

NATIONAL ASSEMBLY

SECOND SESSION

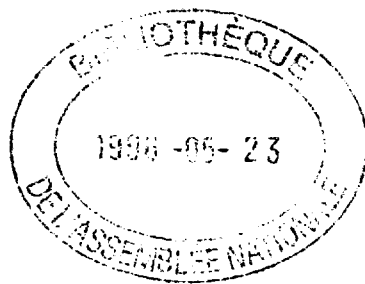
THIRTY-FIFTH LEGISLATURE

Bill 3

**An Act respecting
the elimination of the deficit
and a balanced budget**

Introduction

Introduced by
Mr Bernard Landry
Minister of Finance



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EXPLANATORY NOTES

This bill follows from the Budget Speech delivered by the Minister of Finance on 9 May 1996. It provides for the elimination of the budgetary deficit of the Government by the fiscal year 1999-2000 and for the maintainance of a balanced budget thereafter. The bill also sets out the amounts that are not to be exceeded by the budgetary deficit of the Government in the next three fiscal years.

Rules are established which will be applicable in the event of an overrun in relation to the authorized deficit level or prescribed budgetary balance. Thus, if the Government incurs an overrun of less than one billion dollars in relation to the deficit level authorized or budgetary balance prescribed for a fiscal year, the Government will be required to achieve an equivalent surplus in the very next fiscal year.

Moreover, the bill provides that the Government may incur overruns for a period of more than one year if, owing to a disaster having a major budgetary impact, a significant deterioration of economic conditions or a substantial reduction in federal transfer payments to the Government, the Government anticipates or is faced with an overrun of one billion dollars or more. In such circumstances, the Government will be obliged to offset the overrun over a maximum period of five years.

To that end, the Minister of Finance will be required to report to the National Assembly on the circumstances which make it necessary for the Government to incur such overruns, present a financial plan allowing the overruns to be offset during that period, apply measures to offset the overruns by at least one billion dollars during the first fiscal year and to offset at least 75% of the overruns over the first four fiscal years of that period. In addition, any further overrun incurred or anticipated for the same reasons during the five-year period will have to be offset in the same manner during that period.

Finally, it will be incumbent on the Minister of Finance to report to the National Assembly, in the Budget Speech, on the levels of deficit incurred and on the budgetary balance prescribed or the deficit levels authorized and, where applicable, on any variance between them.

Bill 3

An Act respecting the elimination of the deficit and a balanced budget

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

1. The purpose of this Act is to balance the budget of the Government from the fiscal year 1999-2000.

2. In this Act,

“budgetary surplus” means the difference between revenue and expenditure if revenue exceeds expenditure;

“deficit” means the difference between expenditure and revenue if expenditure exceeds revenue;

“expenditure” means government expenditure determined in accordance with the accounting policies of the Government;

“overrun” means the portion of the deficit which exceeds the deficit authorized under or budgetary balance prescribed by this Act or, if an offsetting financial plan is in effect, the portion of the deficit which exceeds the deficit or budgetary balance provided for in the plan or, as the case may be, the amount by which a budgetary surplus falls short of the budgetary surplus provided for in the plan;

“revenue” means the revenue and money referred to in section 29 of the Financial Administration Act (R.S.Q., chapter A-6) and determined in accordance with the accounting policies of the Government, exclusive of sums received and deposited in a specific purpose account within the meaning of section 29.1 of the said Act and of the revenue of special funds; and

“surplus” means the portion of the deficit authorized under this Act which exceeds the deficit incurred, or the budgetary surplus achieved in a fiscal year in excess of the budgetary balance prescribed or, where applicable, the sum of such budgetary surplus and the deficit authorized under this Act.

3. The deficit for the fiscal year 1996-97 shall not exceed \$3,275,000,000.

4. The deficit for the fiscal year 1997-98 shall not exceed \$2,200,000,000.

5. The deficit for the fiscal year 1998-99 shall not exceed \$1,200,000,000.

6. No deficit shall be incurred from the fiscal year 1999-2000 onward.

7. The budget estimates laid before the National Assembly must be consistent with the provisions of sections 3 to 6, except in the cases provided for in sections 10 to 12.

8. If an overrun of less than \$1,000,000,000 is recorded for a fiscal year, the Government must achieve an equivalent surplus in the next fiscal year.

9. If the Government achieves a surplus in a fiscal year, it may incur overruns in subsequent fiscal years up to the amount of that surplus.

10. The Government may incur overruns for more than one fiscal year if it anticipates, in a Budget Speech and prior to the implementation of an offsetting financial plan, an overrun of \$1,000,000,000 or more in the fiscal year covered by the budget, or if an overrun of \$1,000,000,000 or more is recorded for a fiscal year, as a result of

(1) a disaster having a major impact on revenue or expenditure;

(2) a significant deterioration of economic conditions; or

(3) a change in federal programs of transfer payments to the provinces that would substantially reduce transfer payments to the Government.

11. In the cases provided for in section 10, the Government must offset, over a maximum period of five years, the overruns incurred or anticipated for that period. To that end, the Minister of Finance shall, in the Budget Speech for the first fiscal year of that period,

(1) report to the National Assembly on the circumstances making it necessary for the Government to avail itself of section 10;

(2) present a financial plan to offset the overruns over that period, containing a revised financial framework in relation to the deficit level or budgetary balance referred to in sections 3 to 6;

(3) apply measures to offset the overruns by at least \$1,000,000,000 during the fiscal year covered by the budget; and

(4) offset at least 75% of the overruns over the first four fiscal years of that period.

The maximum five-year period referred to in this section commences at the beginning of the fiscal year in which the overrun is recorded or anticipated as provided in section 10.

12. In the cases provided for in section 10, any further overrun of \$1,000,000,000 or more recorded or anticipated before the implementation of a new offsetting financial plan, during the period referred to in section 11, must be offset over the same period, and the Minister of Finance shall, in the Budget Speech for the fiscal year in which such further overrun is recorded or anticipated,

(1) report to the National Assembly on the circumstances making it necessary for the Government to again avail itself of section 10;

(2) present a financial plan to offset the further overrun over the remaining years of that period, containing a revised financial framework in relation to the deficit or budgetary balance provided for in the offsetting financial plan already in effect;

(3) apply measures to offset the further overrun by at least \$1,000,000,000 during the fiscal year covered by the budget; and

(4) offset at least 75% of the further overrun before the last fiscal year of that period.

13. Where an overrun of less than \$1,000,000,000 is recorded while an offsetting financial plan is in effect, the Government must achieve an equivalent surplus in the next fiscal year.

14. Notwithstanding section 9, while an offsetting financial plan is in effect, any surplus shall be applied to offset recorded or anticipated overruns.

15. The Minister shall report to the National Assembly, in the Budget Speech, on the levels of deficit incurred and on the budgetary balance prescribed or the deficit levels authorized under this Act and, where applicable, on any variance between them.

16. The Minister of Finance is responsible for the carrying out of this Act.

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