are calculated on the basis of participants' average income for the best paid years (generally five) and their number of years of service. The pension usually represents 2% of an employee's average income per year of service. Benefits are partially indexed to inflation.

RREGOP and the PPMP, which account for nearly 97% of active participants, are cost-sharing plans: the government is responsible for paying 50% of the benefits, and the participants are responsible for paying the other 50%.³

Most of the other retirement plans are cost-balance plans. The government covers the cost of these plans, net of contributions paid by participants.

Retraite Québec is responsible for administering the retirement plans.⁴

TABLE E.15

Change in the employee contribution rate of certain retirement plans (per cent)

	RREGOP ⁽¹⁾	PPMP ⁽²⁾	SPMSQ ⁽³⁾	PPPOCS ⁽⁴⁾
2004	5.35	4.50	8 / 6.2 / 8	4.00
2005 to 2007	7.06	7.78	8 / 6.2 / 8	4.00
2008 to 2010	8.19	10.54	8 / 6.2 / 8	4.00
2011	8.69	11.54	8 / 6.2 / 8	4.00
2012	8.94	12.30	8 / 6.2 / 8	4.00
2013	9.18	12.30	8 / 6.2 / 8	6.50
2014	9.84	14.38	8 / 6.2 / 8	8.30
2015	10.50	14.38	8 / 6.2 / 8	9.30
2016	11.12	14.38	8 / 6.2 / 8	9.63

(1) For 2004 to 2012, rate applicable to the excess of 35% of maximum pensionable earnings (MPE), which is determined by the Régie des rentes du Québec (RRQ). Between 2012 and 2015, the contribution formula changed, gradually reducing the exemption of 35% to 25% of the MPE. For 2016, the rate applies to the excess of 25% of the MPE. In 2016, the MPE is \$54 900.

(2) Rate applicable to the excess of 35% of the MPE.

(3) Rate applicable up to the annual basic exemption of the RRQ (\$3 500) / rate applicable to the excess up to the amount of the MPE / rate applicable to the excess of the MPE.

(4) Rate applicable to the excess of 25% of the employee's salary or of 25% of the MPE if it is lower.

³ This cost-sharing formula has been in effect since July 1, 1982. Previously, the government was responsible for payment of 7/12 of the benefits (58.3%).

⁴ Except for the Pension Plan of the Université du Québec (PPUQ).

[] **Changes to the plans**

In 2010, the government modified RREGOP and the PPMP to enable participants to accumulate up to 38 years of service. This change, which was agreed upon during the renewal of the collective agreements with government employees, was aimed at ensuring that employees nearing the end of their career stay longer in the labour market, thus facilitating the transfer of expertise.

The PPMP was also modified with the adoption of Bill 58 by the National Assembly in 2012. The changes included in the Bill were the product of consultations with participant representatives and included several amendments fostering the financial health of the PPMP. In particular, the pension eligibility criteria were tightened. Accordingly, since January 1, 2013, new participants must complete an additional five-year period of membership in the plan for their retirement benefit to be calculated in accordance with the provisions of the PPMP. In addition, the reduction of the benefit for early retirement was increased.

3.1.1 **Retirement plans liability**

In its financial statements, the government discloses the present value of the retirement benefits it will pay to its employees, taking into account the conditions governing their plans as well as their years of service. This value is called the retirement plans liability. It does not take into account the sums accumulated to pay retirement benefits, particularly the Retirement Plans Sinking Fund (RPSF), which will be discussed later on.

The actuarial valuations of the liability of the various retirement plans are carried out by Retraite Québec,⁵ following the rules of the Canadian Institute of Actuaries (CIA) and the Chartered Professional Accountants of Canada (CPA Canada) for the public sector.

As at March 31, 2015, the liability for the retirement plans of public and parapublic sector employees stood at \$83 304 million (net of the plans' assets). This amount is recognized in the government's gross debt.

⁵ Except in the case of the PPUQ, whose liability valuation is performed by a private-sector actuarial firm.

