

BUDGET 2022-2023

YOUR GOVERNMENT

BUDGET PLAN

March 2022

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BUDGET PLAN

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SUMMARY

Québec has been grappling with the consequences of the COVID-19 pandemic for two years now. In spite of the strict public health measures imposed, Quebecers have demonstrated great perseverance. Québec's economy posted an impressive recovery in 2021, showing more sustained growth than elsewhere in Canada.

— Real GDP grew by 6.3% after shrinking 5.5% in 2020.

Despite a slow start to the year due to the emergence of the Omicron variant, the economy will continue to grow in 2022 and onwards.

— Québec's economy should see growth of 2.7% in 2022 and then return to 2.0% in 2023.

While this economic outlook allows us to see the future with optimism, there is still a possibility that the epidemiological situation may change. Québec must continue to deal with the underlying repercussions of the public health situation, in particular, the disruptions to supply chains, as well as the uncertainty related to Russia's invasion of Ukraine.

Inflationary pressures will continue into the first half of 2022, with the war in Ukraine already driving up energy prices. The high inflation rate affects all Québec households, especially those with lower incomes.

— That is why, to help Quebecers cope with the rising cost of living, a one-time payment of \$500 will be made to adults with an income of \$100 000 or less.¹

— This will help 6.4 million Quebecers to be better protected against the consequences of inflation.

In addition, the government has maintained sound management of public finances since 2018.²

— The structural deficit has been reduced to less than \$3 billion, even though barely a year ago it was assessed at \$6.5 billion. Fiscal balance is still expected to be restored by 2027-2028.

¹ This amount will be paid to individuals who will be filing a 2021 tax return. See Section B for additional details.

² Unless otherwise indicated, this document is based on the budgetary and economic data available as at March 4, 2022. The budgetary data presented for 2021-2022 are preliminary results. The data for 2022-2023 to 2026-2027 are forecasts and those for subsequent years are projections.

- The effects of the *Balanced Budget Act* were temporarily suspended in order to gradually reduce the deficit without hindering sustainable recovery and growth of the economy.
- The gross debt objective set out in the *Act to reduce the debt and establish the Generations Fund* will be achieved, in spite of the increase in the debt caused by the pandemic. The objective for accumulated deficits will not be met, however. The government intends to propose changes to the *Act to reduce the debt and establish the Generations Fund* in Budget 2023-2024. A new debt reduction objective covering the next 10 or 15 years will then be set.

These significant results have been achieved while accelerating the investments in health, education, the economy and the environment. No services to the population or main missions were cut back on to achieve this.

■ Initiatives totalling \$22 billion

Backed by a strong financial framework and solid financial forecasts, the *Québec Budget Plan – March 2022* announces a set of initiatives for supporting growth. Including its action to cope with the cost of living, *Your Government* plans to invest \$22 billion by 2026-2027.

The public health crisis highlighted the challenges that must be addressed to make the health care system more accessible, humane and effective. The government is now in the process of transforming this system to adapt it to the post-pandemic reality. At the same time, the government is pursuing its action plan to enhance care and services for the public, especially for seniors, informal and family caregivers and youth in difficulty.

- Investments of \$8.9 billion are planned to restore the health care system.

Aware of the fact that the labour shortage is hampering economic growth and the prosperity of Quebecers, the government is making education a priority. To do so, it continues to invest to support educational success and school perseverance and to improve access to and graduation from higher education, in particular, to encourage individuals to qualify or requalify for entering the labour market.

- Investments of \$2.8 billion are planned in education and higher education.

In the fall of 2021, the government released the economic vision for Québec, which aims to increase its prosperity so that its level of wealth is comparable to that of Ontario, in particular. In Budget 2022-2023, actions are taken to increase the productivity of Québec's economy, strengthen the integration of immigrants into the workforce, support regional economic development, and support the recovery and promote Québec's culture and the cultural sector.

- Investments of \$4.2 billion are planned to stimulate economic growth.

The government is also continuing efforts relating to the environment. The 2022-2027 implementation plan for the 2030 Plan for a Green Economy, which investment will be increased by \$1.0 billion, will be unveiled shortly. With this addition, \$7.6 billion will be devoted to actions to reduce GHG emissions and fight climate change.

- In Budget 2022-2023, the government provides for new investment of \$357 million to reclaim contaminated areas and rehabilitate land, stimulate the energy transition and support sustainable practices.

Lastly, the government is committed to the well-being of all Quebecers and is taking action to meet the needs of communities. It also recognizes the essential role of community organizations, which represent a large driver of action among the population given their capacity to reach, in particular, the most vulnerable clientele.

- Investments of \$2.2 billion are planned to strengthen community action and support communities.

TABLE A.1

Financial impact of Budget 2022-2023 initiatives

(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total | Ref. section |
|---|---------------|---------------|---------------|---------------|---------------|---------------|----------------|-----------------|
| Coping with the rising cost of living | -3 245 | -296 | -89 | -83 | -68 | -45 | -3 826 | B |
| Restoring the health care system | — | -1 299 | -1 566 | -1 834 | -1 996 | -2 203 | -8 899 | C |
| Investing in education and higher education | — | -522 | -545 | -578 | -578 | -581 | -2 804 | D |
| Stimulating economic growth | -73 | -1 099 | -1 134 | -959 | -475 | -444 | -4 184 | E |
| Continuing efforts relating to the environment ⁽¹⁾ | -3 | -63 | -84 | -87 | -70 | -50 | -357 | F |
| Strengthening community action and supporting communities | -97 | -481 | -342 | -389 | -441 | -451 | -2 200 | G |
| TOTAL | -3 418 | -3 759 | -3 760 | -3 931 | -3 628 | -3 773 | -22 269 | |

Note: Totals may not add due to rounding.

(1) The financial framework of the 2022-2027 implementation plan will benefit from \$1 billion more than the current implementation plan, thanks in particular to anticipated additional revenues from the carbon market.

The effects of Russia's invasion of Ukraine on economic forecasts

The invasion of Ukraine by Russia will have numerous geopolitical and economic consequences. However, it is difficult to assess the extent of these effects with certainty since the scope and duration of the conflict are unknown.

While the situation continues to evolve, the war has resulted in adjustments to the economic forecast scenarios of the Ministère des Finances du Québec.

- Based on information available as at March 1, 2022, global economic growth has been adjusted downward by about 0.4 percentage point.
 - The effects of this conflict on the global economy are expected to be limited as Russia and Ukraine represent a small share of the global economy (3.5% of global GDP).
 - In addition, the downward adjustment mainly took place in Europe.
- The war in Ukraine has pushed up the prices of energy and other commodities, which will add to the inflationary pressures already present.
 - Oil and natural gas prices will be at a higher level. In particular, the price of West Texas Intermediate (WTI) is expected to average US\$87 a barrel in 2022 compared to the US\$77 or so that was expected prior to the invasion of Ukraine.¹ Oil prices, which currently carry a significant geopolitical risk premium, are expected to start falling in the second half of 2022.
 - In addition, Ukraine and Russia are major exporters of grain, in particular wheat. Thus, the conflict will result in higher prices for some agricultural products.

¹ This forecast is similar to the average forecast of 35 analysts surveyed by Reuters on March 4, 2022 (US\$87.68 on average in 2022).

The effects of Russia's invasion of Ukraine on economic forecasts (cont.)

Canada and Québec will also be affected by the conflict, but to a lesser extent. In 2021, exports to Ukraine and Russia represented only 0.3% of Québec's total international goods exports and 0.1% of Canada's.

- Gasoline prices will remain high in the coming months. Some food prices will also be affected. For example, the consumer price index for 2022 in Québec has been adjusted upward by 0.3 percentage point compared to the pre-invasion forecast scenario.
- Québec is a net importer of oil. The rise in oil prices will therefore have a negative effect on its trade balance. Real term economic growth could also be slowed down somewhat by the additional cost of gasoline consumption and a less favourable environment for exports. Thus, the expected growth in real and nominal GDP has been adjusted downward by 0.2 percentage point compared to the pre-invasion forecast scenario.
- High crude oil prices will benefit Canada's economy, as the country is a net oil exporter. As a result, nominal GDP in Canada is expected to grow more than forecast, with an upward adjustment of 0.8 percentage point. Changes in real GDP remain similar to those expected in the pre-invasion forecast scenario.

The government's financial situation is based on prudent economic forecasts and a forward-looking financial framework.

- The economic forecasts for 2022 assumes an increase in economic activity in Québec (+2.7%), less than the average private sector forecast (+3.1%).²
- The financial framework includes provisions for economic risks and other contingencies of \$8.5 billion, increasing payments to the Generations Fund over the forecast horizon, and stable and predictable funding of the government's main missions.

Public finances are therefore on solid foundations, which allows Québec to cope with the uncertainties in the global economy.

² Ministère des Finances du Québec survey as at March 8, 2022, which includes the forecasts of 11 private sector institutions.

1. YOUR GOVERNMENT

The *Québec Budget Plan – March 2022* supports the government's aim of:

- helping Quebecers cope with the rising cost of living;
- maintaining sound management of public finances;
- ensuring stable and predictable funding for the government's main missions.

The *Québec Budget Plan – March 2022* outlines an improvement in the government's financial situation that is based on a prudent economic forecast allowing for the announcement of \$22 billion in initiatives by 2026-2027. These initiatives focus particularly on:

- coping with the rising cost of living;
- restoring the health care system;
- investing in education and higher education;
- stimulating economic growth;
- continuing efforts relating to the environment;
- strengthening community action and supporting communities.

In addition, the *Québec Budget Plan – March 2022* is based on economic forecasts that are lower than those of the private sector, in order to take into account the effects of the war in Ukraine on the Québec economy. The financial framework includes provisions for economic risks and other contingencies of \$8.5 billion and increasing payments to the Generations Fund over the forecast horizon.

1.1 Coping with the rising cost of living

A significant increase in the cost of living has been observed in Québec due to the rapid global economic recovery as well as the effects of the Russian invasion of Ukraine, particularly in terms of energy prices. The high level of inflation expected in 2022 is a significant additional burden for low- and middle-income households.

- They have to devote a greater share of their income to essentials like food, clothing, housing and transportation. The increase in the price of essential goods and services therefore affects their quality of life.

In Budget 2022-2023, the government is taking immediate action with investments of more than \$3.8 billion by 2026-2027 to help Quebecers deal with the rising cost of living:

- \$3.2 billion to offset the expected rise in the cost of living in 2022;
 - A one-time cost of living support payment of \$500 will be quickly made to adults with an income of \$100 000 or less who file an income tax return in 2021, supporting 6.4 million individuals.
- \$634 million to facilitate access to affordable, quality housing and improve the quality of existing housing.
 - These investments will help build approximately 1 000 new affordable housing units, complete the delivery of some 3 500 units announced under the AccèsLogis program and support low-income households in the payment of their rent, among other things.

TABLE A.2

Financial impact of the initiatives to cope with the rising cost of living (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Granting a one-time cost of living support payment | -2 998 | -195 | — | — | — | — | -3 193 |
| Facilitating access to affordable, quality housing | -247 | -102 | -89 | -83 | -68 | -45 | -634 |
| TOTAL | -3 245 | -296 | -89 | -83 | -68 | -45 | -3 826 |

Note: Totals may not add due to rounding.

1.2 Restoring the health care system

The public health crisis has profoundly changed the way care is delivered. To address the challenges imposed by the pandemic, the health and social services network had to quickly adapt to this reality and find innovative solutions to numerous, unprecedented issues.

The government is launching the restoration of the health care system. This transformation will reflect the post-pandemic reality by making care and services more fluid, accessible, humane and effective.

The plan, which will be tabled shortly, will address the four pillars of the health and social services system: human resources, access to data, information technology and modern infrastructure.

At the same time, the government is pursuing its action plan to enhance care and services for the public, especially for seniors, informal and family caregivers and youth in difficulty. It is also taking action to reduce delays for accessing a family physician and receiving emergency care, and to improve frontline services.

The investments to restore the health care system will total close to \$8.9 billion by 2026-2027:

- \$5.2 billion to restore the health and social services system;
- \$3.7 billion to enhance health care and services for the public.

TABLE A.3

Financial impact of the initiatives to restore the health care system (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Restoring the health and social services system | — | -905 | -1 020 | -1 088 | -1 050 | -1 140 | -5 203 |
| Enhancing health care and services for the public | — | -394 | -546 | -746 | -946 | -1 063 | -3 696 |
| TOTAL | — | -1 299 | -1 566 | -1 834 | -1 996 | -2 203 | -8 899 |

Note: Totals may not add due to rounding.

1.3 Investing in education and higher education

Education is a priority in Québec. The government wishes to provide Québec with a more modern, more efficient and more innovative education system that fosters the educational success of all Quebecers, from early childhood to adulthood.

Consequently, its goal is to ensure that Quebecers reach their full potential and that educational institutions, as well as colleges and universities, remain environments that are conducive to development, learning and success. The government also recognizes the importance of sports and recreational activities for young people's physical and psychological health as well as their educational success.

In addition, in a labour shortage context, Québec must encourage the qualification and requalification of people to increase the number of Quebecers likely to have the skills employers are looking for, in particular through better access to quality education services.

In Budget 2022-2023, the government is continuing its actions and providing an additional amount of more than \$2.8 billion over five years to invest in education and higher education:

- \$1.6 billion to support educational success and school perseverance;
- \$1.3 billion to improve access to and graduation from higher education.

TABLE A.4

Financial impact of the initiatives to invest in education and higher education
(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Supporting educational success and school perseverance | — | -275 | -300 | -325 | -325 | -325 | -1 550 |
| Improving access to and graduation from higher education | — | -247 | -245 | -253 | -253 | -256 | -1 254 |
| TOTAL | — | -522 | -545 | -578 | -578 | -581 | -2 804 |

Note: Totals may not add due to rounding.

1.4 Stimulating economic growth

In the fall 2021, the government presented its economic vision for Québec, which aims to increase its prosperity so that its wealth is comparable to that of its neighbours, in particular Ontario.

In Budget 2022-2023, the government is announcing new initiatives totalling close to \$4.2 billion by 2026-2027 to stimulate economic growth:

- \$2.2 billion to increase the productivity of Québec's economy, particularly for the new Québec Research and Innovation Strategy 2022-2027;
- \$290 million to strengthen the integration of immigrants into the workforce;
- \$1.5 billion to support regional economic development;
- \$258 million to support the recovery and to promote Québec's culture and the cultural sector.

TABLE A.5

Financial impact of the initiatives to stimulate economic growth (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Increasing the productivity of Québec's economy | -28 | -492 | -564 | -473 | -320 | -285 | -2 161 |
| Strengthening the integration of immigrants into the workforce | — | -15 | -48 | -60 | -75 | -92 | -290 |
| Supporting regional economic development | -45 | -432 | -473 | -378 | -79 | -67 | -1 475 |
| Supporting the recovery and promoting Québec's culture and the cultural sector | — | -159 | -50 | -48 | -1 | -1 | -258 |
| TOTAL | -73 | -1 099 | -1 134 | -959 | -475 | -444 | -4 184 |

Note: Totals may not add due to rounding.

1.5 Continuing efforts relating to the environment

Protecting environment is a priority for the government. It constitutes a firm commitment that involves increased mobilization by several government departments and bodies to put forward measures to fight climate change, manage water and preserve natural and energy resources.

The government will shortly be unveiling the 2022-2027 implementation plan for the 2030 Plan for a Green Economy, which increases the current plan's investment by \$1 billion.³

With this addition, \$7.6 billion will be devoted to actions to reduce GHG emissions and fight climate change.

Budget 2022-2023 also provides for an additional investment of \$357 million to support the reclamation of contaminated areas and land rehabilitation, stimulate the energy transition and support sustainable practices.

TABLE A.6

Financial impact of the initiatives to continue efforts relating to the environment (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|-------------|
| Updating the 2030 Plan for a Green Economy | — | — | — | — | — | — | — |
| Supporting the reclamation of contaminated areas and land rehabilitation | -3 | -19 | -23 | -12 | -2 | -2 | -61 |
| Stimulating the energy transition | — | -13 | -24 | -41 | -44 | -30 | -152 |
| Supporting sustainable practices | — | -31 | -38 | -33 | -24 | -18 | -143 |
| TOTAL | -3 | -63 | -84 | -87 | -70 | -50 | -357 |

Note: Totals may not add due to rounding.

³ The financial framework for the 2022-2027 implementation plan will benefit from an additional \$1 billion over the current implementation plan, stemming from the additional revenue expected from the carbon market, in particular.

1.6 Strengthening community action and supporting communities

Community organizations are an important lever for delivering services to Quebecers.

In Budget 2022-2023, the government acknowledges the major role played by community organizations and gives them the means to continue and strengthen their actions, particularly with vulnerable clientele.

It is thus investing of \$2.2 billion to strengthen community action and introduce measures for communities.

- Of this amount, nearly \$1.1 billion will go toward supporting the implementation of the new 2022-2027 government action plan in the community action field.
 - These investments will provide the community sector with approximately \$1.8 billion in government funding in 2022-2023.⁴
 - Ultimately, this enhancement will allow for a nearly 30% increase in total funding available for overall mission support over the 2020-2021 level.
- The government is providing for more than \$1.1 billion to ensure additional support to communities with specific needs, which include, in particular, vulnerable people, women and families.

TABLE A.7

Financial impact of the initiatives to strengthen community action and support communities (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Strengthening community action ⁽¹⁾ | — | -149 | -182 | -219 | -257 | -269 | -1 075 |
| Supporting communities | -97 | -332 | -160 | -171 | -185 | -182 | -1 125 |
| TOTAL | -97 | -481 | -342 | -389 | -441 | -451 | -2 200 |

Note: Totals may not add due to rounding.

(1) Of this amount, \$377.2 million will be drawn from the appropriation envelope set aside for the Ministère de la Santé et des Services sociaux.

⁴ For more details, see the box “Substantial investment in the community sector” in the subsection “Strengthening community action through specific measures,” which is part of section G, “Strengthening Community Action and Supporting Communities.”

2. QUÉBEC'S ECONOMIC SITUATION

2.1 Québec is performing exceptionally well

The global economy made a solid recovery in 2021, supported by the easing of public health restrictions and progress with vaccination. The unprecedented budgetary and financial measures adopted by governments have also provided a favourable backdrop for the economic recovery.

In addition, Québec's economy made an impressive turnaround in 2021. Real GDP grew by 6.3% after shrinking 5.5% in 2020. Growth in Québec was more sustained than elsewhere in Canada. The momentum will continue in most economies.

— In Québec, economic growth is expected to reach 2.7% in 2022 and 2.0% in 2023. In Canada, increases of 3.8% in 2022 and 2.6% in 2023 are anticipated, while in the United States, increases of 3.6% and 2.4% respectively are projected.

TABLE A.8

Economic growth

(real GDP, percentage change)

| | 2020 | 2021 | 2022 | 2023 |
|---------------|------|------|------|------|
| Québec | -5.5 | 6.3 | 2.7 | 2.0 |
| Canada | -5.2 | 4.6 | 3.8 | 2.6 |
| United States | -3.4 | 5.7 | 3.6 | 2.4 |
| World | -3.0 | 5.8 | 3.9 | 3.6 |

Sources: Institut de la statistique du Québec, Statistics Canada, International Monetary Fund, IHS Markit, Datastream, Eurostat and Ministère des Finances du Québec.

Russia's invasion of Ukraine has already led to volatility on the stock markets and a significant increase in energy prices. In addition, economies will continue to face the effects of the pandemic, including disruptions to supply chains. These factors will maintain inflationary pressures in the first half of 2022.

TABLE A.9

Consumer Price Index

(percentage change)

| | 2020 | 2021 | 2022 | 2023 |
|--------------------|------------|------------|------------|------------|
| Québec | 0.8 | 3.8 | 4.7 | 2.3 |
| — <i>Fall 2021</i> | 0.8 | 3.4 | 2.9 | 2.3 |
| Canada | 0.7 | 3.4 | 4.2 | 2.2 |
| — <i>Fall 2021</i> | 0.7 | 3.1 | 2.6 | 2.1 |

Sources: Statistics Canada and Ministère des Finances du Québec.

2.2 Increase in economic activity sustained by domestic demand in 2022 and 2023

Domestic demand will continue to provide solid support for economic activity.

- Consumers will continue to play a decisive role in economic growth. The enviable financial situation of households, the disbursement of a portion of accumulated savings and the reduction of the uncertainties related to the pandemic will encourage spending. Increases in wages and salaries, along with the initiatives announced to offset the increased cost of living, will also help cushion the shock of rising prices.
- After reaching a peak in 2021, activity in the residential sector will continue to be dynamic, although the increase in interest rates and the high prices of homes will restrict access to home ownership.
- Growth in non-residential investments will speed up. The pressure on production capacity combined with the labour shortage will encourage businesses to implement their investment projects.
- Governments will continue to support economic activity.

Exports will benefit from sustained external demand, including continued economic growth in the United States. Meanwhile, imports will be buoyed by the strength of domestic demand, although supply chain disruptions and the invasion of Ukraine by Russia may limit the growth of global trade in the quarters ahead.

TABLE A.10

Real GDP and its major components in Québec (percentage change and contribution in percentage points)

| | Change | | | Contribution | | |
|---------------------------------------|------------|------------|------------|--------------|-------------|------------|
| | 2021 | 2022 | 2023 | 2021 | 2022 | 2023 |
| Domestic demand | 5.6 | 3.3 | 1.6 | 5.9 | 3.4 | 1.7 |
| – Household consumption | 5.9 | 5.7 | 1.9 | 3.5 | 3.4 | 1.1 |
| – Residential investment | 14.5 | –4.5 | –2.2 | 1.1 | –0.4 | –0.2 |
| – Non-residential business investment | –2.1 | 4.2 | 6.5 | –0.2 | 0.3 | 0.5 |
| – Government spending and investment | 5.3 | 1.1 | 1.0 | 1.5 | 0.3 | 0.3 |
| External sector | — | — | — | –1.1 | –1.2 | 0.2 |
| – Exports | 5.2 | 3.9 | 4.4 | 2.4 | 1.7 | 2.0 |
| – Imports | 7.1 | 6.0 | 3.5 | –3.4 | –3.0 | –1.8 |
| Stocks | — | — | — | 1.4 | 0.4 | — |
| REAL GDP | 6.3 | 2.7 | 2.0 | 6.3 | 2.7 | 2.0 |

Note: Totals may not add due to rounding.

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

3. QUÉBEC'S FINANCIAL SITUATION

3.1 The strong economic recovery brings additional revenue

Since the publication of Budget 2021-2022, the main economic indicators affecting own-source revenue⁵ have been adjusted favourably for 2021.

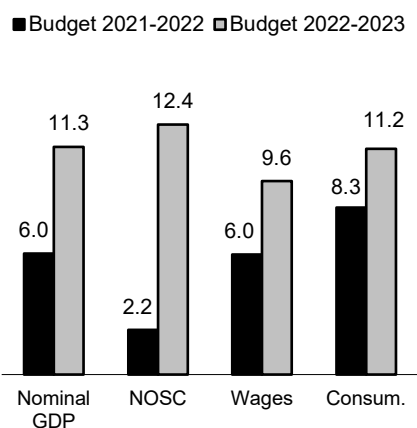
- Nominal GDP has been adjusted upward by 5.3 percentage points to stand at 11.3%, compared to 6.0% in March 2021.
- Net operating surplus of corporations has been adjusted upward by 10.2 percentage points, rising from 2.2% to 12.4%.
- Wages and salaries have been adjusted upward by 3.6 percentage points, rising from 6.0% to 9.6%.
- Consumption, excluding food expenditures and shelter, has been adjusted upward by 2.9 percentage points, rising from 8.3% to 11.2%.

The sound economic performance in 2021 has had a positive effect on government own-source revenue,⁴ which is adjusted upward by \$9.4 billion in 2021-2022.

In particular, corporate taxes are adjusted upward by \$4.0 billion, and personal income taxes by \$3.2 billion.

CHART A.1

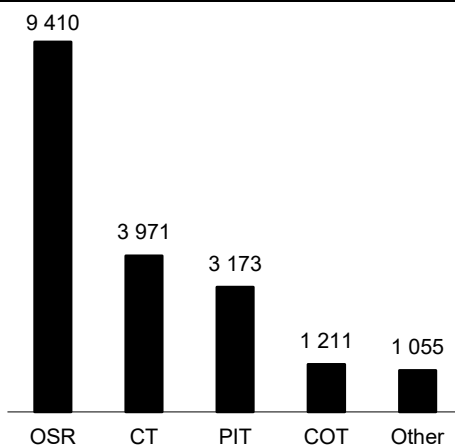
Nominal GDP and other economic indicators – 2021 (percentage change)



Notes: NOSC: net operating surplus of corporations.
Wages: wages and salaries.
Consum.: household consumption excluding food expenditures and shelter.

CHART A.2

Adjustment in 2021-2022 to own-source revenue since March 2021 (millions of dollars)



Notes: OSR: own-source revenue excluding revenue from government enterprises.
CT: corporate taxes.
PIT: personal income tax.
COT: consumption taxes.

⁵ Own-source revenue excluding revenue from government enterprises.

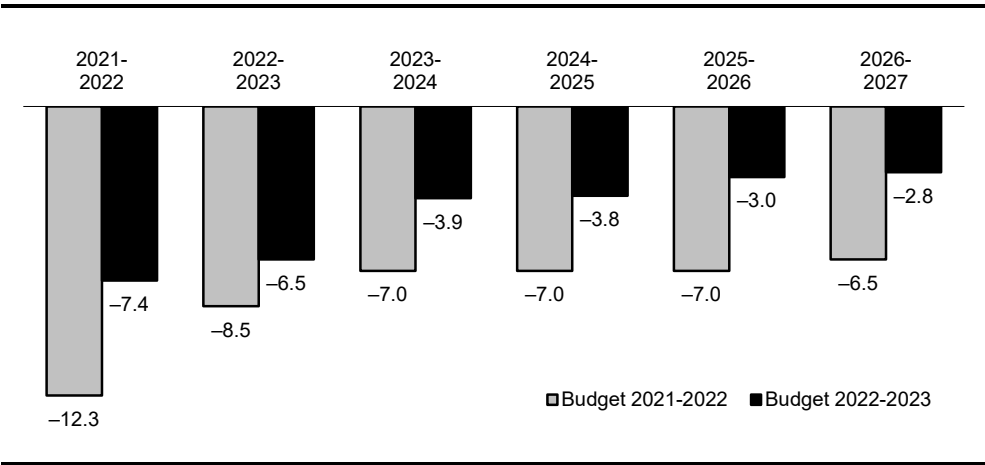
3.2 A significant reduction in the structural deficit

A balanced approach combining sound management of public finances and investments in the government’s main missions fosters a higher-than-forecast economic growth, making it possible to reduce the structural deficit by more than half in one year.

Changes in the economic and budgetary situation reduce the structural deficit from \$6.5 billion to \$2.8 billion.

CHART A.3

Change in the budgetary balance (billions of dollars)



Return to a balanced budget still forecast by 2027-2028

The return to a balanced budget is still forecast by 2027-2028. The government is reiterating that the return to a balanced budget will continue to be based on the following principles:

- the government’s commitment not to increase the tax burden;
- the acceleration of economic growth;
- the adequate funding of the government’s main missions;
- an expenditure growth in line with revenue growth;
- an increase in federal contributions for health care spending.⁶

⁶ The Council of the Federation is asking the federal government to increase the Canada Health Transfer to 35% of provincial and territorial health care spending. No revenue associated with this request was built into the financial framework.

3.3 Financial framework

Revenue amounts to \$138.5 billion in 2022-2023, with growth of 2.2%.

— From 2022-2023 to 2026-2027, the annual growth in revenue will reach 2.9% on average.

Expenditure⁷ amounts to \$136.6 billion in 2022-2023, with growth of 4.8%.

— From 2022-2023 to 2026-2027, the annual growth in spending will reach 3.2% on average.

The financial framework includes a provision for economic risks and other support and recovery measures totalling \$2.5 billion in 2022-2023 and \$1.5 billion per year as of 2023-2024.

The budgetary balance, within the meaning of public accounts, shows a deficit of \$3.0 billion in 2022-2023 and a surplus as of 2023-2024.

Considering the requirements of the *Balanced Budget Act*, the budgetary balance presents a deficit of \$6.5 billion in 2022-2023 and a structural deficit of \$2.8 billion in 2026-2027.

⁷ COVID-19 support and recovery measures are not included in portfolio expenditures.

TABLE A.11

Financial framework (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | AAGR ⁽¹⁾ |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------------|
| Revenue | | | | | | | |
| Personal income tax | 39 094 | 41 147 | 42 197 | 43 673 | 45 332 | 46 973 | |
| Contributions for health services | 7 017 | 7 299 | 7 456 | 7 649 | 7 838 | 8 029 | |
| Corporate taxes | 11 984 | 10 882 | 10 910 | 11 776 | 12 341 | 12 891 | |
| School property tax | 1 080 | 1 178 | 1 279 | 1 360 | 1 424 | 1 472 | |
| Consumption taxes | 24 536 | 26 706 | 27 441 | 28 244 | 29 060 | 29 899 | |
| Duties and permits | 5 685 | 5 171 | 5 209 | 5 244 | 5 357 | 5 467 | |
| Miscellaneous revenue | 11 024 | 11 680 | 12 349 | 12 936 | 13 350 | 13 904 | |
| Government enterprises | 5 494 | 5 628 | 5 933 | 6 160 | 6 383 | 6 516 | |
| Own-source revenue | 105 914 | 109 691 | 112 774 | 117 042 | 121 085 | 125 151 | |
| % change | 15.3 | 3.6 | 2.8 | 3.8 | 3.5 | 3.4 | 3.4 |
| Federal transfers | 29 547 | 28 790 | 29 748 | 29 118 | 30 968 | 31 434 | |
| % change | -3.8 | -2.6 | 3.3 | -2.1 | 6.4 | 1.5 | 1.2 |
| Total revenue | 135 461 | 138 481 | 142 522 | 146 160 | 152 053 | 156 585 | |
| % change | 10.5 | 2.2 | 2.9 | 2.6 | 4.0 | 3.0 | 2.9 |
| Expenditure | | | | | | | |
| Portfolio expenditures | -121 874 | -127 789 | -131 800 | -135 219 | -140 343 | -144 053 | |
| % change | 14.8 | 4.9 | 3.1 | 2.6 | 3.8 | 2.6 | 3.4 |
| Debt service | -8 441 | -8 842 | -8 725 | -8 793 | -8 588 | -8 828 | |
| % change | 9.8 | 4.8 | -1.3 | 0.8 | -2.3 | 2.8 | 0.9 |
| Total expenditure | -130 315 | -136 631 | -140 525 | -144 012 | -148 931 | -152 881 | |
| % change | 14.5 | 4.8 | 2.9 | 2.5 | 3.4 | 2.7 | 3.2 |
| COVID-19 support and recovery measures | -9 043 | -2 355 | -462 | -18 | — | — | |
| Provision for economic risks and other support and recovery measures | — | -2 500 | -1 500 | -1 500 | -1 500 | -1 500 | |
| SURPLUS (DEFICIT) | -3 897 | -3 005 | 35 | 630 | 1 622 | 2 204 | |
| BALANCED BUDGET ACT | | | | | | | |
| Deposits of dedicated revenues in the Generations Fund | -3 457 | -3 445 | -3 935 | -4 380 | -4 622 | -4 954 | |
| BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE | -7 354 | -6 450 | -3 900 | -3 750 | -3 000 | -2 750 | |
| Use of the stabilization reserve | 1 221 | — | — | — | — | — | |
| BUDGETARY BALANCE⁽²⁾ | -6 133 | -6 450 | -3 900 | -3 750 | -3 000 | -2 750 | |

Note: Totals may not add due to rounding.

(1) Average annual growth rate, corresponding to the geometric mean over five years, from 2022-2023 to 2026-2027.

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

3.4 Stable and predictable investment for key government priorities

Before taking into account COVID-19 support and recovery measures, portfolio expenditures will amount to \$121.9 billion in 2021-2022 and \$127.8 billion in 2022-2023.

- Spending on health and social services will grow by 6.3% in 2022-2023 and 4.5% in 2023-2024 and in 2024-2025.
- Spending on education will grow by 5.4% in 2022-2023, 4.0% in 2023-2024 and 3.0% in 2024-2025.
- Spending on higher education will grow by 13.1% in 2022-2023, 3.7% in 2023-2024 and 3.6% in 2024-2025.

The COVID-19 support and recovery measures will amount to \$9.0 billion in 2021-2022, \$2.4 billion in 2022-2023, \$462 million in 2023-2024 and \$18 million in 2024-2025.

TABLE A.12

Change in expenditures by departmental portfolio (millions of dollars)

| | 2021-2022 | 2022-2023 | 2023-2024 | 2024-2025 | AAGR ⁽¹⁾ |
|--|----------------|----------------|----------------|----------------|---------------------|
| Santé et Services sociaux | 51 041 | 54 247 | 56 683 | 59 206 | |
| % change | 10.0 | 6.3 | 4.5 | 4.5 | 6.3 |
| Éducation | 18 084 | 19 060 | 19 819 | 20 414 | |
| % change | 8.6 | 5.4 | 4.0 | 3.0 | 5.2 |
| Enseignement supérieur | 8 903 | 10 069 | 10 447 | 10 823 | |
| % change ⁽²⁾ | 10.0 | 13.1 | 3.7 | 3.6 | 7.5 |
| Other portfolios ⁽³⁾ | 43 847 | 44 413 | 44 851 | 44 776 | |
| % change | 25.3 | 1.3 | 1.0 | -0.2 | 6.4 |
| Subtotal | 121 874 | 127 789 | 131 800 | 135 219 | |
| % change | 14.8 | 4.9 | 3.1 | 2.6 | 6.2 |
| COVID-19 support and recovery measures | 9 043 | 2 355 | 462 | 18 | |
| TOTAL | 130 917 | 130 144 | 132 262 | 135 237 | |
| % change | 9.9 | -0.6 | 1.6 | 2.2 | 3.2 |

Note: Totals may not add due to rounding.

(1) Average annual growth rate, corresponding to the geometric mean over four years, from 2021-2022 to 2024-2025.

(2) Excluding the Québec Perspective scholarships that will become available in September 2022, the 2022-2023 growth rate of the Enseignement supérieur portfolio is 8.8%.

(3) Other portfolios include inter-portfolio eliminations resulting from the elimination of reciprocal transactions between entities. In 2021-2022, growth is explained, in particular, by the resumption of government activities as well as the extraordinary allowance in November 2021 and the one-time cost of living support payment in March 2022. The low growth in 2023-2024 and the decrease in 2024-2025 are due to the change in application of the accounting standard respecting transfer payments as well as increased federal funding for housing infrastructure and support for local road improvements and public transit in 2022-2023. Excluding primary exceptional factors affecting other portfolios, growth stands at 6.3% in 2022-2023, 2.7% in 2023-2024, and 3.1% in 2024-2025. For more details, see page I.57.

3.5 Increased investment in public infrastructure

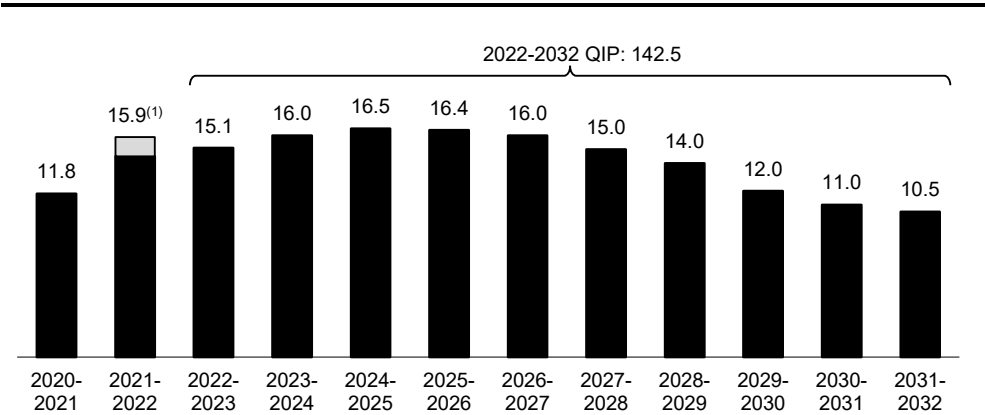
Québec has significant public infrastructure needs. To meet these needs, the government is announcing an increase of \$7.5 billion over 10 years under the 2022-2032 Québec Infrastructure Plan (QIP).

These record investments will contribute to increasing Québec's economic potential in the long term.

Over the past four years, the QIP has been increased each year, going from \$100.4 billion in March 2018 to \$142.5 billion in March 2022.

CHART A.4

Annual investments in the 2022-2032 Québec Infrastructure Plan
(billions of dollars)



(1) The investments in 2021-2022 include \$1.4 billion in financial assistance advance payments for infrastructure.
Source: Secrétariat du Conseil du trésor.

3.6 The government is continuing to reduce the debt burden gradually

Reducing the debt burden brings substantial benefits in the form of a positive contribution to economic growth through the creation of a climate of confidence conducive to private investment and higher productivity. It will allow Québec to ensure stable funding for the government's main missions, such as health and education.

Thanks to the strong economic recovery, the government expects to achieve the gross debt objective established in the *Act to reduce the debt and establish the Generations Fund*, despite the increase in debt caused by the pandemic.

— The gross debt burden will reach 41.9% of GDP on March 31, 2026, which is below the 45% objective. Compared to the March 2021 budget, this is a decrease of 5.1 percentage points.

The objective for debt representing accumulated deficits to GDP will not be met. It is expected to stand at 19.2% as at March 31, 2026, a gap of 2.2 percentage points compared to the 17% objective.

The government intends to propose changes to the *Act to reduce the debt and establish the Generations Fund* in Budget 2023-2024. A new debt reduction objective covering the next 10 or 15 years will then be set. Pending the setting of a new debt target, the government intends to pursue a gradual reduction of the debt burden beyond 2025-2026.