TABLE E.16

Retirement plans liability as at March 31, 2015
(millions of dollars)

Government and Public Employees Retirement Plan (RREGOP)	51 966
Pension Plan of Management Personnel (PPMP) and Retirement Plan for Senior Officials (RPSO)	12 264
Other plans:	
– Teachers Pension Plan (TPP) and Pension Plan of Certain Teachers (PPCT)	11 034
– Civil Service Superannuation Plan (CSSP)	3 550
– Superannuation Plan for the Members of the Sûreté du Québec (SPMSQ)	3 898
– Pension Plan of the Université du Québec (PPUQ)	3 420
– Pension Plan of Peace Officers in Correctional Services (PPPOCS)	654
– Pension Plan of the Judges of the Court of Québec and of Certain Municipal Courts (PPJCQM)	586
– Pension Plan of the Members of the National Assembly (PPMNA)	196
– Pension Plan for Federal Employees Transferred to Employment with the Gouvernement du Québec (PPFEQ)	148
– Plans' assets ⁽¹⁾	–4 412
Total for other plans	19 074
RETIREMENT PLANS LIABILITY	83 304

(1) Plans' assets, particularly those of the PPFEQ, SPMSQ and PPUQ.

[] **Annual retirement plans expenditure**

Every year, the government also records its expenditure as an employer with regard to the retirement plans. This expenditure comprises two components:

- the net cost of vested benefits, that is, the present value of retirement benefits that employees have accumulated for work performed during the year, net of contributions paid, i.e. \$2 247 million in 2014-2015;
- the amortization of revisions to the government’s actuarial obligations arising from previous updates of actuarial valuations, for a cost of \$879 million in 2014-2015.

In 2014-2015, government spending in respect of the retirement plans thus stood at \$3 126 million.

TABLE E.17

Spending in respect of the retirement plans
(millions of dollars)

	2014-2015
Net cost of vested benefits	2 247
Amortization of revisions stemming from actuarial valuations	879
SPENDING IN RESPECT OF THE RETIREMENT PLANS	3 126

3.1.2 Retirement Plans Sinking Fund

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

As at March 31, 2016, the RPSF's book value is expected to be \$59 737 million.

TABLE E.18

Change in the Retirement Plans Sinking Fund (RPSF) (millions of dollars)

	Book value, beginning of year	Deposits	Imputed investment income	Book value, end of year
1993-1994	—	850	4	854
1994-1995	854	—	-5	849
1995-1996	849	—	74	923
1996-1997	923	—	91	1 014
1997-1998	1 095 ⁽¹⁾	—	84	1 179
1998-1999	1 179	944	86	2 209
1999-2000	2 209	2 612	219	5 040
2000-2001	5 040	1 607	412	7 059
2001-2002	7 059	2 535	605	10 199
2002-2003	10 199	900	741	11 840
2003-2004	11 840	1 502	862	14 204
2004-2005	14 204	3 202	927	18 333
2005-2006	18 333	3 000	1 230	22 563
2006-2007	22 437 ⁽¹⁾	3 000	1 440	26 877
2007-2008	26 877	3 000	1 887	31 764
2008-2009	31 749 ⁽²⁾	2 100	2 176	36 025
2009-2010	36 025	—	2 175	38 200
2010-2011	38 200	2 000	2 065	42 265
2011-2012	42 265	1 000	2 087	45 352
2012-2013	45 352	1 000	1 992	48 344
2013-2014	48 344	1 000	1 989	51 333
2014-2015	51 333	1 500	2 430	55 263
2015-2016 ^P	55 263	1 500	2 974	59 737

P: Preliminary results.

(1) These amounts take into account restatements arising from the government accounting reforms of 1997-1998 and 2006-2007.

(2) This amount takes into account an adjustment arising from consideration of the expected average remaining service life (EARS�) of participants in the PPMP.

The information on the RPSF shown in the preceding table is based on the government's accounting policies, which are in full compliance with generally accepted accounting principles (GAAP) for Canada's public sector.

As at March 31, 2015, the market value of the RPSF was higher than its book value.