CHART A.5

Gross debt as at March 31

(percentage of GDP)

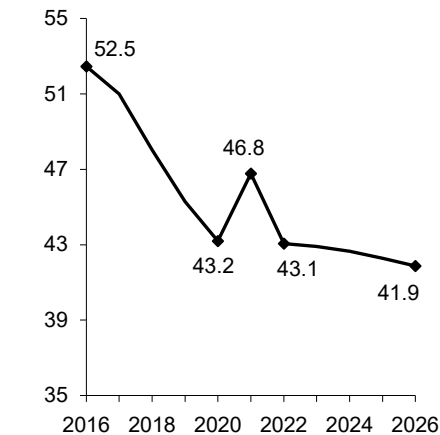
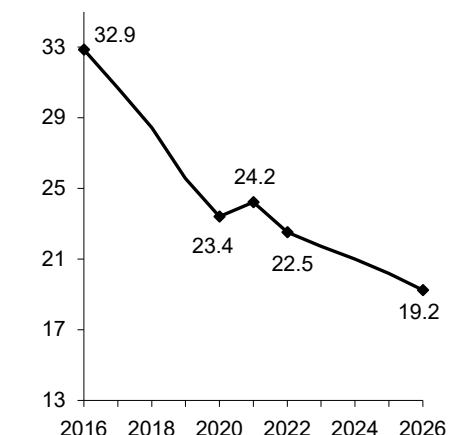


CHART A.6

Debt representing accumulated deficits as at March 31

(percentage of GDP)



APPENDIX 1: QUÉBEC'S ECONOMIC OUTLOOK – 2020 TO 2026

TABLE A.13

Québec's economic outlook – 2020 to 2026

(percentage change, unless otherwise indicated)

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|--|--------|-------|-------|-------|-------|-------|-------|
| Output | | | | | | | |
| Real GDP | -5.5 | 6.3 | 2.7 | 2.0 | 1.5 | 1.5 | 1.5 |
| Nominal GDP | -2.4 | 11.3 | 6.4 | 3.5 | 3.4 | 3.4 | 3.4 |
| Nominal GDP (billions of dollars) | 449.1 | 500.0 | 532.2 | 550.7 | 569.6 | 588.8 | 608.5 |
| Components of GDP (in real terms) | | | | | | | |
| Final domestic demand | -3.8 | 5.6 | 3.3 | 1.6 | 1.4 | 1.3 | 1.2 |
| – Household consumption | -6.1 | 5.9 | 5.7 | 1.9 | 1.5 | 1.5 | 1.5 |
| – Government spending and investment | 0.4 | 5.3 | 1.1 | 1.0 | 1.1 | 0.9 | 0.7 |
| – Residential investments | 3.1 | 14.5 | -4.5 | -2.2 | 0.1 | 0.3 | 0.2 |
| – Non-residential business investment | -9.1 | -2.1 | 4.2 | 6.5 | 2.7 | 2.5 | 2.2 |
| Exports | -7.9 | 5.2 | 3.9 | 4.4 | 3.2 | 2.5 | 2.0 |
| Imports | -8.5 | 7.1 | 6.0 | 3.5 | 2.8 | 2.1 | 1.5 |
| Labour market | | | | | | | |
| Population (thousands) | 8 578 | 8 604 | 8 687 | 8 763 | 8 830 | 8 891 | 8 942 |
| Population aged 15 and over (thousands) | 7 054 | 7 099 | 7 157 | 7 234 | 7 303 | 7 365 | 7 419 |
| Jobs (thousands) | 4 100 | 4 269 | 4 367 | 4 427 | 4 453 | 4 477 | 4 498 |
| Job creation (thousands) | -208.5 | 169.4 | 98.4 | 59.4 | 26.6 | 23.4 | 21.6 |
| Unemployment rate (per cent) | 8.9 | 6.1 | 5.0 | 4.7 | 4.5 | 4.4 | 4.3 |
| Other economic indicators (in nominal terms) | | | | | | | |
| Household consumption | -5.5 | 9.2 | 9.7 | 3.9 | 3.1 | 3.2 | 3.1 |
| – Excluding food expenditures and shelter | -9.8 | 11.2 | 12.0 | 3.9 | 3.1 | 3.1 | 3.0 |
| Housing starts (thousands of units) | 54.1 | 68.0 | 58.5 | 52.7 | 49.9 | 48.3 | 46.7 |
| Residential investment | 9.5 | 30.0 | 0.6 | -0.1 | 2.3 | 2.5 | 2.4 |
| Non-residential business investment | -7.8 | 0.7 | 8.1 | 8.9 | 4.3 | 4.3 | 4.2 |
| Wages and salaries | 0.2 | 9.6 | 8.1 | 3.3 | 2.9 | 3.2 | 3.1 |
| Household income | 5.8 | 6.0 | 6.0 | 1.6 | 3.1 | 3.5 | 3.3 |
| Net operating surplus of corporations | 14.5 | 12.4 | -6.4 | -3.1 | 5.6 | 3.0 | 3.7 |
| Consumer price index | 0.8 | 3.8 | 4.7 | 2.3 | 1.9 | 2.0 | 2.0 |
| – Excluding food and energy | 1.3 | 3.0 | 4.1 | 2.5 | 2.0 | 1.9 | 1.8 |

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

APPENDIX 2: 2022 PRE-ELECTION REPORT

On August 15, 2022, the Ministère des Finances will publish his second pre-election report.

This responsibility stems from the Québec government's commitment to publish a report on the state of public finances before holding fixed-date general elections.

In April 2015, through the *Act respecting the Ministère des Finances* (c. M-24.01), the National Assembly passed legislative provisions entrusting the Minister of Finance with the mandate to publish a pre-election report presenting the state of public finances. An initial pre-election report was released in August 2018 by the Ministère des Finances.

In the *Auditor General Act* (c. V-5.01), legislative provisions were also adopted to entrust the Auditor General of Québec with the mandate to prepare an assurance report presenting the Auditor General's opinion on the plausibility of the forecasts and assumptions in the report overseen by the Ministère des Finances.

Therefore, as stipulated in sections 23.2 and 23.3 of the *Act respecting the Ministère des Finances*, the following items must be updated and published in the 2022 pre-election report:

- the economic forecasts and assumptions that appear in the Budget Plan presented in the 2022-2023 Budget Speech;
- the forecasts respecting the components of the government's financial framework that appear in the Budget Plan (for five years as of 2022-2023);
- the forecast expenditures, established in collaboration with the Chair of the Conseil du trésor and broken down by field of government activity (for three years as of 2022-2023);
- the reports stipulated in section 15 of the *Balanced Budget Act* (chapter E-12.00001) and section 11 of the *Act to reduce the debt and establish the Generations Fund* (chapter R-2.2.0.1).

Section B

COPING WITH THE RISING COST OF LIVING

| | |
|--|-------------|
| Summary | B.3 |
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| 1.1 Making a maximum payment of \$500 per adult..... | B.7 |
| 1.2 Providing rapid support for 6.4 million Quebecers..... | B.10 |
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| 3. Nearly \$3 billion a year for Quebecers | B.25 |

SUMMARY

Over the last two years, Quebecers have had to face many challenges as a result of the pandemic. The economic recovery and now the war in Ukraine have led to a considerable increase in the cost of living.

The projected high level of inflation in 2022 presents a significant challenge for low- and middle-income households, who have to spend a larger portion of their income on essentials like food, clothing, housing and transportation. The increase in the price of essential goods and services therefore directly affects their quality of life.

The government is therefore taking action now to help Quebecers cope with the rising cost of living. To this end, over \$3.8 billion will be invested by 2026-2027 under this budget:

- nearly \$3.2 billion for a one-time payment of \$500 to 6.4 million people earning \$100 000 or less in order to offset the increase in the cost of living in 2022;
- \$633.6 million to facilitate access to affordable, quality housing by increasing the number of social and affordable housing units available, helping low-income households pay their rent and preserving existing housing.

TABLE B.1

Financial impact of the measures to cope with the rising cost of living (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|-----------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Granting a one-time cost of living support payment | -2 997.8 | -194.7 | — | — | — | — | -3 192.5 |
| Facilitating access to affordable, quality housing | -247.0 | -101.7 | -88.9 | -82.9 | -68.2 | -44.9 | -633.6 |
| TOTAL | -3 244.8 | -296.4 | -88.9 | -82.9 | -68.2 | -44.9 | -3 826.1 |

□ Nearly \$3 billion a year for Quebecers

The one-time support payment of \$500 is in addition to the many other actions taken by the government since fall 2018 to support Quebecers directly.

Nearly \$3 billion per year is now being returned to Quebecers' wallets.

— Including the one-time cost of living support payment, the government actions represent over \$6.8 billion for 2021-2022 alone, and will total \$22.0 billion by 2026-2027.

TABLE B.2

Financial impact of the actions to benefit Quebecers since fall 2018 (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Easing of the tax burden | | | | | | | |
| Coping with the cost of living | -3 737.4 | -194.7 | — | — | — | — | -3 932.1 |
| Families | -1 988.5 | -1 948.0 | -1 916.8 | -1 882.5 | -1 854.7 | -1 830.5 | -11 421.0 |
| Seniors and caregivers | -347.9 | -396.8 | -446.2 | -488.7 | -535.4 | -580.7 | -2 795.7 |
| Workers | -144.0 | -145.1 | -108.8 | -109.9 | -111.0 | -112.4 | -731.2 |
| Subtotal: Easing of the tax burden | -6 217.8 | -2 684.6 | -2 471.8 | -2 481.1 | -2 501.1 | -2 523.6 | -18 880.0 |
| Easing of the financial burden | | | | | | | |
| Students | -409.6 | -364.3 | -220.3 | -160.0 | -159.0 | -159.0 | -1 472.2 |
| Other measures | -215.0 | -255.9 | -268.9 | -303.2 | -303.5 | -304.6 | -1 651.1 |
| Subtotal: Easing of the financial burden | -624.6 | -620.2 | -489.2 | -463.2 | -462.5 | -463.6 | -3 123.3 |
| TOTAL | -6 842.4 | -3 304.8 | -2 961.0 | -2 944.3 | -2 963.6 | -2 987.2 | -22 003.3 |

❑ Increase in personal disposable income since 2018

Disposable income for Québec families has improved greatly in Québec since 2018.

- For example, disposable income for a couple with two children attending subsidized childcare has increased by between \$3 300 and \$6 300 since 2018.

In addition to the automatic indexation of tax systems, the increase in disposable income for a couple comes notably from:

- increases in the family allowance in 2019 and 2020;
- the return to a single rate for subsidized childcare in 2019 with the elimination of the additional contribution for childcare.

In addition, in 2022, a one-time cost of living support payment of \$500 per adult, or \$1 000 for this couple, is provided to help them maintain their standard of living.

TABLE B.3

Increase in disposable income since 2018 for a couple with two children in subsidized childcare (dollars)

| Employment income | Disposable income | | Gain | | |
|----------------------|-------------------|---------------------|------------------------|--------|-------|
| | 2018 | 2022 ⁽¹⁾ | Federal ⁽²⁾ | Québec | Total |
| — | 30 765 | 36 253 | 1 070 | 4 418 | 5 488 |
| 25 000 | 42 307 | 48 155 | 3 827 | 2 021 | 5 848 |
| 50 000 | 52 460 | 58 163 | 3 445 | 2 257 | 5 703 |
| 75 000 | 63 604 | 66 990 | 1 865 | 1 521 | 3 387 |
| 100 000 | 76 001 | 80 671 | 1 771 | 2 899 | 4 670 |
| 125 000 | 88 255 | 92 611 | 1 555 | 2 801 | 4 356 |
| 150 000 | 101 369 | 106 194 | 1 279 | 3 546 | 4 825 |
| 175 000 | 114 901 | 120 381 | 1 074 | 4 406 | 5 480 |
| 200 000 | 127 885 | 134 215 | 1 387 | 4 943 | 6 329 |

Note: For a couple with two equal incomes and two children aged 3 and 4 years old in subsidized childcare.

(1) Disposable income excludes the one-time cost of living support payment of \$500 per taxpayer.

(2) The federal government enhanced the Canada workers benefit in 2019 and 2021. This enhancement explains the couple's larger federal gain for incomes of \$25 000 and \$50 000.

1. GRANTING A ONE-TIME COST OF LIVING SUPPORT PAYMENT

Since last November's *Update on Québec's Economic and Financial Situation*, consumer prices have maintained their upward trend. The inflation rate for January 2022 was 5.1%, due in part to the recent wave of COVID-19 and international tensions.

The government recognizes the financial pressure caused by the significant rise in the cost of basic goods in January, especially energy (+20.1%) and food (+5.6%).

— However, this high inflation will not be reflected in the parameters of the tax system and social assistance programs until January 2023,¹ whereas Quebecers are faced with rising prices now.

Inflation at this level will have an effect on the consumption habits of lower-income taxpayers, as well as those of the middle class.

The government is taking action by providing additional assistance to Quebecers to deal with the significant increase in the cost of goods and services in 2022.

1.1 Making a maximum payment of \$500 per adult

To preserve the purchasing power of Quebecers immediately, the government will make a one-time cost of living support payment² of \$500 per adult earning \$100 000 or less.

— An eligible couple may thus benefit from assistance amounting to \$1 000.

To be eligible for the one-time amount, a taxpayer must, as at December 31, 2021, be 18 years of age or older and reside in Québec. Eligibility will be determined based on information contained in the 2021 tax return.³

This payment of \$500 per adult will help compensate for the average increase in the cost of living of people with low or average incomes expected in 2022.

— The projected rate of inflation for 2022 as a whole now stands at 4.65%.

¹ The 2023 indexation rate will correspond to the percentage change in the consumer price index for Québec, excluding alcoholic beverages, tobacco products and recreational cannabis, between the 12-month period ending September 30, 2022, and the one ending September 30, 2021. Based on current forecasts, the 2023 indexation rate is anticipated to be 5.18%.

² This assistance will take the form of a refundable tax credit. The payment will be made when the 2021 tax return is filed.

³ Exclusion criteria are provided for, in particular for prisoners, people who have died or people who moved outside Québec before January 1, 2022. For further information about the eligibility criteria for the one-time cost of living support payment, please see *Additional Information 2022-2023*.

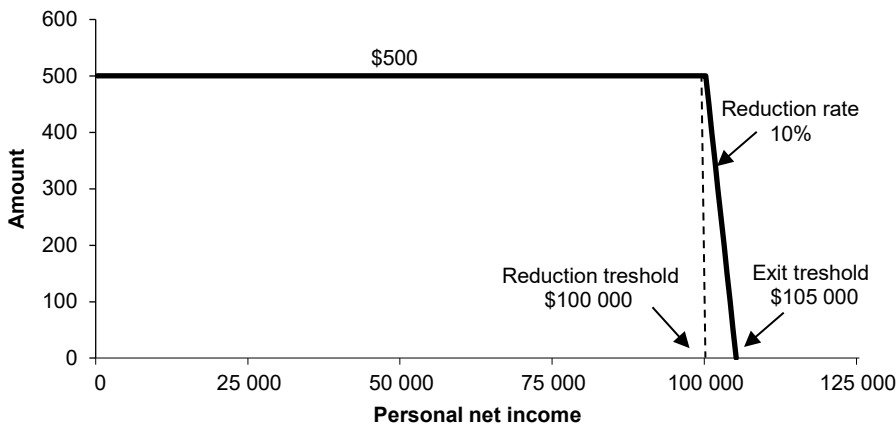
❑ A reducible amount based on income

The one-time cost of living support payment will be reducible at a rate of 10% for every dollar of personal net income⁴ exceeding \$100 000.

A person who earns a net income of \$105 000 or more will therefore not benefit from the one-time support payment because people with high incomes have a greater capacity to adjust to the rising cost of living.

CHART B.1

Illustration of the one-time cost of living support payment
(in dollars, unless otherwise indicated)



Note: Net income means total income less certain deductions, such as the deduction for workers and the RRSP deduction. It is used to determine the amount of assistance granted for most socio-fiscal transfers.

⁴ Net income means line 275 of the income tax return.

Shielding Quebecers from the surge in the cost of goods and services

In its March 5, 2022, statement, the International Monetary Fund (IMF) declared, “Fiscal policy will need to support the most vulnerable households, to help offset rising living costs.”¹

In this context, the purpose of the one-time cost of living payment is to support Quebecers’ purchasing power in the face of a significant increase in the cost of living expected in 2022.

Part of the cost of living increase is offset by indexing the personal income tax system by 2.64% in 2022.

- For example, the maximum family allowance rose from \$2 547 to \$2 614, an increase of \$67 per child.

However, the projected inflation for 2022 is 4.65%, which is higher than the tax system indexation of 2.64%. The one-time amount helps Quebecers make up for this difference.

- This 2.01-percentage-point difference represents an additional cost of \$432 per person according to the Market Basket Measure.

Estimated increase in basic level of consumption in 2022

(in dollars, unless otherwise indicated)

| | Indexation rate of the tax system | Projected inflation | Difference |
|--|--------------------------------------|------------------------|------------|
| Basic consumption in 2021 ⁽¹⁾ | 21 497 | 21 497 | |
| Rate (%) | 2.64 | 4.65 | |
| Adjusted consumption | 22 064 | 22 496 | 432 |

(1) Estimate based on the Market Basket Measure (MBM). MBM refers to the measure of low income based on the cost of a specific basket of goods and services representing a modest, basic standard of living.

The MBM amount in 2019 was indexed in 2021 based on the increase in the consumer price index.

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

Accordingly, the one-time \$500 per adult is intended to offset the difference between the projected inflation and the indexation of the tax system parameters applied to \$25 000 of consumption, which is slightly higher than the Market Basket Measure.

Beginning in 2023, the indexation of tax system parameters will reflect this high inflation and protect taxpayers against the rising cost of living, partly by indexing the tax table and through income tax credits such as the solidarity tax credit or family allowance. For this reason, the assistance is one-time and non-recurring.

¹ International Monetary Fund, Staff Statement on the Economic Impact of War in Ukraine, [Online], March 5, 2022, [https://www.imf.org/en/News/Articles/2022/03/05/pr2261-imf-staff-statement-on-the-economic-impact-of-war-in-ukraine].

1.2 Providing rapid support for 6.4 million Quebecers

The one-time cost of living support payment of \$500 for taxpayers with a net income of \$100 000 or less will be paid to over 6.4 million people.

- Eligible adults will receive this amount, regardless of whether they are students, workers, retirees or beneficiaries of last-resort assistance programs, without having to apply.

The one-time cost of living support payment represents additional assistance amounting to nearly \$3.2 billion for Quebecers, to counter the negative effects of inflation.

TABLE B.4

Financial impact of granting a one-time cost of living support payment (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|----------|
| Granting a one-time cost of living support payment | -2 997.8 | -194.7 | — | — | — | — | -3 192.5 |

Note: The one-time amount is determined based on information from the 2021 tax return. Thus, the financial impact of the measure is recognized in 2021-2022, with the exception of late-filed returns, whose financial impact is recognized in 2022-2023.

❑ Automatic payment by Revenu Québec

The one-time cost of living support payment will be paid automatically by Revenu Québec to eligible adults residing in Québec.

- Eligibility for the \$500 support payment will be determined using information in the 2021 tax return, which taxpayers can already file.
- Quebecers will not have to apply to benefit from this support payment, but they will have to file their 2021 income tax returns.
- The assistance will be paid as soon as the tax return is processed by Revenu Québec.
- For taxpayers who filed their 2021 tax return before March 22, 2022, there may be a delay while Revenu Québec reprocesses their tax return.

For additional information about the one-time support payment, consult the Revenu Québec website at <https://www.revenuquebec.ca/en>.

❑ Assistance in addition to the extraordinary cost of living allowance

When the *Update on Québec's Economic and Financial Situation* was released in fall 2021, the government announced the payment of an extraordinary cost of living allowance for beneficiaries of the refundable solidarity tax credit during the payment period from July 2021 to June 2022.

— This extraordinary allowance primarily targeted lower-income households, or some 3.3 million people.

— The allowance was \$400 for couples and \$275 for people living alone.

In 2022, Quebecers will be able to benefit from both the extraordinary allowance and the one-time cost of living support payment.

■ Illustration of combined cost of living assistance in 2022

Thanks to the extraordinary allowance last January and the new one-time support payment, the combined cost of living assistance that will be paid in 2022 may amount to:

— \$775 for a person living alone;

— \$1 400 for a couple.

TABLE B.5

Illustration of the exceptional allowance and the one-time cost of living support payment – Assistance paid in 2022 (dollars)

| Net income | Person living alone | | | Couple ⁽¹⁾ | | |
|------------|---------------------|----------------|-------|-----------------------|----------------|-------|
| | Allowance (2021) | Payment (2022) | Total | Allowance (2021) | Payment (2022) | Total |
| — | 275 | 500 | 775 | 400 | 1 000 | 1 400 |
| 25 000 | 275 | 500 | 775 | 400 | 1 000 | 1 400 |
| 50 000 | 275 | 500 | 775 | 400 | 1 000 | 1 400 |
| 75 000 | — | 500 | 500 | — | 1 000 | 1 000 |
| 100 000 | — | 500 | 500 | — | 1 000 | 1 000 |
| 125 000 | — | — | — | — | 1 000 | 1 000 |
| 150 000 | — | — | — | — | 1 000 | 1 000 |
| 175 000 | — | — | — | — | 1 000 | 1 000 |
| 200 000 | — | — | — | — | 1 000 | 1 000 |
| 225 000 | — | — | — | — | — | — |

(1) This is a couple with no children and two equal incomes.

Help in filing income tax returns to reach more Quebecers

Community organizations and volunteers are involved in Revenu Québec's Income Tax Assistance – Volunteer Program to provide assistance to people who are unable to complete their own tax returns and who cannot afford to have it done by a professional.