TABLE E.19

**Book value and market value of the Retirement Plans Sinking Fund (RPSF)
as at March 31**
(millions of dollars)

	Book value	Market value	Difference
1994-1995	849	831	18
1995-1996	923	954	-31
1996-1997	1 014	1 095	-81
1997-1998	1 179	1 321	-142
1998-1999	2 209	2 356	-147
1999-2000	5 040	5 703	-663
2000-2001	7 059	7 052	7
2001-2002	10 199	9 522	677
2002-2003	11 840	9 240	2 600
2003-2004	14 204	12 886	1 318
2004-2005	18 333	17 362	971
2005-2006	22 563	23 042	-479
2006-2007	26 877	28 859	-1 982
2007-2008	31 764	32 024	-260
2008-2009	36 025	25 535	10 490
2009-2010	38 200	29 559	8 641
2010-2011	42 265	35 427	6 838
2011-2012	45 352	38 222	7 130
2012-2013	48 344	42 562	5 782
2013-2014	51 333	49 034	2 299
2014-2015	55 263	57 432	-2 169

[] **Amounts deposited in the RPSF have no impact on the gross debt**

The government issues bonds on financial markets in order to make deposits in the RPSF. Nevertheless, the amounts deposited in the RPSF do not affect the government's gross debt.

Even though the borrowings contracted to make deposits increase the direct debt, these deposits in turn reduce the net retirement plans liability by the same amount. Therefore, the net impact on the gross debt is nil.

TABLE E.20

Illustration of the impact on the government's gross debt of borrowing \$1 billion on financial markets in order to deposit it in the RPSF⁽¹⁾
(millions of dollars)

	Before deposit	After deposit	Change
(A) Consolidated direct debt	182 723	183 723	1 000
Retirement plans liability	83 304	83 304	—
Less: Book value of the RPSF	-55 263	-56 263	-1 000
(B) Net retirement plans liability	28 041	27 041	-1 000
(C) Net employee future benefits liability	131	131	—
(D) Less: Generations Fund	-6 938	-6 938	—
(E) GROSS DEBT (E = A + B + C + D)	203 957	203 957	—

(1) This illustration is based on results as at March 31, 2015.

[] **A decline in debt service**

Deposits in the RPSF entail a reduction in the government's debt service. Indeed, the rates of return on funds managed by the Caisse de dépôt et placement du Québec (the Caisse) are generally higher than interest rates on Québec government bonds issued to finance deposits in the RPSF. Therefore, the income of the RPSF, which is applied against the government's debt service, is usually higher than the additional interest charges that arise from new borrowings. This leads to a net decrease in the government's debt service.

Since the RPSF was created, the return obtained by the Caisse has been higher than the cost of new borrowings by the government 17 years out of 22.

TABLE E.21

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

	Return of the RPSF	Cost of new borrowings⁽¹⁾	Difference (percentage points)
1994	-3.3 ⁽²⁾	9.2	-12.5
1995	17.0	8.9	8.1
1996	16.1	7.7	8.4
1997	13.4	6.5	6.9
1998	10.4	5.8	4.6
1999	15.3	6.0	9.3
2000	7.2	6.5	0.7
2001	-4.7	6.1	-10.8
2002	-8.5	5.8	-14.3
2003	14.9	5.2	9.7
2004	11.4	5.0	6.4
2005	13.5	4.5	9.0
2006	13.5	4.6	8.9
2007	5.2	4.7	0.5
2008	-25.6	4.5	-30.1
2009	10.7	4.4	6.3
2010	13.4	4.1	9.3
2011	3.5	3.7	-0.2
2012	9.4	3.0	6.4
2013	12.6	3.3	9.3
2014	11.9	3.2	8.7
2015	8.3	2.4	5.9

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

(2) From February to December 1994.

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

[]

In December 1999, as part of the agreement concluded for the renewal of its employees' collective agreements, the government set the objective that the book value of the amounts accumulated in the RPSF would be equal, in 2020, to 70% of its actuarial obligations in regard to the retirement plans of public and parapublic sector employees.

However, the government has all the necessary flexibility in applying this policy. Deposits in the RPSF are made only when market conditions are favourable, particularly with respect to interest rates and market receptiveness to bond issues.

As at March 31, 2015, the RPSF's book value represented 62% of the government's actuarial obligations in regard to the retirement plans of public and parapublic sector employees. If deposits of \$1 billion per year were made in the RPSF, the objective of 70% should be attained two years earlier than anticipated, i.e. in 2017-2018.

CHART E.15