In 2020-2021, approximately 500 organizations took part in this program, resulting in the preparation of over 165 000 tax returns.

In order to ensure that as many people as possible file their tax returns for 2021, the government announced on March 9 that the subsidy to Income Tax Assistance – Volunteer Program partner organizations would be increased from \$2 to \$5 per tax return filed with Revenu Québec.

Each year, thanks to the dedication of these community organizations and thousands of volunteers, many low-income households, including homeless people, are able to access the benefits and tax credits to which they are entitled, such as the solidarity tax credit or the one-time cost of living support payment.

In addition, Revenu Québec will continue its efforts to ensure that vulnerable taxpayers receive all the assistance intended for them.

2. FACILITATING ACCESS TO AFFORDABLE, QUALITY HOUSING

The Québec government recognizes how important it is for households to have access to affordable, quality housing.

The rising cost of rent and the low vacancy rates for private rental housing in recent years have made it harder to find affordable housing.

In addition, investments are needed to keep the current housing stock in good condition. These investments must be made so that the supply of affordable, quality housing is not reduced.

To help low-income households that are struggling to find suitable housing, Budget 2022-2023 invests a total of \$633.6 million over six years, thereby:

- increasing the supply of social and affordable housing;
- improving the quality of housing in Québec.

TABLE B.6

Financial impact of the measures to facilitate access to affordable, quality housing (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Increasing the supply of social and affordable housing | -247.0 | -8.1 | -25.2 | -39.9 | -53.3 | -42.6 | -416.1 |
| Improving the quality of housing in Québec | — | -93.6 | -63.7 | -43.0 | -14.9 | -2.3 | -217.5 |
| TOTAL | -247.0 | -101.7 | -88.9 | -82.9 | -68.2 | -44.9 | -633.6 |

Note: The appropriations will be granted to the Ministère des Affaires municipales et de l'Habitation. Considering the funding of \$8.7 million in 2027-2028, the total amount invested to facilitate access to affordable, quality housing stands at \$642.3 million. The amounts for 2021-2022 and 2022-2023 will be drawn from the Contingency Fund.

2.1 Increasing the supply of social and affordable housing

The government wants to help low- and moderate-income households find housing that meets their needs.

To this end, \$416.1 million will be provided by 2026-2027 to increase the supply of social and affordable housing:

- \$247.0 million to complete the delivery of nearly 3 500 AccèsLogis units;⁵
- \$100.0 million to build about 1 000 additional units under the Québec affordable housing program;
- \$69.1 million to provide rent supplements and help municipalities offer services to households that find themselves homeless.

TABLE B.7

Financial impact of the measures to increase the supply of social and affordable housing (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Completing the delivery of nearly 3 500 AccèsLogis units ⁽¹⁾ | -247.0 | — | — | — | — | — | -247.0 |
| Building about 1 000 additional units under the Québec affordable housing program | — | — | -10.0 | -25.0 | -38.0 | -27.0 | -100.0 |
| Granting rent supplements and helping municipalities | — | -8.1 | -15.2 | -14.9 | -15.3 | -15.6 | -69.1 |
| TOTAL | -247.0 | -8.1 | -25.2 | -39.9 | -53.3 | -42.6 | -416.1 |

(1) Of this amount, \$30.0 million will be paid to the Ville de Montréal for the construction of units on its territory.

⁵ These are units that were previously announced but not built.

2.1.1 Completing the delivery of nearly 3 500 AccèsLogis units

In recent years, a number of announcements have been made about the construction of social and affordable housing under AccèsLogis programs.⁶

Although several housing projects are in development, a lack of funding is preventing their construction. This lack of funds can be explained, in part, by an increase in construction costs and property values that is higher than anticipated.

In this regard, Budget 2022-2023 includes \$247.0 million in funding as of 2021-2022, which will make it possible to accelerate the construction of the units announced in the AccèsLogis programs and thus complete the delivery of nearly 3 500 units.

Investments amounting to over \$900 million

Taking into account the investments of over \$660 million announced since Budget 2019-2020, a total of \$907 million will now have been invested to complete AccèsLogis housing.

Completing all housing units announced, but not yet delivered

As at September 30, 2018, the number of announced housing units still in inventory was over 15 000. As at December 31, 2021, excluding completed units and those for which construction has already begun, this number was just over 8 000 units.

As many of these uncompleted units have the funds required, the additional investments announced in this budget will allow the units announced but not yet delivered to be completed.

⁶ Programs include AccèsLogis Québec and AccèsLogis Montréal.

2.1.2 Building about 1 000 additional units under the Québec affordable housing program

When the *Update on Québec's Economic and Financial Situation* was released in fall 2021, the government announced investments to build some 2 200 affordable housing units through the new Québec affordable housing program.

The government's goal for this announcement was to stimulate the supply of affordable housing in Québec, allowing low- or moderate-income households to find affordable housing, particularly as the vacancy rate in the rental market has been below the equilibrium rate for a few years.⁷

— The main consequence, for renters, of a vacancy rate below the equilibrium level is that it is harder to find housing that reflects their capacity to pay. A low vacancy rate can also put upward pressure on rents.

To further enhance the supply of affordable housing in Québec, Budget 2022-2023 is providing an additional \$100-million investment by 2026-2027 through the Québec affordable housing program, which will allow for the construction of about 1 000 more affordable housing units.

Québec affordable housing program

The Québec affordable housing program provides financial support for promoters in the community and private sectors to build affordable housing for low- and moderate-income households. The purpose of the program is to provide a subsidy for the construction of affordable housing.

The financial assistance offered through this program is based on the type and surface area of the project. It also depends on the period during which the promoter undertakes to keep rents at an affordable level. The longer the undertaking, the greater the financial assistance provided.

Households living in housing built through this program may also benefit from a rent supplement for private rentals.

Example for a single-parent family

A single mother of two children, who lives in Gatineau and has an income of \$25 000 a year, should be able to live in a two-bedroom apartment.

The rent for a two-bedroom apartment on the private market may be high, depending on how close it is to downtown and the age of the building. Housing built through the Québec affordable housing program would be rented at the median market rent of around \$935 a month. A rent supplement may also be granted for this housing, meaning the single-parent family would only have to pay \$520 a month, or 25% of their income.

⁷ A rental market is considered to be in equilibrium when the vacancy rate is 3.0%.

2.1.3 Granting rent supplements and helping municipalities

In addition to making significant investments to increase the supply of social and affordable housing, the government wants to more quickly help households pay their rent, in particular low-income households.

The construction of new housing requires lead times that do not allow for the rapid provision of affordable housing units for lower-income clienteles.

- The government will also target certain clienteles with specific and urgent housing needs, such as homeless people and women leaving their homes because of domestic violence.

Thus, the government is providing \$67.1 million by 2026-2027 for 2 200 rent supplement units:

- \$42.9 million to add 1 600 units to the Rent Supplement Program for private rentals;
- \$20.1 million to add 500 units for homeless persons to the Emergency Rent Supplement Program;
- \$4.1 million to add 100 units for women who are victims of domestic violence to the Emergency Rent Supplement Program.

Some municipalities provide emergency assistance services to households that find themselves homeless, such as the partial reimbursement of costs for storing and transporting their belongings. With many municipalities still facing a shortage of rental housing, the government is looking to extend the additional support announced in Budget 2021-2022. Budget 2022-2023 is providing funding of \$2.0 million over two years for this purpose.

With these investments of \$69.1 million, the government will be ready to help households who are still looking for housing on the eve of July 1, 2022. This investment will provide housing bureaus with greater predictability for finding units in the private market.

TABLE B.8

Financial impact of the measures to grant rent supplements and help municipalities
(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
| Adding 1 600 units to the Rent Supplement Program for private rentals ⁽¹⁾ | — | -2.9 | -9.7 | -9.9 | -10.1 | -10.3 | -42.9 |
| Adding 500 units for homeless persons to the Emergency Rent Supplement Program ⁽²⁾ | — | -3.1 | -4.1 | -4.2 | -4.3 | -4.4 | -20.1 |
| Adding 100 units for women who are victims of domestic violence to the Emergency Rent Supplement Program ⁽³⁾ | — | -0.6 | -0.9 | -0.8 | -0.9 | -0.9 | -4.1 |
| Extending emergency assistance to municipalities with a rental housing shortage | — | -1.5 | -0.5 | — | — | — | -2.0 |
| TOTAL | — | -8.1 | -15.2 | -14.9 | -15.3 | -15.6 | -69.1 |

(1) If the \$7.4 million in 2027-2028 is considered, the financing required will total \$50.3 million.

(2) If the \$1.1 million in 2027-2028 is considered, the financing required will total \$21.2 million.

(3) If the \$0.2 million in 2027-2028 is considered, the financing required will total \$4.3 million.

❑ Almost 44 200 rent supplements used or available

With the announcements regarding the Rent Supplement Program in Budget 2022-2023, the number of units has increased by 2 200:

- 1 600 Rent Supplement – private rental units, bringing the total number of such units to 19 986;
- 600 Emergency Rent Supplement units, bringing the total to 2 309.

Considering all types of program units, the number of units climbs to 44 184.

TABLE B.9

Number of Rent Supplement Program units used or available by type of supplement (numbers, unless otherwise indicated)

| | General duration | Number of rent supplement units | | |
|-------------------------------------|---------------------|---------------------------------|---------------------------------|---------------|
| | | Fall 2021 | Increase in Budget 2022-2023 | Spring 2022 |
| Rent supplement on private rentals | 5 years | 18 386 | 1 600 | 19 986 |
| Rent supplement on AccèsLogis units | 5 years | 21 889 | — | 21 889 |
| Emergency rent supplement | 1 year | 1 709 | 600 | 2 309 |
| TOTAL | — | 41 984 | 2 200 | 44 184 |

Rent Supplement Program

The Rent Supplement Program allows low-income families to live in rental housing units owned by private landlords, housing cooperatives, non-profit organizations or housing bureaus, while respecting their financial capacity.

- To benefit from this program, a household must contact its local municipal housing bureau, which administers the program.
- The housing authority determines a household's priority for rent supplement based on its characteristics. Women who are experiencing domestic violence are among the priority clientele, for example.

How the rent supplement works

The rent paid by the household is 25% of the gross household income earned during the previous calendar year. The difference in relation to the actual rent of the unit is paid by the government.

- As with most government assistance for low-income households, each additional dollar of income earned by the household reduces the assistance available to it, in this case at a rate of 25%.
- This reduction in the program focuses rent supplement assistance on lower-income households.

If the household income exceeds the program eligibility thresholds, the household is responsible for the full cost of rent. At these thresholds, however, the household income is considered high enough for the household to be able to find housing in the private market within its financial capacity.

In addition, rent supplements are usually provided for a transitional period of up to five years. The assistance granted is intended to be temporary in order to allow the household to regularize its situation on its own and eventually exit the program.

Various types of rent supplements

The private rental component provides for the allocation of units whose rent can reach up to 120% of the median rent,¹ for a five-year period.

The emergency component is designed to help households that find themselves suddenly homeless. Rent for occupied units can be up to 150% of the median rent.

Some units may be attributed for housing built under the AccèsLogis programs.

¹ The maximum rate that a Rent Supplement Program can reach is currently being re-evaluated in order to increase it.

2.2 Improving the quality of housing in Québec

In addition to increasing the supply of housing through the development of new social and affordable housing, the government also wants to ensure the preservation of existing housing, both public and private.

Budget 2022-2023 provides investments totalling \$217.5 million for this purpose:

- \$52.3 million to renovate low-rental housing stock;
- \$165.2 million to improve the housing conditions of Quebecers through the various Société d'habitation du Québec programs.

TABLE B.10

Financial impact of the measures to improve the quality of housing in Québec (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Renovating low-rental housing stock | — | -52.3 | — | — | — | — | -52.3 |
| Improving the housing conditions of Quebecers | — | -41.3 | -63.7 | -43.0 | -14.9 | -2.3 | -165.2 |
| TOTAL | — | -93.6 | -63.7 | -43.0 | -14.9 | -2.3 | -217.5 |

2.2.1 Renovating low-rental housing stock

Before the adoption of the AccèsLogis Program in 1997, social housing was built under the Low-Rental Housing Program. Low-income households continue to live in the housing units built under this program, which numbered 74 399 as at December 31, 2021.

Given its aging, the low-rental housing stock needs to be renovated in order to be preserved and to ensure adequate living conditions for the households that live there.

To accelerate the renovation of this housing stock, the government is providing \$52.3 million in 2022-2023.

— Furthermore, this investment will allow the Québec government to claim part of the amounts provided in the Canada-Québec Housing Agreement for this purpose from the federal government.

| Canada-Québec Housing Agreement |
|--|
| <p>The Canada-Québec Housing Agreement allocates \$1.8 billion to Québec by 2027-2028. These funds will be used for three major initiatives:</p> <ul style="list-style-type: none">— \$272.2 million to fund Québec's housing priorities, including the accessibility, renovation and construction of affordable housing;— \$1 115.9 million to preserve, regenerate and increase the social and community housing stock, in particular units reserved for Indigenous populations in urban areas;— \$454.3 million to fund or enhance all programs that directly provide households with assistance designed to improve housing affordability, including the Shelter Allowance Program. <p>To obtain these amounts, the Québec government must invest an equivalent amount, bringing the total investment to nearly \$3.7 billion.</p> |

2.2.2 Improving the housing conditions of Quebecers

To ensure the improvement of housing conditions for Québec households, in particular those with low incomes or those with special housing needs, the government is announcing funding of \$165.2 million under Budget 2022-2023. This amount will allow the continuation of the home adaptation and renovation programs of the Société d'habitation du Québec.

Of this total, the government is providing:

- \$33.0 million for the Rénovation Québec Program, which financially supports municipalities that want to develop housing renovation programs in disadvantaged residential areas;
- \$61.8 million for the RénoRégion Program, which provides financial assistance to low- or moderate-income owner-occupants in rural areas to correct major defects in their homes;
- \$64.4 million for the Residential Adaptation Assistance Program, which helps homeowners cover the cost of adaptations needed to make the dwelling barrier-free for persons with disabilities to enable them to stay in their home longer;
- \$6.0 million for the Shelter Enhancement Program, which provides assistance to non-profit organizations that operate housing for women and young people aged 28 and under fleeing domestic violence.

TABLE B.11

Financial impact of the measures to improve the housing conditions of Quebecers (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Increasing the financing of the Rénovation Québec Program | — | -4.1 | -8.7 | -11.0 | -6.9 | -2.3 | -33.0 |
| Increasing the financing of the RénoRégion Program | — | -14.4 | -20.6 | -20.6 | -6.2 | — | -61.8 |
| Increasing the financing of the Residential Adaptation Assistance Program | — | -22.6 | -32.4 | -9.4 | — | — | -64.4 |
| Increasing the financing of the Shelter Enhancement Program | — | -0.2 | -2.0 | -2.0 | -1.8 | — | -6.0 |
| TOTAL | — | -41.3 | -63.7 | -43.0 | -14.9 | -2.3 | -165.2 |

Access to housing and overheated real estate market

The last period of overheated real estate has had an adverse impact on housing affordability and home ownership. In this context, the government implemented a number of actions.

In particular, it amended the *Real Estate Brokerage Act*¹ to:

- avoid certain conflicts of interest by prohibiting “dual representation,” i.e. the fact that the same broker represents both the buyer and the seller of an immovable;
- reaffirm the obligation to sign a purchase contract in order to represent a buyer interested in a residential property by providing for the nullity of verbal brokerage contracts.

It also amended the *Building Act* to provide, by regulation, a framework for residential building inspections and published a draft regulation to that effect for consultation.²

Lastly, the forms used by real estate brokers have been modified to introduce clear warnings that a promise to purchase without an inspection clause is only appropriate in specific circumstances. This measure is intended to encourage buyers to use this important tool that protects them against hidden defects, to some extent.

These measures are in response to, among other things, comments received in the public consultation on real estate broker practices conducted by the Ministère des Finances, which closed on September 8, 2021.

1 The legislative amendments were passed in December 2021 and are scheduled to take effect within six months of passage.

2 *An Act mainly to regulate building inspections and divided co-ownership, to replace the name and improve the rules of operation of the Régie du logement and to amend the Act respecting the Société d'habitation du Québec and various legislative provisions concerning municipal affairs* was assented to on December 11, 2019 and the draft regulation was published on February 23, 2022.

3. NEARLY \$3 BILLION A YEAR FOR QUEBECERS

In addition to helping Quebecers cope with the recent increase in the cost of living, the government has taken significant steps in recent years to reduce the tax burden and thus put money back in Quebecers' pockets, provide financial support to families and help the most vulnerable individuals.

In addition to this tax assistance, other measures have also been put in place to financially support Quebecers, including increased assistance for students and improved access to health care.

In total, the measures to support Quebecers amount to nearly \$3 billion per year, including a reduction in the tax burden of about \$2.5 billion.

☐ Reduction in Quebecers' tax burden of about \$2.5 billion per year

The tax credit enhancements since 2018 represent a reduction in the tax burden of about \$2.5 billion per year:

- \$2 billion to assist families and the most vulnerable individuals;
- \$400 million to better recognize the needs of seniors and caregivers;
- \$145 million to encourage workers to stay in the workforce and recognize telework expenses.

In 2021-2022, an exceptional \$6.2 billion will be returned to Quebecers as a result of measures to address the cost of living.

■ Support to help cope with the cost of living

The government has introduced two measures to directly help taxpayers cope with the surge in the cost of living:

- the extraordinary cost of living allowance of \$200 per adult (\$275 for single persons) paid in January 2022;
- the one-time cost of living support payment of \$500 per adult to offset the forecast inflation increase in 2022.

Altogether, these measures will support the purchasing power of the majority of Quebecers for a total of more than \$3.9 billion by 2022-2023.

■ A significant increase in support for families

The government has greatly improved the family allowance. Simpler, fairer and more generous, the family allowance is set at a maximum of \$2 614 and a minimum of \$1 040 per child in 2022.

- Since 2020, nearly 679 000 families have benefited from an additional \$779 to care for their families.

The implementation of a single rate for subsidized childcare means that all parents pay a rate of \$8.70 for subsidized childcare in 2022.

- In 2019, when the single rate was implemented, this represented an estimated savings of \$1 100 per family for 140 000 families.

In 2021, the government enhanced the refundable tax credit for childcare expenses to allow parents whose children attend an unsubsidized daycare to benefit from net childcare costs that are relatively equivalent to the costs of a subsidized daycare, regardless of family income.

- This represented a decrease in their childcare bill of \$1 310 in 2021 for a family with an income between \$60 000 and \$100 000.

Lastly, other measures were adopted to ease the tax burden on taxpayers, including the introduction of a single school tax rate and increased support for handicapped children.

Together, the measures to ease the tax burden on families amount to approximately \$2 billion per year.

■ Greater recognition of senior and caregiver needs

Since 2018, the government has acted on numerous occasions to ensure that the tax system can better recognize the needs of seniors and caregivers through appropriate support.

In fall 2018, it implemented the senior assistance amount. This amount was enhanced in the fall 2021 *Update on Québec's Economic and Financial Situation*, reaching a maximum of \$411 per eligible senior in 2022.

- More than 700 000 low-income seniors aged 70 or older will benefit from higher disposable income in 2022 thanks to the implementation of this amount.

To help seniors stay in their homes longer, the refundable tax credit for home-support services for seniors has also been enhanced.

- This enhancement will increase the assistance provided under the tax credit from 35% to 40% of eligible expenses by 2026.
- The maximum eligible rent for tax assistance through the refundable tax credit for home-support services for seniors living in an apartment building is also increasing from \$600 to \$1 200 beginning in 2022. The tax credit will be paid automatically to those who forget to claim it on the minimum eligible monthly rent of \$600.

In addition, the government introduced the refundable tax credit for caregivers in 2020, which will provide up to \$2 598 in assistance to eligible caregivers in 2022.

- This new tax credit doubles the maximum amount available to caregivers and expands eligibility to more than 30 000 additional individuals.

Enhanced tax assistance for seniors and caregivers will amount to approximately \$400 million per year.

■ Additional assistance to workers

In December 2020, the government announced a simplified deduction for teleworkers. In their 2020 income tax returns, teleworkers could claim a deduction of \$2 for each day they worked from home due to the pandemic, up to a maximum of \$400.

- Due to the continuation of telework, this simplified deduction is extended to a maximum of \$500 a year for 2021 and 2022.

In Budget 2019-2020, the tax credit for career extension was enhanced to provide an incentive for individuals age 60 or older to stay in the labour market by providing up to \$1 500 or \$1 650 in tax assistance depending on their age.

- The enhancement of this work incentive now reaches nearly 350 000 seniors and provides them with over \$100 million in tax relief annually.

❑ Other actions that have reduced the financial burden on individuals

In addition to significant reductions in the tax burden, approximately \$600 million in annual spending is planned to provide financial support for students, and make it financially easier to obtain certain health care services.

More specifically, the permanent enhancements to student financial assistance represent an increase in expenditures of over \$160 million per year.

In addition, significant temporary support for students has been provided since the beginning of the pandemic, including:

- a temporary increase in educational expenses eligible for student financial assistance for the 2020-2021, 2021-2022 and 2022-2023 school years;
- assistance for individuals repaying student loans, primarily with the elimination of interest on these loans between April 1, 2021, and March 31, 2023, including the renewal announced in this budget;
- the payment of a lump sum of \$100 for both the fall 2020 and winter 2021 semesters for full-time college and university students.

TABLE B.12

Financial impact of the actions to benefit Quebecers since fall 2018
(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Easing of the tax burden | | | | | | | |
| Coping with the cost of living | | | | | | | |
| One-time cost of living support payment | -2 997.8 | -194.7 | — | — | — | — | -3 192.5 |
| Extraordinary cost of living allowance | -739.6 | — | — | — | — | — | -739.6 |
| Families | | | | | | | |
| Single school tax rate | -702.3 | -651.3 | -601.6 | -556.6 | -514.5 | -474.8 | -3 501.1 |
| Refundable tax credit for childcare expenses | -225.6 | -215.2 | -212.1 | -211.0 | -216.6 | -222.4 | -1 302.9 |
| Family allowance | -802.0 | -807.8 | -813.1 | -816.7 | -818.4 | -821.0 | -4 879.0 |
| Single rate for subsidized childcare | -179.0 | -184.8 | -190.7 | -196.8 | -203.1 | -209.6 | -1 164.0 |
| Support for children with disabilities | -43.4 | -50.8 | -53.0 | -55.1 | -55.8 | -56.4 | -314.5 |
| Exemption for support payments in respect of dependent children | -36.2 | -38.1 | -46.3 | -46.3 | -46.3 | -46.3 | -259.5 |
| Seniors and caregivers | | | | | | | |
| Refundable tax credit for home-support services for seniors | -10.5 | -45.3 | -83.8 | -111.8 | -142.8 | -171.6 | -565.8 |
| Senior assistance amount | -233.1 | -245.1 | -253.9 | -266.2 | -277.7 | -290.8 | -1 566.8 |
| Refundable tax credit for caregivers | -104.3 | -106.4 | -108.5 | -110.7 | -114.9 | -118.3 | -663.1 |
| Workers | | | | | | | |
| Deduction for telework expenses | -37.4 | -37.4 | — | — | — | — | -74.8 |
| Career extension | -106.6 | -107.7 | -108.8 | -109.9 | -111.0 | -112.4 | -656.4 |
| Subtotal: | | | | | | | |
| Easing of the tax burden | -6 217.8 | -2 684.6 | -2 471.8 | -2 481.1 | -2 501.1 | -2 523.6 | -18 880.0 |

TABLE B.12

Financial impact of the actions to benefit Quebecers since fall 2018 (cont.)
(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Easing of the financial burden | | | | | | | |
| Students | | | | | | | |
| Enhancing student financial assistance permanently | -100.0 | -128.0 | -161.0 | -160.0 | -159.0 | -159.0 | -867.0 |
| Enhancing student financial assistance temporarily | -155.0 | -164.3 | -59.3 | — | — | — | -378.6 |
| Elimination of interest on student loans | -72.0 | -72.0 | — | — | — | — | -144.0 |
| Lump sum of \$100 per term | -82.6 | — | — | — | — | — | -82.6 |
| Other measures | | | | | | | |
| See better to succeed | -36.0 | -36.0 | -36.0 | -36.0 | -36.0 | -36.0 | -216.0 |
| Reduced health care institution parking fees | -120.0 | -132.0 | -145.0 | -159.6 | -159.6 | -159.6 | -875.8 |
| Quality of life of caregivers | -59.0 | -87.9 | -87.9 | -107.6 | -107.9 | -109.0 | -559.3 |
| Subtotal: Easing of the financial burden | -624.6 | -620.2 | -489.2 | -463.2 | -462.5 | -463.6 | -3 123.3 |
| TOTAL | -6 842.4 | -3 304.8 | -2 961.0 | -2 944.3 | -2 963.6 | -2 987.2 | -22 003.3 |

FINANCIAL IMPACT

TABLE B.13

Financial impact of the measures to cope with the rising cost of living

(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|----------|
| Granting a one-time cost of living support payment | -2 997.8 | -194.7 | — | — | — | — | -3 192.5 |
| Facilitating access to affordable, quality housing | | | | | | | |
| Increasing the supply of social and affordable housing | | | | | | | |
| Accelerating the delivery of nearly 3 500 AccèsLogis units | -247.0 | — | — | — | — | — | -247.0 |
| Building about 1 000 additional units under the Québec affordable housing program | — | — | -10.0 | -25.0 | -38.0 | -27.0 | -100.0 |
| Granting rent supplements and helping municipalities | | | | | | | |
| — Adding 1 600 units to the Rent Supplement Program for private rentals | — | -2.9 | -9.7 | -9.9 | -10.1 | -10.3 | -42.9 |
| — Adding 500 units for homeless persons to the Emergency Rent Supplement Program | — | -3.1 | -4.1 | -4.2 | -4.3 | -4.4 | -20.1 |
| — Adding 100 units for women who are victims of domestic violence to the Emergency Rent Supplement Program | — | -0.6 | -0.9 | -0.8 | -0.9 | -0.9 | -4.1 |
| — Extending emergency assistance to municipalities with a rental housing shortage | — | -1.5 | -0.5 | — | — | — | -2.0 |
| Subtotal | — | -8.1 | -15.2 | -14.9 | -15.3 | -15.6 | -69.1 |
| Subtotal – Increasing the supply of social and affordable housing | -247.0 | -8.1 | -25.2 | -39.9 | -53.3 | -42.6 | -416.1 |

TABLE B.13

Financial impact of the measures to cope with the rising cost of living (cont.)
(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|-----------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Improving the quality of housing in Québec | | | | | | | |
| Renovating low-rental housing stock | — | -52.3 | — | — | — | — | -52.3 |
| Improving the housing conditions of Quebecers | | | | | | | |
| – Increasing the financing of the Rénovation Québec program | — | -4.1 | -8.7 | -11.0 | -6.9 | -2.3 | -33.0 |
| – Increasing the financing of the RénoRégion Program | — | -14.4 | -20.6 | -20.6 | -6.2 | — | -61.8 |
| – Increasing the financing of the Residential Adaptation Assistance Program | — | -22.6 | -32.4 | -9.4 | — | — | -64.4 |
| – Increasing the financing of the Shelter Enhancement Program | — | -0.2 | -2.0 | -2.0 | -1.8 | — | -6.0 |
| Subtotal | — | -41.3 | -63.7 | -43.0 | -14.9 | -2.3 | -165.2 |
| Subtotal – Improving the quality of housing in Québec | — | -93.6 | -63.7 | -43.0 | -14.9 | -2.3 | -217.5 |
| Subtotal – Facilitating access to affordable, quality housing | -247.0 | -101.7 | -88.9 | -82.9 | -68.2 | -44.9 | -633.6 |
| TOTAL | -3 244.8 | -296.4 | -88.9 | -82.9 | -68.2 | -44.9 | -3 826.1 |

Section C

RESTORING THE HEALTH CARE SYSTEM

| | |
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SUMMARY

The COVID-19 pandemic showed the health and social services system to be agile and innovative in providing care and treatment. Health and social services facilities quickly adapted to this reality and found innovative solutions to the numerous unprecedented issues they faced.

After two years of the health crisis, the government is now embarking on the restoration of its health care system. With a focus on adapting the system to post-pandemic reality, the government is determined to make care and services more fluid, accessible, humane and efficient.

In parallel, the government is pursuing its action plan to increase care and services for the public, especially for seniors, informal and family caregivers and youth in difficulty. In addition, it is taking action to improve frontline services and provide access to a family physician or health care professional more quickly and to reduce wait times in the emergency room.

Initiatives to restore the health care system will total close to \$8.9 billion by 2026-2027, including nearly \$1.3 billion in 2022-2023, that is:

- \$904.7 million to restore the health and social services system;
- \$394.2 million to enhance health care and services for the public.

TABLE C.1

Financial impact of the measures to restore the health care system (millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Restoring the health and social services system | -904.7 | -1 020.0 | -1 087.9 | -1 050.0 | -1 139.9 | -5 202.5 |
| Enhancing health care and services for the public | -394.2 | -546.3 | -746.3 | -946.3 | -1 062.9 | -3 696.2 |
| TOTAL | -1 298.9 | -1 566.3 | -1 834.3 | -1 996.4 | -2 202.8 | -8 898.7 |

Note: The amounts that may be required if the public health emergency were to re-emerge are presented at the end of chapter 1 of this section.
Totals may not add due to rounding.

1. RESTORING THE HEALTH AND SOCIAL SERVICES SYSTEM

The pandemic has shown the importance of taking concrete, sustainable action to modernize health and social services and adapt them to new realities. The government is therefore determined to begin the restoration of the health care system and will be tabling a plan to achieve this goal soon. This plan will act on four foundations of the health and social services system:

- human resources, because they are the essential basis on which the provision of care and services to the public depends;
- access to data to help improve the performance and organization of services to the public;
- information technologies to provide tools that support both health professionals and managers with the objective of improving services to users;
- modern infrastructure, particularly through new buildings or hospital renovations.

Budget 2022-2023 provides \$5.2 billion by 2026-2027 for new initiatives to restore the health and social services system, that is:

- \$1.0 billion to make substantial changes within health care facilities;
- \$3.4 billion to improve the work management and delivery of health care staff;
- \$788.9 million to modernize the health care system.

TABLE C.2

Financial impact of the measures to restore the health and social services system (millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Making substantial changes within health care facilities | -195.7 | -216.6 | -240.0 | -185.3 | -179.0 | -1 016.4 |
| Improving work management and delivery | -604.0 | -653.3 | -697.9 | -714.7 | -727.4 | -3 397.2 |
| Modernizing the health care system | -105.1 | -150.1 | -150.1 | -150.1 | -233.5 | -788.9 |
| TOTAL | -904.7 | -1 020.0 | -1 087.9 | -1 050.0 | -1 139.9 | -5 202.5 |

Note: Totals may not add due to rounding.

Time for action

While the pandemic has highlighted the weaknesses of the health and social services system, it has also shown that it is possible to be agile and innovative in delivering services differently.

This pandemic, the worst health crisis in Québec's history, further restricted access to certain services and revealed significant governance challenges. It also brought to light the difficulty of obtaining all the data required for good management, due in particular to technologies from another era and an outdated legislative framework.

The government has been working on a plan for several months and is determined to restore the network and correct the problems of access to care and services that have persisted for too long. The government's goals include providing more accessible services, an improved patient experience and a more efficient system.

This plan is the result of lessons learned during the pandemic, but also of discussions and collaborations with health and social services system partners over the past four years.

The plan will propose acting first on the foundations of the health and social services system. First and foremost: health care workers, who are the essential basis of the services and care provided to Quebecers. Valued staff in sufficient numbers are an essential condition for achieving the objectives set out in the plan. Better access to data, whether for clinical staff, patients, managers or researchers, is also fundamental to improving network performance. This performance must be achieved with the help of cutting-edge technologies. Lastly, modern infrastructure and adapted equipment constitute the last and inseparable foundation of a solid, efficient health and social services network.

Acting on these foundations will enable the government to advance all its priority actions and offer the public a patient experience centred on the accessibility and quality of care.

1.1 Making substantial changes within health care facilities

☐ Toward a system with integrated, needs-based services

The pandemic has demonstrated the need for decentralized, humane and effective management of the health and social services network. The government also wishes to support truly local management of health and social services throughout Québec, creating a health care system whose services will be integrated and geared to the needs of patients.

The Minister of Health and Social Services will soon announce the details of the measures to restore the health care system. In Budget 2022-2023, over \$1.0 billion is provided for by 2026-2027.

1.2 Improving work management and delivery

The pandemic has weakened the health care system and strained its personnel. The government will initiate a cultural change in the organization of work following the signing of collective agreements with all unions, which will make it possible to introduce a management style focused on job stability and on improving the working conditions of staff. This change will lead to a more human-centred delivery of health care and services.

☐ Toward a change in work organization culture

This cultural change in the organization of work is aimed at improving working conditions in order to provide a better quality of life for health care staff. This translates into actions that are already underway or in the process of being implemented, for example:

- the decentralization of scheduling;
- the end of abusive imposition of overtime;
- an increase in full-time hospital staff;
- improved work-family balance.

The reorganization of work will involve the first schedule self-management projects, atypical schedule arrangements and, for certain job titles, an increase in the number of hours in the normal work week (for example, from 35 hours to 37.5 hours per week). Each health and social services facility will be able to introduce schedules that best meet the needs of its workforce.

In addition, recent agreements provide for salary increases, incentives to stabilize nursing teams (evening, night and weekend bonuses), and staff attraction and retention bonuses. In addition, several leave of absence provisions have been improved and some employees have been reclassified.

Lastly, the government is planning to hire administrative agents to support clinical staff, to introduce a new job title of pharmacy technician, to add pharmacists with bachelor's degrees in hospital settings, and to optimize the organization of the pre-hospital emergency system.

In Budget 2022-2023, the government is setting aside close to \$3.4 billion by 2026-2027 to ensure the implementation of collective agreements reached with all unions in the health and social services network.

TABLE C.3

Financial impact of the measures to improve work management and delivery

(millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|-----------------|
| Improving working conditions for health and social services network staff | -401.3 | -401.3 | -401.3 | -401.3 | -401.3 | -2 006.4 |
| Increasing the number of administrative agents | -151.5 | -151.5 | -151.5 | -151.5 | -151.5 | -757.5 |
| Improving pre-hospital emergency services | -32.4 | -55.6 | -78.7 | -95.6 | -108.3 | -370.6 |
| Increasing the number of hospital technicians and pharmacists | -18.7 | -44.9 | -66.4 | -66.4 | -66.4 | -262.7 |
| TOTAL | -604.0 | -653.3 | -697.9 | -714.7 | -727.4 | -3 397.2 |

Note: Totals may not add due to rounding.

1.3 Modernizing the health care system

The pandemic has forced health care and social services facilities to rapidly implement technological and IT solutions to address the various difficulties faced.

The health crisis has also highlighted the lack of real-time information and the fragmentation of data distributed across more than 10 000 information systems, 65 000 connected devices, thousands of servers and hundreds of items of computer and communications hardware.

The modernization of the health care system is part of the government's digital transformation strategy and is designed to provide more intuitive, timely and easy-to-use health care and services for the public, and to improve the efficiency and performance of health care and social services facilities.

Three major initiatives are being implemented to modernize the health care system:

- accelerating the shift to cloud computing in order to protect citizens' data from cyberattacks and theft and ensure the sustainability of telemedicine practices;
- modernizing clinical and administrative processes to automate manual and recurring administrative and clinical operations;
- developing new applications relevant to health care institutions, such as a centralized management system for arrivals, departures and transfers, and a system to optimize bed management.

In Budget 2022-2023, the government is providing an additional \$788.9 million by 2026-2027 to modernize the health care system.

□ Toward a more fluid management of health data

The government wishes to make health data more fluid and accessible in a timely manner. Bill 19, *An Act respecting health and social services information and amending various legislative provisions* was tabled on December 3, 2021, for this purpose. The bill introduces major changes in the management of health data by:

- establishing standards for the protection of health and social services information;
- allowing access to data in order to improve the quality of services provided to the public and to better understand the needs relating to demand for services.

Management of health data will give researchers better access to information for their research projects and will enable managers in the health and social services network to better coordinate care, while ensuring the confidentiality and integrity of data.

1.4 Improving health and social services infrastructure

The pressure exerted by the COVID-19 pandemic on the health and social services network's infrastructure has underscored the need to strengthen and modernize the existing infrastructure.

In order to provide all Quebecers with modern facilities, suitable equipment and access to high-quality health care institutions, the 2022-2032 Québec Infrastructure Plan provides for investments of \$22.8 billion in the health and social services sector.

— Of these investments, 47% will be devoted to maintaining existing infrastructure in good condition, while 53% will be devoted to new infrastructure to support development.

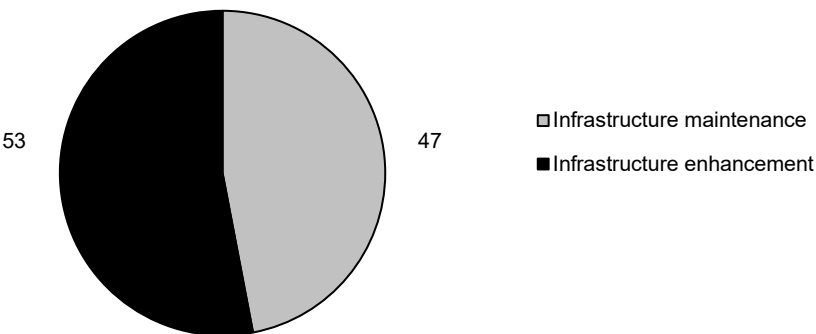
The investments will be used to build, redevelop and upgrade health and social services institutions across Québec. This includes hospitals, residential and long-term care centres (CHSLDs), local community service centres and rehabilitation centres, as well as a network of seniors' homes and alternative homes.

— These projects will address needs resulting from the pandemic and provide long-term infrastructure improvements.

— The addition of hospital beds and residential care units for seniors and people with special medical needs through new construction will enhance the quality of services provided to the public. These improvements will increase the network's room for manoeuvre.

CHART C.1

**2022-2032 Québec Infrastructure Plan for health and social services,
by type of investment**
(per cent)



Source: Secrétariat du Conseil du trésor.

Pandemic risk management in 2022-2023

With the lifting of many of the health measures and the tabling of the bill to end the public health state of emergency, Québec is beginning to return to normal life.

The government nevertheless intends to give itself the operational means to prepare for the risk of potential future waves.

To address this risk, \$1.7 billion has been set aside to be used, with the Conseil du trésor approval, to meet potential costs arising from a change in the epidemiological situation in 2022-2023.

Should these funds be required, the government will draw on the provision for economic risks and other support and recovery measures already included in the financial framework, which stands at \$2.5 billion in 2022-2023.

This precautionary approach:

- provides for voted appropriations to the Santé et Services sociaux portfolio without affecting the initially planned level of expenditures;
- protects against a deterioration of the budgetary balance in the event that the public health situation worsens.

Estimated use of the amounts set aside

(millions of dollars)

| | 2022-2023 |
|---|------------------|
| COVID-19 vaccination activities allowing for an annual campaign (one dose for the entire eligible population), based on needs arising from the changing epidemiological situation | -375 |
| Acquisition of nearly 60 million rapid screening tests for COVID-19 ⁽¹⁾ and distribution of these tests to Quebecers, in pharmacies in particular | -350 |
| Continuing COVID-19 screening for two months at the rate of 30 000 tests/day | -300 |
| Expenditures for additional beds, equipment and staffing for the management of health care and services settings in response to potential new pandemic episodes, for a period of 20 weeks | -275 |
| Managing and controlling access to facilities of the health and social services network (RSSS) during a pandemic | -200 |
| Maintenance of health and sanitation services in hospitals and living environments in RSSS institutions | -125 |
| Other expenditures ⁽²⁾ | -75 |
| TOTAL | -1 700 |

(1) This quantity comes on top of tests supplied directly by the federal government.

(2) Other expenditures include costs for the acquisition and distribution of COVID-19 antiviral drugs, expected consumption of personal protective equipment, and additional costs for laundry, maintenance and cleaning of caregiver staff equipment.

2. ENHANCING HEALTH CARE AND SERVICES FOR THE PUBLIC

Over the last three years, the government has improved services to seniors, people in difficulty and youth. It has also improved the accessibility of frontline medical services and specialized services by increasing staff, adding beds and providing access to innovative new medications.

In Budget 2022-2023, the government is continuing its efforts to improve the accessibility and quality of care and services provided. Additional investments of close to \$3.7 billion will be made by 2026-2027 in three priority areas:

- \$2.6 billion to continue strengthening care and services for seniors and informal and family caregivers;
- \$545.9 million to improve the accessibility and quality of health and social services;
- \$508.5 million to improve services for vulnerable persons.

TABLE C.4

Financial impact of the measures to enhance health care and services for the public (millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|-----------------|-----------------|
| Continuing to strengthen care and services for seniors and informal and family caregivers | -234.6 | -322.6 | -522.6 | -722.6 | -839.2 | -2 641.8 |
| Improving the accessibility and quality of health and social services | -83.9 | -115.5 | -115.5 | -115.5 | -115.5 | -545.9 |
| Improving services for vulnerable persons | -75.7 | -108.2 | -108.2 | -108.2 | -108.2 | -508.5 |
| TOTAL | -394.2 | -546.3 | -746.3 | -946.3 | -1 062.9 | -3 696.2 |

2.1 Continuing to strengthen care and services for seniors and informal and family caregivers

In Québec, the number of persons aged 70 and over is continually increasing. It will rise from 1.2 million in 2021 to nearly 2.0 million in 2041, representing 20.8% of the population. The aging of the population in Québec will lead to an increased need for health and social services.

In Budget 2022-2023, the government is continuing to strengthen care and services for seniors with an additional investment of over \$2.6 billion by 2026-2027 with a view to:

- reinforcing home-support services;
- improving care and services for informal and family caregivers;
- opening the first seniors' homes and alternative homes;
- harmonizing public and private CHSLDs;
- ensuring optimal medication use for seniors in residential care settings.

TABLE C.5

Financial impact of the measures to continue strengthening care and services for seniors and informal and family caregivers (millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|-----------------|
| Reinforcing home-support services | -100.0 | -145.0 | -145.0 | -145.0 | -250.0 | -785.0 |
| Improving care and services for informal and family caregivers | -37.9 | -37.9 | -57.6 | -57.9 | -59.0 | -250.3 |
| Opening the first seniors' homes and alternative homes | -75.0 | -110.0 | -290.3 | -490.0 | -500.5 | -1 465.8 |
| Harmonizing public and private CHSLDs | -19.3 | -27.3 | -27.3 | -27.3 | -27.3 | -128.5 |
| Ensuring optimal medication use for seniors in residential care settings | -2.4 | -2.4 | -2.4 | -2.4 | -2.4 | -12.2 |
| TOTAL | -234.6 | -322.6 | -522.6 | -722.6 | -839.2 | -2 641.8 |

Note: Totals may not add due to rounding.

Salary transition program for PSR caregiving staff

Private seniors' residences (PSRs) have been given a subsidy to increase caregiving staff pay, with a \$4-per-hour bonus for patient-care attendants (with a maximum of \$21.27 per hour worked) and an 8% increase in the hourly wages for nursing staff, for the duration of the public health emergency.

To provide for an orderly withdrawal of this financial assistance at the end of the public health emergency, the government announced in Budget 2021-2022 that subsidies to caregiving staff would be phased out.

In the first year, for PSRs with 149 units or less, this subsidy will represent 80% of the subsidies related to bonus payments for their caregiving staff.

- In each subsequent year, the subsidies will be gradually reduced and will cease in the sixth year.

This gradual withdrawal will allow residences to maintain their service offer and mitigate the impact on the price of services paid by seniors.

Budget 2021-2022 provided additional funding of \$335.8 million over five years for the payment of subsidies to PSRs for their caregiving staff.

Gradual withdrawal of subsidies to private seniors' residences for caregiving staff

(per cent)

| Residence size | Public health emergency | After the public health emergency | | | | |
|-------------------|-------------------------|-----------------------------------|----------------------|----------------------|----------------------|----------------------|
| | | 1 st year | 2 nd year | 3 rd year | 4 th year | 5 th year |
| 149 units or less | 100 | 80 | 65 | 50 | 35 | 20 |
| 150 to 199 units | 100 | 40 | 32.5 | 25 | 17.5 | 10 |
| 200 to 249 units | 100 | 20 | 16.5 | 12.5 | 8.5 | 5 |

❑ Reinforcing home-support services

The government wants seniors and people with disabilities to be able to maintain their autonomy and remain in their homes for as long as possible. A major shift toward home support has been undertaken, leading to the provision of 8 million additional hours of care and services since 2018-2019.

— In 2020-2021, 24.4 million hours of home-support services were provided to 397 702 users.

In Budget 2022-2023, the government continues the shift toward home support. Funds are allocated to ensure that seniors and people with disabilities have a better quality of life. Professionals and health and social service assistants will be hired to provide more hours of home-support services.

As the pandemic has encouraged seniors to stay home as long as possible, an additional \$785.0 million is earmarked to increase home-support services by 2026-2027.

**An enhancement of the refundable tax credit
for home-support services for seniors**

The refundable tax credit for home-support services for seniors is aimed at providing financial support to seniors who pay for home-support services so that they can remain in their home environment for as long as possible, thereby preventing or delaying the need for them to be accommodated in the public health and social services network.

In Budget 2021-2022, the government announced an enhancement of the tax credit from January 1, 2022.

- The rate of the tax credit will be increased by 1 percentage point per year, rising from 35% in 2021 to 40% in 2026.
- For seniors living in an apartment building, the maximum rent eligible for the tax credit increases from \$600 to \$1 200 per month from 2022.
- The tax credit is reaching close to 160 000 new beneficiaries thanks to the implementation of automatic payment for seniors living in an apartment building.

Lastly, to ensure that the additional assistance is more beneficial to low-income individuals, tax assistance reduction parameters have been revised.

This enhancement of the tax credit, which benefits over 580 000 senior households, represents \$394 million in additional assistance by 2025-2026.

❑ Improving care and services for informal and family caregivers

Since fall 2018, the government has taken substantial steps to improve the quality of life of informal and family caregivers by adopting a government action plan. This plan sets out measures and actions to implement Québec's policy on such caregivers and establish a refundable tax credit for them.

In recognition that these individuals play a fundamental role in supporting the most vulnerable individuals, the government is announcing an additional \$250.3 million over five years in Budget 2022-2023:

- \$125.3 million to complete the funding for the government action plan for informal and family caregivers, which will be used in part to enhance the supply of respite services;
 - The purpose of respite services is to give informal and family caregivers a temporary break from the responsibilities related to caregiving.
- \$125.0 million to ensure the sustainability of Appui pour les proches aidants,¹ which provides services that complement those in the government's action plan for informal and family caregivers.

TABLE C.6

Financial impact of the measures to improve care and services for informal and family caregivers (millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Reinforcing care and services for informal and family caregivers | -12.9 | -12.9 | -32.6 | -32.9 | -34.0 | -125.3 |
| Ensuring the sustainability of L'Appui pour les proches aidants | -25.0 | -25.0 | -25.0 | -25.0 | -25.0 | -125.0 |
| TOTAL | -37.9 | -37.9 | -57.6 | -57.9 | -59.0 | -250.3 |

¹ L'Appui pour les proches aidants is a non-profit organization funded by the Québec government whose mandate is to support the deployment of respite, psychosocial support, training and knowledge-sharing services for informal and family caregivers.

Government action plan for informal and family caregivers

The government action plan adopted in October 2021 follows the *Act to recognize and support caregivers*, adopted in October 2020, and Québec's policy on informal and family caregivers, adopted in April 2021.

This action plan is structured around four areas of intervention in order to:

- expand services for informal and family caregivers by continuing to develop respite services and enhance the service offer;
- improve the collection and sharing of information and the development of competencies, in particular, by creating the Observatoire québécois de la proche aidance to coordinate and stimulate research in this area;
- foster recognition of informal and family caregivers, particularly through territorial coordination of caregiving, which will make it possible to mobilize the civil-society players concerned more effectively;
- improve the living conditions of informal and family caregivers, for example by facilitating access to municipal services, transit services and financial support programs.

❑ Opening the first seniors' homes and alternative homes

The government has made a commitment to transform residential and long-term care for seniors in order to provide greater comfort for residents. This commitment is being met by building seniors' homes and alternative homes.²

These homes will accept seniors with diminishing autonomy and adults with disabilities. This new type of residential accommodation will encourage human contact and a more active lifestyle.

- They will be designed to prevent the spread of viruses through the installation of mechanical ventilation systems.
- Each facility will have a space devoted to informal and family caregivers.

Budget 2022-2023 provides an additional amount of nearly \$1.5 billion by 2026-2027 to open seniors' homes and alternative homes. More specifically, this amount will be used to:

- cover operating costs in seniors' homes and alternative homes, as well as other costs such as training and adding technology;
- hire a project manager in every establishment to coordinate the deliverables related to opening the homes, developing the clinical plan and supporting the teams;
- add resources, including nurses and patient-care attendants to offer health care and assistance, and add further resources to provide psychosocial support and organize leisure activities, among other things.

² Alternative homes are living environments with a humane dimension, more reminiscent of a home, for adults living with an intellectual disability, a physical disability or an autism-spectrum disorder.

❑ Harmonizing public and private CHSLDs

The pandemic brought into focus a number of problems in residential settings, especially in private unfunded CHSLDs. The government recognizes the situation and wants to put forward measures that will significantly improve the quality of life of all CHSLD residents. In order to ensure that these people have access to quality care and services, the government has undertaken a process to harmonize the rules applicable to CHSLDs.

— As at March 31, 2020, Québec had 38 886 people living in CHSLDs, including 29 798 (78%) in public facilities, 6 294 (16%) in private funded facilities and 2 794 (7%) in private unfunded facilities.

Private unfunded facilities will be converted into private funded facilities, or the corresponding residential care and services will be integrated into the public facility structure. This will standardize requirements concerning the provision of care and services and the funding granted to meet the needs of residents.

Meeting this objective will require reaching an agreement with the owners concerned on various parameters, particularly expected clinical hours, including professional services, the makeup of clinical teams, local management and compliance of facilities with standards.

A pilot project is underway to convert three private CHSLDs into funded facilities. These efforts are ongoing and will lead to the next phase, which is to convert approximately 20 private unfunded facilities in total.

— During this transitional period, concrete financial support measures are being rolled out by the government to maintain the quality of care and services in existing residential facilities.

Budget 2022-2023 provides an additional \$128.5 million by 2026-2027 to continue the plan to harmonize public and private CHSLDs.

Action plan for residential and long-term care (2022-2026)

On April 15, 2021, the government announced its policy on housing and long-term care and services. This policy is aimed at creating living environments where the care and services provided are of high quality and suit the needs, preferences, lifestyles, values and culture of the people living there.

The residential environments covered by this policy are CHSLDs, intermediate resources, family-type resources, seniors' homes and alternative homes.

The policy is based on five areas of intervention and twelve policy directions. The five areas of intervention are as follows:

- residents: consider the whole person, support them in maintaining and developing their capacities, and ensure that their needs are met;
- family and loved ones: welcome them so as to preserve their connection with residents, recognize and mobilize informal and family caregivers, taking into account their desire and capacity to be involved, and support family members and loved ones;
- service providers: provide high-quality care and services, diversify the makeup of work teams, and value and support these providers;
- the living and care environment: develop a high-quality, inclusive and evolving living environment geared toward the well-being of residents;
- the community: support social involvement in partnership with community players, raise awareness of residences and promote them to citizens.

In order to implement the guidelines of the housing policy, an action plan for residential and long-term care will soon be presented by the Ministère de la Santé et des Services sociaux. The plan provides for an investment of nearly \$2.9 billion and will run through 2026.

❑ **Ensuring optimal medication use for seniors in residential care settings**

The government has made a commitment to introducing into CHSLDs:

- Optimizing Practices, Use, Care, and Services, a process aimed at reducing inappropriate use of antipsychotics for elderly people with major neurocognitive disorders;
- the project to evaluate the personalization of pharmaceutical treatment in long-term care facilities, promoting non-pharmacological approaches.

Buoyed by success in the first two phases in certain CHSLDs, Budget 2022-2023 provides for these innovative approaches to be rolled out in all public and private CHSLDs, seniors' homes and alternative homes in the province.

Moreover, other projects will be aimed at improving the well-being of residents, such as the updating of initiatives to treat and prevent deconditioning,³ with support for the involvement of residents.

- These projects will be part of the action plan for residential and long-term care that will soon be released by the Ministère de la Santé et des Services sociaux.

To this end, people will be hired to coordinate activities, review training, roll out these approaches and support their implementation.

Budget 2022-2023 provides \$12.2 million by 2026-2027 to ensure optimal medication use for seniors in residential care settings.

³ Deconditioning is the physical, mental and social consequences of inactivity, sedentary living, or a lack of intellectual and social stimulation. Although its effects are generally reversible, deconditioning has a negative impact on autonomy.

2.2 Improving the accessibility and quality of health and social services

Many actions have been taken by the government in recent years to improve the accessibility of health care services, including hiring more patient-care attendants, setting up frontline access points, providing priority access to specialized services, expanding the acts that can be performed by pharmacists and specialized nurse practitioners, and providing access to innovative new treatments.

In Budget 2022-2023, the government is continuing its efforts and introducing measures totalling \$545.9 million by 2026-2027 to improve the accessibility and quality of health services and social services. These measures are aimed at:

- facilitating access to frontline medical services;
- increasing fluidity in emergency departments and hospitals;
- enhancing preventive health interventions and health promotion;
- deploying clinics for complex diseases, including long COVID-19;
- adjusting the medically assisted reproduction program.

TABLE C.7

Financial impact of the measures to improve the accessibility and quality of health and social services (millions of dollars)

| | 2022-2023 | 2023-2024 | 2024-2025 | 2025-2026 | 2026-2027 | Total |
|---|--------------|---------------|---------------|---------------|---------------|---------------|
| Facilitating access to frontline medical services | -27.3 | -39.0 | -39.0 | -39.0 | -39.0 | -183.3 |
| Increasing fluidity in emergency departments and hospitals | -5.0 | -7.2 | -7.2 | -7.2 | -7.2 | -33.8 |
| Enhancing preventive health interventions and health promotion | -35.1 | -50.2 | -50.2 | -50.2 | -50.2 | -235.9 |
| Deploying clinics for complex diseases, including long COVID-19 | -4.1 | -4.1 | -4.1 | -4.1 | -4.1 | -20.5 |
| Adjusting the medically assisted reproduction program | -12.4 | -15.0 | -15.0 | -15.0 | -15.0 | -72.4 |
| TOTAL | -83.9 | -115.5 | -115.5 | -115.5 | -115.5 | -545.9 |

❑ Facilitating access to frontline medical services

The government wants to deliver on its commitment that all Quebecers can have access to a health professional within 36 hours.

To achieve this, the government plans to train more new medical students, encourage increased use of other frontline health and social services professionals, and continue deploying a service offering for patients without a family physician.

The frontline access point project, first implemented in the Bas-Saint-Laurent region, will gradually be deployed throughout Québec. This access point allows orphaned patients to get services quickly and makes appointment scheduling more efficient.

In Budget 2022-2023, a sum of \$183.3 million is provided for by 2026-2027 to facilitate access to frontline medical services.

❑ Increasing fluidity in emergency departments and hospitals

The government wants to increase fluidity in emergency departments and hospitals through better coordination of care and services.

Emergency department coordinators will be added to ensure optimal planning of hospital care, including imaging exams and other exams, faster management for patients awaiting admission or consultation and alternative solutions for patients who return to emergency departments.

In Budget 2022-2023, a sum of \$33.8 million is provided for by 2026-2027 to improve fluidity in emergency departments and hospitals.

❑ Enhancing preventive health interventions and health promotion

The government has committed to promoting healthy lifestyles and implementing concrete actions to reduce health social inequalities. In this regard, Budget 2022-2023 provides for the deployment of the new interdepartmental action plan for the government health prevention policy designed to mobilize the whole of society in favour of improving the health and quality of life of the population.

More specifically, efforts will be made to increase access to healthy food and to facilities that contribute to adopting and maintaining a physically active lifestyle; improve the prevention of chronic disease and obesity; reduce environmental health risks; and foster the health and well-being of young people in schools.

In Budget 2022-2023, a sum of \$235.9 million is provided for by 2026-2027 to enhance preventive health interventions, that is:

- \$188.0 million as part of the 2021-2025 interdepartmental plan of the government's health prevention policy;
- \$47.9 million for the deployment of prevention and public health initiatives, in particular, to better anticipate and respond to pandemics.

❑ Deploying clinics for complex diseases, including long COVID-19

Québec has at least 9 000 patients presenting with post-COVID-19 symptoms. These patients suffer from multiple symptoms including fatigue, memory problems, brain fog, headaches, muscle pain and shortness of breath.

The government is announcing a three-year implementation project that will establish 15 clinics to provide specialized, multidisciplinary care and services for patients with long COVID-19 and to conduct scientific research.

— This project has 5 reference centres located in the cities of Montréal, Québec and Sherbrooke and 10 satellite centres throughout Québec.

Physiotherapists, social workers, nurses, coordinators and administrative agents will be hired for these clinics.

Budget 2022-2023 provides \$20.5 million by 2026-2027 to set up long COVID-19 treatment clinics.

❑ Adjusting the medically assisted reproduction program

On November 15, 2021, provisions relating to insured services under the *Act to amend various provisions relating to assisted procreation* came into force, restoring public coverage for certain medically assisted reproduction services.

To meet the needs of the population, the government is adding \$72.4 million over five years in Budget 2022-2023 to enhance the medically assisted reproduction program.

— This sum will serve to enhance the parameters planned at the time of the announcement of November 15, 2021.

2.3 Improving services for vulnerable persons

The government is particularly sensitive to the condition of young persons and of people in a vulnerable situation. It wants to ensure that they can live in a safe environment and benefit from the mental health services they need.

Major efforts have been deployed in the last two years to promote the safety and support of youth in difficulty and to improve the accessibility and quality of mental health services.

In Budget 2022-2023, the government intends to continue these efforts and offer additional resources to people in need. To this end, funding of \$508.5 million will be provided over five years with a view to:

- enhancing local services for youth in difficulty, in particular, to address the recommendations of the report of the Special Commission on the Rights of the Child and Youth Protection;
- strengthening mental health initiatives, in particular by continuing initiatives rolled out in recent years.

TABLE C.8

**Financial impact of the measures to improve services
for vulnerable persons**
(millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| Enhancing local services for youth in difficulty | -40.5 | -57.9 | -57.9 | -57.9 | -57.9 | -272.1 |
| Strengthening mental health initiatives | -35.2 | -50.3 | -50.3 | -50.3 | -50.3 | -236.4 |
| TOTAL | -75.7 | -108.2 | -108.2 | -108.2 | -108.2 | -508.5 |

❑ Enhancing local services for youth in difficulty

On May 30, 2019, the government mandated the Special Commission on the Rights of the Child and Youth Protection, chaired by Régine Laurent, to carry out a review focusing on youth protection services, the legislation that regulates these services, and the role of the courts, social services and other individuals involved.

Even before the final report of this commission was released, the government had planned investments of \$1 billion, including:

- \$740 million over five years to provide an initial response to the 2019 mid-mandate recommendations;
- \$252 million over five years in Budget 2021-2022 to strengthen services for youth in difficulty, in line with the policy directions submitted by the special commission in 2020.

In April 2021, the special commission submitted its report and recommendations identifying issues and proposing changes.

To address the report's recommendations for local services for youth, the government is providing \$272.1 million by 2026-2027. Among other things, this amount will serve to:

- enhance financial assistance to a child's guardian to ensure the child's physical and mental well-being;
- increase the number of staff in rehabilitation centres for young people with adjustment difficulties;
- implement initiatives for intervention in rehabilitation centres, mainly for the purpose of developing young peoples' autonomy;
- deploy in two other administrative regions the mediation project developed by the Barreau du Québec, which aims to reduce the time spent in court in situations where mediation would foster a pre-hearing agreement;⁴
- deploy the socio-judicial intervention program in severe separation conflicts throughout Québec.⁵

In addition, the government action plan for community action provides \$25.0 million over five years to increase funding for community housing resources for youth in difficulty.⁶

⁴ See Section G, "Strengthening Community Action and Supporting Communities."

⁵ This program is designed to help parents achieve functional co-parenting focused on the needs of the child, in concert with social and legal services.

⁶ See Section G, "Strengthening Community Action and Supporting Communities."

Continuing deployment of the Agir tôt program and initiatives for persons living with a physical disability, an intellectual disability or an autism-spectrum disorder

Agir tôt program

The government introduced the Agir tôt program in 2019. This program, with investments of \$88 million per year, is aimed at detecting childhood development difficulties rapidly, at a very early age, so that children can be referred to the right services, in order to facilitate their entry into kindergarten classes. The program is made up of three components: monitoring, screening and referral to services.

A number of measures have been introduced since 2019, including the setting up of a digital platform to detect developmental delays based on questionnaires and the addition of staff in pediatric university hospital centres and in the youth program and the physical disability, intellectual disability and autism-spectrum disorder program.

To continue these efforts, a monitoring tool, ABCdaire 18 mois et plus, will be implemented during the coming year. This tool will make it possible to identify and monitor all children subject to developmental difficulties when administering vaccines at the age of 18 months.

Initiatives planned

Over the next few years, the government wishes to develop more services for persons living with a physical disability, an intellectual disability or an autism-spectrum disorder as well as for their families. Developments are planned for the following programs or activities:

- increased funding for the family support program: this program enables families that have a child with a physical disability, an intellectual disability or an autism-spectrum disorder to obtain, among other things, respite services, daycare and emergency assistance. In the coming years, the program is expected to serve a larger number of families who will be able to access it;
- enhancement of services for serious behaviour disorders: young people with major behaviour problems will be able to receive greater support through the implementation of specialized clinical teams who can intervene with them and continue the implementation of intensive behaviour rehabilitation unit demonstration projects for users requiring specialized temporary accommodation;
- expanded accommodation services: with the development of social housing and the construction of alternative homes, more adults living with a physical disability, an intellectual disability or an autism-spectrum disorder will be able to benefit from accommodation and services adapted to their needs;
- socio-professional activities: a variety of initiatives have already been launched thanks to the investments made. Efforts are continuing to obtain a more accurate picture of the situation and thus better respond to the needs of users, with a concern for fairness and harmonization in the provision of services throughout Québec.

❑ Strengthening mental health initiatives

Many people have been left vulnerable by the impacts of the COVID-19 pandemic. The government has implemented several initiatives since the public health emergency was declared in order to provide psychological support to those affected and to build Quebecers' resilience.

In May 2020, the government announced improvements to psychosocial services and mental health services through the addition of professional resources in order to:

- enhance general social services, such as frontline services and psychosocial counselling;
- improve user management in CISSS and CIUSSS facilities.

Furthermore, in the fall of 2020, the government established the network of psychological well-being scouts, a project that allows the health and social services system to train people involved in their communities to identify and assist individuals showing signs of distress.

These measures to improve psychosocial and mental health services are in line with the 2022-2026 interdepartmental mental health action plan, which was tabled in January by the Minister for Health and Social Services.

In Budget 2022-2023, the government is investing \$236.4 million over five years to strengthen mental health initiatives.

- This investment will maintain the resources added to enhance psychosocial services, as well as continue the activities of the network of psychological well-being scouts.

Over \$1 billion invested in mental health since 2020 to combat the COVID-19 pandemic

The government has made mental health a top priority. With the inclusion of investments of \$236.4 million in this budget, it has announced sums totalling more than \$1 billion over seven years to improve the provision of services in this area.

First, in Budget 2020-2021, the government announced an investment of \$261.4 million to increase efforts in mental health, in particular, by implementing local services adapted to the various clienteles and by enhancing specialized services for youth.

In addition, following the public health emergency declared in 2020, the government invested \$123.7 million for priority initiatives designed to respond quickly to the population's psychosocial needs. This investment includes:

- \$31.1 million to increase the number of psychosocial and mental health service professionals, with the goal of reducing wait times for certain public services and enhancing general social services;
- \$30 million for mental health prevention projects for youth in schools, and \$25 million to improve mental health services for youth, young adults, their families and loved ones;
- \$20 million to support community organizations providing priority services in their jurisdictions, including mental health services, and \$17.6 million to support community mental health organizations to enhance services to the public.

The fall 2020 *Update on Québec's Economic and Financial Situation* announced an additional \$100 million investment, in particular for:

- fostering access to mental health services provided by the private sector and by higher education institutions;
- strengthening community support by, among other things, setting up the psychological health scouts initiative and improving the support program for community organizations;
- retaining the professional resources hired in the network during the first wave of the pandemic and accelerating the deployment of the suicide prevention digital strategy.

Lastly, in Budget 2021-2022, additional sums of \$287.5 million are provided for, that is:

- \$25 million for suicide prevention;
- \$262.5 million in additional funding for the implementation of the 2022-2026 interdepartmental mental health action plan,¹ tabled on January 25, 2022, by the Minister for Health and Social Services.

¹ The 2022-2026 interdepartmental mental health action plan includes nearly \$1.2 billion in funding for a variety of initiatives to foster optimal mental health, as well as to facilitate access to quality care and services for people with mental disorders.

3. INCREASING THE CANADA HEALTH TRANSFER

Since 2020, the provinces and territories have unanimously requested that the Canada Health Transfer (CHT) be increased, unconditionally, to 35% of their health expenditures and that it be maintained at that level thereafter with an appropriate escalator of between 5% and 6%.

- Compared to the CHT level projected by the federal government in 2022-2023 (\$45.2 billion), this would represent an increase of \$28.8 billion.
- Each province⁷ would receive the same amount per capita. For Québec, this increase would represent approximately \$6 billion per year.

Québec is investing significantly to strengthen its network, which is and will continue to be under pressure, in particular, because of the aging of the population and the ongoing improvement of services related to the arrival of new drugs and access to new state-of-the-art equipment, among other things.

It is urgent that the federal government act on the request of Québec and all the provinces for sustainable health care funding. To do this, the federal government will need to increase the CHT in its 2022-2023 budget. Without an increase in the CHT, the federal share of provincial health spending will continue to decline, and the imbalance in public finances between the two orders of government will increase.

Québec believes that any increase in federal health funding should be done through the CHT rather than through the establishment of targeted programs or funds. Only the CHT ensures stable and predictable funding, and gives provinces the flexibility to respond quickly and invest funds based on their respective needs and priorities.

⁷ In this section, the word *provinces* covers all provinces and territories where this is not expressly stated.

❑ A federal contribution that will continue to decrease if no changes are made

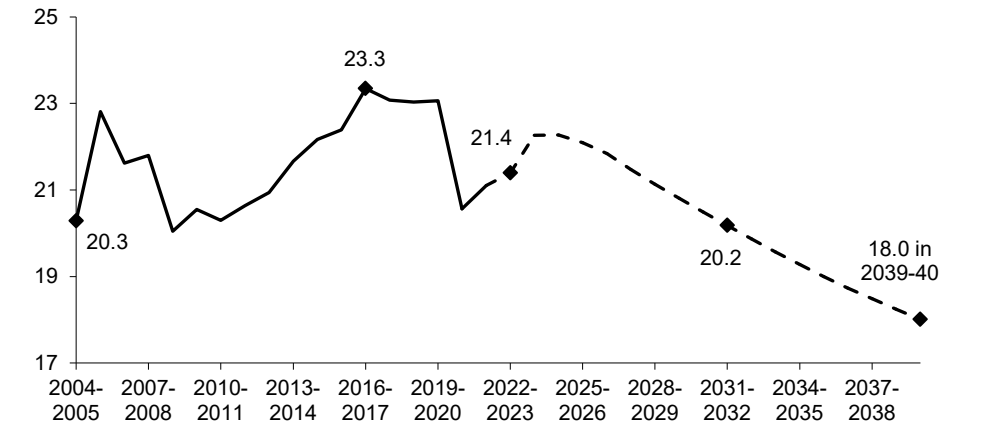
Since 2017-2018, the CHT has been growing at the rate of the Canadian nominal gross domestic product (GDP),⁸ whereas it was previously increased by 6% per year. Thus, this increase was reduced to an average of 3.6% per year from 2017-2018 to 2021-2022.

On account of this lower indexation, the federal contribution to provincial health expenditures is declining and this trend will continue if no changes are made.

— Without an increase in the CHT, the federal share of provincial health expenditures will be 21.4% in 2022-2023 and will decline to 20.2% in 2031-2032 and 18.0% in 2039-2040.

CHART C.2

Share of federal funding of provincial expenditures without CHT increase – 2004-2005 to 2039-2040
(per cent)



Note: The hatched line is the projected federal contribution without CHT increase.
Sources: Canadian Institute for Health Information, Conference Board of Canada and Department of Finance Canada.

Over the long term, from 2020-2021 to 2039-2040, the CHT is currently projected to grow at an average of 3.8% per year, which is less than the Conference Board of Canada's projected increase in provincial health costs.⁹ Over the same time period, the Conference Board of Canada estimates that provincial health spending will increase by an average of 5.0% per year over the long term.

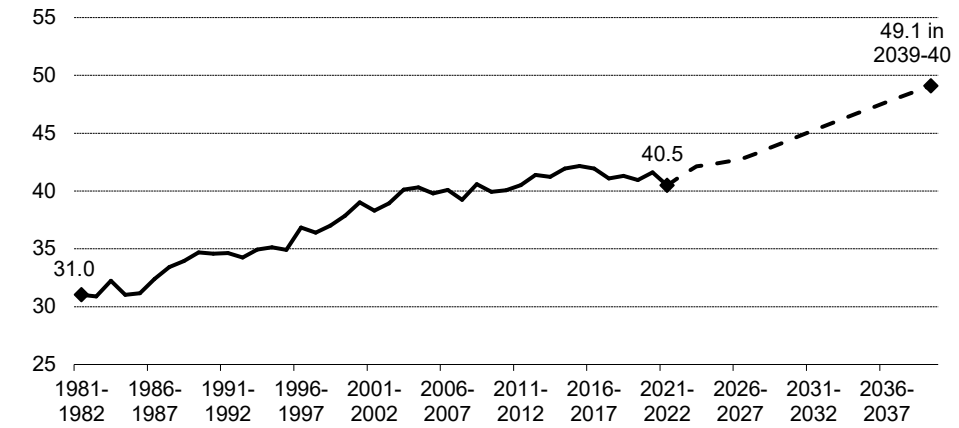
⁸ Indexation is subject to a minimum of 3% per year.
⁹ The Conference Board of Canada is an independent applied research organization.

❑ A growing share of provincial budgets

The share of health expenditures in provincial portfolio expenditures has been increasing for decades. This share, which was 31.0% in the early 1980s, reached 40.5% in 2021-2022 and could reach nearly 50% in 2039-2040.

CHART C.3

Share of health expenditures in provincial portfolio expenditures (per cent)



Note: The hatched line represents the projected share of health expenditures in provincial portfolio expenditures.
Source: Conference Board of Canada.

❑ The deterioration of the federal government’s financial situation is temporary, unlike that of the provinces

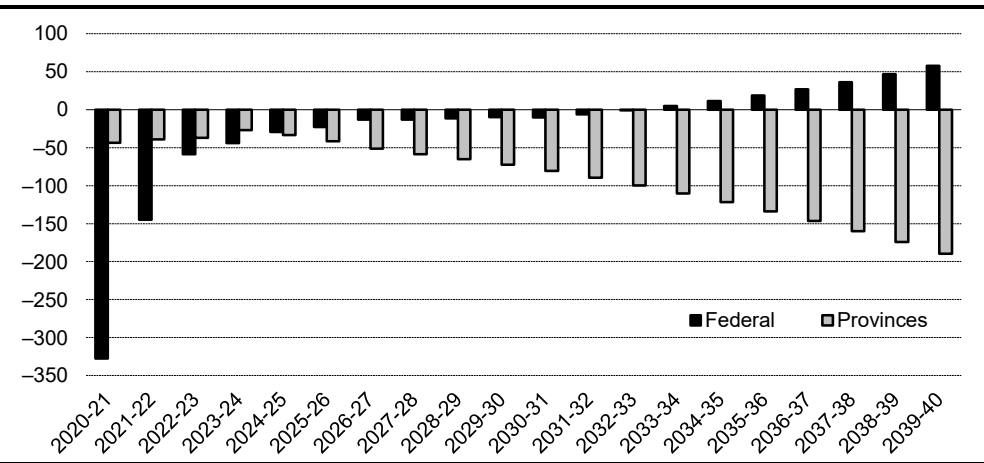
The federal government has experienced a deterioration of its financial situation due to the pandemic. However, this deterioration is temporary.

According to recent projections by the Conference Board of Canada,¹⁰ the federal government will be close to balancing its budget in 2026-2027 and will have a surplus of \$58 billion by 2039-2040.

Conversely, the financial situation of the provinces is expected to deteriorate significantly due to significant pressure on health care spending. Their combined deficit is projected to reach \$190 billion in 2039-2040, compared with \$39 billion in 2021-2022.

CHART C.4

Budgetary balance of the federal government and provinces
(billions of dollars)



Source: Conference Board of Canada.

The federal government must provide financial support to the provinces given the large tax fields it occupies and its ability to collect revenue throughout Canada.

As such, it must use its financial leeway to respond positively to the provinces’ request to increase the CHT to 35% of their health expenditures.

¹⁰ These projections are based on requested custom scenarios. The Conference Board of Canada has updated its financial projections using, in particular, the fall 2021 federal update.

FINANCIAL IMPACT

TABLE C.9

Financial impact of the measures to restore the health care system (millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Restoring the health and social services system | | | | | | |
| – Making substantial changes within health care facilities | -195.7 | -216.6 | -240.0 | -185.3 | -179.0 | -1 016.4 |
| – Improving work management and delivery | -604.0 | -653.3 | -697.9 | -714.7 | -727.4 | -3 397.2 |
| – Modernizing the health care system | -105.1 | -150.1 | -150.1 | -150.1 | -233.5 | -788.9 |
| Subtotal – Restoring the health and social services system | -904.7 | -1 020.0 | -1 087.9 | -1 050.0 | -1 139.9 | -5 202.5 |
| Enhancing health care and services for the public | | | | | | |
| Continuing to strengthen care and services for seniors and informal and family caregivers | | | | | | |
| – Reinforcing home-support services | -100.0 | -145.0 | -145.0 | -145.0 | -250.0 | -785.0 |
| – Improving care and services for informal and family caregivers | -37.9 | -37.9 | -57.6 | -57.9 | -59.0 | -250.3 |
| – Opening the first seniors' homes and alternative homes | -75.0 | -110.0 | -290.3 | -490.0 | -500.5 | -1 465.8 |
| – Harmonizing public and private CHSLDs | -19.3 | -27.3 | -27.3 | -27.3 | -27.3 | -128.5 |
| – Ensuring optimal medication use for seniors in residential care settings | -2.4 | -2.4 | -2.4 | -2.4 | -2.4 | -12.2 |
| Subtotal – Continuing to strengthen care and services for seniors and informal and family caregivers | -234.6 | -322.6 | -522.6 | -722.6 | -839.2 | -2 641.8 |

Note: Totals may not add due to rounding.

TABLE C.9 (cont.)

Financial impact of the measures to restore the health care system (cont.)
(millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Improving the accessibility and quality of health and social services | | | | | | |
| – Facilitating access to frontline medical services | -27.3 | -39.0 | -39.0 | -39.0 | -39.0 | -183.3 |
| – Increasing fluidity in emergency departments and hospitals | -5.0 | -7.2 | -7.2 | -7.2 | -7.2 | -33.8 |
| – Enhancing preventive health interventions and health promotion | -35.1 | -50.2 | -50.2 | -50.2 | -50.2 | -235.9 |
| – Deploying clinics for complex diseases, including long COVID-19 | -4.1 | -4.1 | -4.1 | -4.1 | -4.1 | -20.5 |
| – Adjusting the medically assisted reproduction program | -12.4 | -15.0 | -15.0 | -15.0 | -15.0 | -72.4 |
| Subtotal – Improving the accessibility and quality of health and social services | -83.9 | -115.5 | -115.5 | -115.5 | -115.5 | -545.9 |
| Improving services for vulnerable persons | | | | | | |
| – Enhancing local services for youth in difficulty | -40.5 | -57.9 | -57.9 | -57.9 | -57.9 | -272.1 |
| – Strengthening mental health initiatives | -35.2 | -50.3 | -50.3 | -50.3 | -50.3 | -236.4 |
| Subtotal – Improving services for vulnerable persons | -75.7 | -108.2 | -108.2 | -108.2 | -108.2 | -508.5 |
| Subtotal – Enhancing health care and services to the public | -394.2 | -546.3 | -746.3 | -946.3 | -1 062.9 | -3 696.2 |
| TOTAL | -1 298.9 | -1 566.3 | -1 834.3 | -1 996.4 | -2 202.8 | -8 898.7 |

Note: Totals may not add due to rounding.

APPENDIX: FINANCIAL IMPACT OF THE MEASURES IMPLEMENTED TO OVERCOME THE PANDEMIC SINCE MARCH 2020

Financial impact of the measures implemented to overcome the pandemic

Concrete actions had to be taken to overcome the pandemic and strengthen the health care system. By 2024-2025, these measures will result in investments of over \$22.1 billion.

Some activities had to be postponed so that resources could attend to COVID-19 patients. The slowdown in activities generated a decrease in spending totalling over \$3.8 billion.

This means that the financial impact of the actions to overcome the pandemic since March 2020 is close to \$18.3 billion.

Financial impact of the measures implemented to overcome the pandemic since March 2020

(millions of dollars)

| | 2020- 2021 | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | Total |
|---|---------------|---------------|---------------|---------------|---------------|----------------|
| Financing of temporary actions to overcome the public health crisis ⁽¹⁾ | -9 773 | -7 507 | -339 | — | — | -17 619 |
| New incentives to strengthen employee attendance in the face of the 5 th wave | — | -338 | -39 | — | — | -377.3 |
| Antivirals against COVID-19 (including federal government contribution) | — | -29 | -234 | — | — | -263 |
| Added patient-care attendants and managers in CHSLDs, as well as public health resources ⁽²⁾ | -176 | -750 | -750 | -750 | -750 | -3 176 |
| Non-recurring investments in mental health in the face of the pandemic | -23 | -77 | — | — | — | -100 |
| Other measures ⁽³⁾ | — | — | -232 | -368 | — | -600 |
| Subtotal – Overcoming the pandemic | -9 972 | -8 701 | -1 595 | -1 118 | -750 | -22 135 |
| Slowdown in activity | 2 333 | 1 516 | — | — | — | 3 849 |
| TOTAL | -7 639 | -7 185 | -1 595 | -1 118 | -750 | -18 287 |

Note: Totals may not add due to rounding.

- (1) Mainly includes measures to recognize the additional efforts of health care workers, salary costs and operating expenditures of health care institutions, the purchase of personal protective equipment, vaccination and screening.
- (2) From 2023-2024, sums provided for the addition of patient-care attendants and managers in CHSLDs, as well as public health resources, will be included in the budget envelope of the Ministère de la Santé et des Services sociaux.
- (3) Other measures mainly include sums provided in the plan to reduce waiting lists for surgery, which will be subject to new planning.

Section D

INVESTING IN EDUCATION AND HIGHER EDUCATION

| | |
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SUMMARY

Education is a priority in Québec. The government wishes to provide Québec with a more modern, more efficient and more innovative education system that fosters the educational success of all Quebecers, from early childhood to adulthood.

The government's goal is to ensure that Quebecers reach their full potential and that educational institutions, as well as colleges and universities, remain environments that are conducive to development, learning and success.

In addition, in a labour shortage context, Québec must encourage the qualification and requalification of people to increase the number of Quebecers likely to have the skills employers are looking for, in particular through better access to quality education services.

Since fall 2018, the government has implemented several initiatives to increase educational success and school perseverance as well as facilitate access and increase graduation rate in higher education.

In Budget 2022-2023, the government is continuing its actions and providing an additional amount of more than \$2.8 billion over five years to invest in education and higher education with the aim of:

- supporting educational success and school perseverance;
- improving access to and graduation from higher education.

TABLE D.1

Financial impact of the measures to invest in education and higher education (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Supporting educational success and school perseverance | — | -275.0 | -300.0 | -325.0 | -325.0 | -325.0 | -1 550.0 |
| Improving access to and graduation from higher education | — | -246.7 | -245.3 | -253.4 | -252.9 | -255.9 | -1 254.2 |
| TOTAL | — | -521.7 | -545.3 | -578.4 | -577.9 | -580.9 | -2 804.2 |

1. SUPPORTING EDUCATIONAL SUCCESS AND SCHOOL PERSEVERANCE

Several education initiatives totalling nearly \$5.7 billion have been implemented since fall 2018 to increase educational success. These initiatives, undertaken by the government to deal with the biggest challenges facing education in Québec, are paying off.

The government's goal is to see 90% of young people earn a diploma or qualification. This ambitious target is in line with the highest international standards for education.

With this in mind, in Budget 2022-2023, the government is pursuing and strengthening previously initiated efforts. To this end, it is providing nearly \$1.6 billion in additional investments, including \$275 million as of 2022-2023, with the aim of:

- giving every student the means to reach their full potential;
- ensuring the attraction and retention of school staff;
- enhancing the school building inventory;
- getting Quebecers moving.

TABLE D.2

Financial impact of the measures to support educational success and school perseverance (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Giving every student the means to reach their full potential | — | -140.7 | -160.1 | -172.4 | -178.1 | -178.0 | -829.3 |
| Ensuring the attraction and retention of school staff | — | -38.0 | -50.5 | -42.2 | -36.5 | -36.5 | -203.7 |
| Enhancing the school building inventory | — | -59.0 | -49.0 | -53.0 | -53.0 | -53.0 | -267.0 |
| Getting Quebecers moving | — | -37.3 | -40.4 | -57.4 | -57.4 | -57.5 | -250.0 |
| TOTAL | — | -275.0 | -300.0 | -325.0 | -325.0 | -325.0 | -1 550.0 |

1.1 Giving every student the means to reach their full potential

The government wants to give every student all the tools to develop their potential. Particular emphasis is placed on creating favourable conditions for students' educational success, especially those with special needs or who are in vulnerable situations.

In addition, there is a need to modernize and adapt programs to the changing needs of the labour market and to support schools in adapting to the digital age.

To achieve this, the government is providing \$829.3 million by 2026-2027 in Budget 2022-2023, with the aim of:

- promoting success for all students;
- enhancing the tutoring program introduced in 2021;
- modernizing vocational training programs to ensure a competent and qualified workforce;
- supporting digital learning.

TABLE D.3

Financial impact of the measures to give every student the means to reach their full potential
(millions of dollars)

| | 2021-2022 | 2022-2023 | 2023-2024 | 2024-2025 | 2025-2026 | 2026-2027 | Total |
|--|-----------|---------------|---------------|---------------|---------------|---------------|---------------|
| Promoting success for all students | — | -34.1 | -45.0 | -46.6 | -47.6 | -47.6 | -220.9 |
| Enhancing the tutoring program | — | -55.0 | -65.0 | -65.0 | -65.0 | -65.0 | -315.0 |
| Modernizing vocational training programs to ensure a competent and qualified workforce | — | -17.0 | -21.0 | -29.3 | -34.0 | -33.9 | -135.2 |
| Supporting digital learning | — | -34.6 | -29.1 | -31.5 | -31.5 | -31.5 | -158.2 |
| TOTAL | — | -140.7 | -160.1 | -172.4 | -178.1 | -178.0 | -829.3 |

Note: The appropriations will be granted to the Ministère de l'Éducation. The amounts provided for 2022-2023 will be drawn from the Contingency Fund.

❑ Promoting success for all students

Budget 2022-2023 provides additional investment to support the success of all students, and to allow for more targeted intervention with certain clienteles.

Among other things, the investments will support the integration and success of immigrant students, foster the educational success of Indigenous students, and support school-based childcare services by increasing the number of educators during working hours.

Budget 2022-2023 also provides additional amounts to continue initiatives to encourage preschool children to undergo an eye exam before they start school, and to reduce the number of students per class in adult general education francization courses.

Lastly, the government wishes to make special programs more accessible to disadvantaged clienteles and provide financial support to education network partners whose actions contribute to school perseverance and student success.

In Budget 2022-2023, the government is investing \$220.9 million by 2026-2027 to promote the success of all students.

❑ Enhancing the tutoring program

Services have been implemented to expand and improve the provision of support for learning and school engagement for students who need additional educational support or to prevent them from dropping out.

Budget 2022-2023 is providing the investment needed to enhance the tutoring program launched during the pandemic in 2021 so that every young person can benefit from the best possible development and learning conditions. This school perseverance measure will help the most vulnerable students succeed.

In Budget 2022-2023, the government is providing investments of \$315 million by 2026-2027 to enhance the tutoring program.

❑ Modernizing vocational training programs to ensure a competent and qualified workforce

Québec needs to modernize and provide its vocational training programs with more flexibility. Moreover, the process for updating these programs must be accelerated and improved on an ongoing basis, in collaboration with network partners.

With this in mind, measures will be considered over the next few months to improve access to vocational training, make the paths more fluid and ensure the sustainability of the enhanced work-based learning formula so that vocational training graduates' skills are on the cutting edge of technology.

The Ministère de l'Éducation will adapt its training offer to the broad labour market trends, which often require the qualification or requalification of workers.

In Budget 2022-2023, the government is investing \$135.2 million by 2026-2027 to modernize programs to ensure a larger pool of skilled and qualified workers in vocational training.

❑ Supporting digital learning

The amounts invested in modernizing the educational system in recent years have laid the foundation for the digital transformation in terms of infrastructure and equipment, as well as digital literacy and innovation.

In Budget 2022-2023, the government is investing \$158.2 million by 2026-2027 to support digital learning.

1.2 Ensuring the attraction and retention of school staff

The labour shortage has highlighted the challenges facing the education network and the key role played by school staff, especially teachers, in students' educational success.

To ensure the attraction and retention of school staff, Budget 2022-2023 provides \$203.7 million by 2026-2027 with the aim of:

- attracting experienced workers in the education network;
- increasing continuing education for school staff;
- supporting schools in the recruitment and supervision of future teachers.

TABLE D.4

Financial impact of the measures to ensure the attraction and retention of school staff (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Attracting experienced workers in the education network | — | -13.3 | -19.0 | -5.7 | — | — | -38.0 |
| Increasing continuing education for school staff | — | -8.0 | -8.0 | -13.0 | -13.0 | -13.0 | -55.0 |
| Supporting schools in the recruitment and supervision of future teachers | — | -16.7 | -23.5 | -23.5 | -23.5 | -23.5 | -110.7 |
| TOTAL | — | -38.0 | -50.5 | -42.2 | -36.5 | -36.5 | -203.7 |

Note: The appropriations will be granted to the Ministère de l'Éducation. The amounts provided for 2022-2023 will be drawn from the Contingency Fund.

❑ **Attracting experienced workers in the education network**

In response to labour shortage issues, the government announced last fall the introduction of a temporary financial incentive for retired teachers to encourage them to return to work.

As a result, retired teachers who are called in to work as substitutes are paid in accordance with the salary scale for their education and experience as of their first day of work.

In addition, temporary salary bonuses comparable to the amount of the government contribution to the worker's pension plan for a non-retired employee, are available until March 31, 2023.

— For the 2021-2022 school year, 1 200 retired teachers returned to work. The additional investments will maintain the retiree contribution for the September 2022 school year.

The government is extending this incentive with an additional \$38 million by 2024-2025 to attract and retain experienced workers in the education network.

❑ **Increasing continuing education for school staff**

Under the *Education Act*, teachers must engage in 30 hours of continuing education activities per two-year period.

This is consistent with the government's desire to promote the profession and to strengthen teachers' skills during their careers.

In Budget 2022-2023, the government is earmarking \$55 million by 2026-2027 to increase continuing education for school staff through funding to cover costs for both the training and for releasing teachers to participate.

❑ **Supporting schools in the recruitment and supervision of future teachers**

In order to meet the labour needs of the school system, schools must be able to recruit enough personnel and provide appropriate supervision to teacher trainees.

In this regard, the government plans to increase the allowance paid to teachers who act as supervising teachers.

Lastly, the government wishes to provide financial support to schools so that they can retain additional resources specializing in recruiting and selecting personnel.

In Budget 2022-2023, the government is earmarking investments of \$110.7 million by 2026-2027 to support schools in recruiting and supervising future teachers.

1.3 Enhancing the school building inventory

Providing students with healthy and safe environments that are conducive to educational success is a priority for the government. All students must have the best possible conditions in which to develop, learn and succeed.

Rigorous maintenance of school buildings helps keep the school building inventory from deteriorating, decreases the number, scope and obligation to perform remedial measures and, as a result, reduces the associated asset maintenance expenditures.

Therefore, the government wants to look after the building inventory, in particular by maintaining water and air quality in classrooms and common areas, and cleaning ventilation ducts.

In Budget 2022-2023, the government is providing investments of \$267 million by 2026-2027 to improve the private and public sector school building inventory.

TABLE D.5

Financial impact of the measure to enhance the school building inventory (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|--------|
| Enhancing the school building inventory | — | -59.0 | -49.0 | -53.0 | -53.0 | -53.0 | -267.0 |

Note: The appropriations will be granted to the Ministère de l'Éducation. The amounts provided for 2022-2023 will be drawn from the Contingency Fund.

1.4 Getting Quebecers moving

The public health situation had a major impact on the practice of physical and recreational activities, which were put on hold due to the closure of various recreational and sporting facilities. The government recognizes the importance of physical activity and a return to sports for young people’s physical and psychological health as well as their educational success.

With this in mind, the government wishes to introduce a sports and physical activity action plan to get Quebecers moving, the details of which will be released shortly by the Minister for Education.

To achieve this, the government is providing \$250 million by 2026-2027 in Budget 2022-2023, with the aim of:

- increasing funding for specific educational sports programs and projects;
- promoting the sharing of sports infrastructure between the educational and municipal sectors;
- developing and supporting access to recreational and sports equipment;
- improving the experience and safety of young people practising recreational and sports activities.

TABLE D.6

Financial impact of the measures to get Quebecers moving
(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Increasing funding for specific educational sports programs and projects | — | -14.0 | -20.0 | -22.8 | -24.0 | -24.0 | -104.8 |
| Promoting the sharing of sports infrastructure between the educational and municipal sectors | — | — | -2.1 | -5.1 | -8.1 | -11.1 | -26.4 |
| Developing and supporting access to recreational and sports equipment | — | -13.3 | -4.1 | -11.7 | -7.5 | -4.1 | -40.7 |
| Improving the experience and safety of young people practising recreational and sports activities | — | -10.0 | -14.2 | -17.8 | -17.8 | -18.3 | -78.1 |
| TOTAL | — | -37.3 | -40.4 | -57.4 | -57.4 | -57.5 | -250.0 |

Note: The appropriations will be granted to the Ministère de l'Éducation. The amounts provided for 2022-2023 will be drawn from the Contingency Fund.

❑ Increasing funding for specific educational sports programs and projects

Many schools wish to vary their services in order to attract young people and encourage their educational success through sports, physical activity and recreation. Many parents also want to ensure the best conditions for their children's success. However, financial constraints are a barrier to enrollment in such programs.

The government intends to improve young people's access to educational programs such as sports-study programs and sports concentrations. The Minister for Education will announce the program parameters and terms at a later date.

In Budget 2022-2023, the government is providing investments of \$104.8 million by 2026-2027 to increase funding for specific educational sports projects.

❑ Promoting the sharing of sports infrastructure between the educational and municipal sectors

The government wishes to allow all regions of Québec to optimize the use of existing infrastructure and, at the same time, to increase opportunities for participating in sports by facilitating the sharing of resources for sports and recreational activities (premises, equipment, staff) between the educational and municipal sectors.

The agreements between the educational and municipal sectors stipulate that maintenance costs are the responsibility of the owners of the infrastructure. These costs represent a significant expense for schools. The government wishes to offset the net loss incurred as a result of free sharing.

In Budget 2022-2023, the government is investing \$26.4 million by 2026-2027 to promote the sharing of sports infrastructure between schools and municipalities.

❑ Developing and supporting access to recreational and sports equipment

Access to recreational, sports and adapted equipment is sometimes a barrier to regular practice of physical, recreational, sports and outdoor activities, especially for the most vulnerable clienteles. The costs associated with acquiring or renting the necessary equipment are the main obstacle, especially for financially disadvantaged or special needs clienteles.

In order to help introduce young people to regular activities, this initiative provides support for the acquisition of recreational, sports and adapted equipment, the establishment and management of regional and intermunicipal equipment lending centres, and the creation of an interactive search and reservation tool.

— A first call for projects took place in 2021-2022.

In Budget 2022-2023, the government is providing investments of \$40.7 million by 2026-2027 to develop and support access to recreational and sports equipment.

❑ Improving the experience and safety of young people practising recreational and sports activities

To take direct action on the practice of recreational and sports activities, investments are earmarked to help young people rediscover the joy of moving, be active, and have access to new activities in a healthy, safe environment.

Initiatives are planned, in particular to guide and support the development of sports coaches and trainers, to foster lifeguard recruitment, and to support sports and recreational organizations in the use of new technologies.

In Budget 2022-2023, the government is earmarking investments of \$78.1 million by 2026-2027 to improve the experience and safety of young people.

2. IMPROVING ACCESS TO AND GRADUATION FROM HIGHER EDUCATION

Since fall 2018, the government has invested nearly \$5.1 billion in higher education. In recent years, a range of measures have been implemented to foster success in higher education and counter the labour shortage in sectors that are deemed a priority, in particular by launching the action plan on success in higher education and, more recently, within the framework of the Opération main-d'œuvre action plan.

In addition, the public health crisis and challenges of distance learning have highlighted the need for establishments to have IT tools to ensure continuity in quality educational services.

It is in this context that the government is maintaining its investments in improving access to higher education and increasing success and graduation for a greater number of students.

To achieve this, the government is providing additional investments of nearly \$1.3 billion by 2026-2027 in Budget 2022-2023, with the aim of:

- making higher education more accessible;
- supporting students throughout their studies;
- increasing the number of higher education graduates.

TABLE D.7

Financial impact of the measures to improve access to and graduation from higher education (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Making higher education more accessible | — | -100.6 | -61.6 | -60.6 | -59.6 | -59.6 | -342.0 |
| Supporting students throughout their studies | — | -47.5 | -56.5 | -60.2 | -60.7 | -53.2 | -278.1 |
| Increasing the number of higher education graduates | — | -98.6 | -127.2 | -132.6 | -132.6 | -143.1 | -634.1 |
| TOTAL | — | -246.7 | -245.3 | -253.4 | -252.9 | -255.9 | -1 254.2 |

2.1 Making higher education more accessible

The government wishes to make higher education more accessible by financially supporting students. In fact, greater financial support and a reduced debt burden foster participation in higher education, thereby helping to meet current and future needs for qualified workers.

In this context, the government is reiterating its support for students by announcing new measures totalling \$342 million over five years. Among other things, these funds will make it possible to enhance the student financial assistance program by:

- reducing the contribution of parents or spouse;
- enhancing the exemption for child support payments;
- reducing the debt for student parents as of 2023-2024.

The government also plans to eliminate interest on student loans for an additional year, in 2022-2023.

TABLE D.8

Financial impact of the measures to make higher education more accessible (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Student financial assistance program | | | | | | | |
| Reducing the contribution of parents or spouse | — | -28.0 | -45.0 | -44.0 | -43.0 | -43.0 | -203.0 |
| Enhancing the exemption for child support payments | — | -0.6 | -0.6 | -0.6 | -0.6 | -0.6 | -3.0 |
| Reducing the debt for student parents | — | — | -16.0 | -16.0 | -16.0 | -16.0 | -64.0 |
| Subtotal | — | -28.6 | -61.6 | -60.6 | -59.6 | -59.6 | -270.0 |
| Renewing the elimination of interest on student loans for 2022-2023 | — | -72.0 | — | — | — | — | -72.0 |
| TOTAL | — | -100.6 | -61.6 | -60.6 | -59.6 | -59.6 | -342.0 |

❑ Reducing the contribution of parents or spouse

To determine the financial assistance students are eligible for, the student financial assistance program considers a portion of the parents' or spouse's income to reduce the amount of loans and bursaries.

— This means that some students are seeing their financial assistance significantly reduced.

To provide financial assistance to help more students continue their education, the government wishes to raise the threshold at which parental or spousal income is considered as of 2022-2023:

— from \$55 000 to \$75 000 for parents living together;

— from \$50 000 to \$65 000 for a parent living alone or for a sponsor;

— from \$48 000 to \$63 000 for a spouse.

This measure will make it possible to allocate \$203 million more to students over the next five years, or \$43 million per year when fully implemented.

❑ Enhancing the exemption for child support payments

To better tailor student financial assistance to the situation of students with a dependent child, the government is enhancing the support payment amount to be excluded from the calculation of loans and bursaries granted to students from \$4 200 to \$6 000 per child, or the equivalent of \$500 per month.

This exemption also applies to social assistance programs, the various forms of housing assistance and legal aid.¹

This measure represents a total of \$3 million in additional financial assistance over the next five years, or \$0.6 million per year.

¹ For more details on the other programs, see Section G, "Strengthening Community Action and Supporting Communities."

❑ Reducing the debt for student parents

Students who have a dependent child may have to go to school part time in order to balance school and family. However, a longer period of education can result in student parents accumulating up to twice as much debt as a full-time students.

The Ministère de l'Enseignement supérieur will review the method for allocating the student loan amount in order to reduce the debt burden of part-time students who are deemed to be full time.

— The measure is part of the Government Strategy for Gender Equality 2022-2027.²

This measure will allow student parents to receive an additional \$64 million in financial assistance over four years, or \$16 million per year.

❑ Renewing the elimination of interest on student loans for 2022-2023

To ease the student debt burden, the government is announcing that it will continue to pay the interest on student loans payable between April 1, 2022 and March 31, 2023.

This measure affects approximately 380 000 people who have student loans with financial institutions or directly with the Ministère de l'Enseignement supérieur.

— It represents an elimination of interest payments totalling \$72 million in 2022-2023.

The monthly amount paid by the people affected does not automatically decrease. Instead, they can pay off their loans more quickly.

— A person who wishes to reduce their monthly payments can, however, contact their financial institution to lower the amount in their agreement by the amount of interest covered by the government.

² For more information on the Government Strategy for Gender Equality 2022-2027, see Section G, "Strengthening Community Action and Supporting Communities."

2.2 Supporting students throughout their studies

Improving the higher education graduation rate requires implementing greater support services for students throughout their studies.

To support students, in Budget 2022-2023 the government is planning a variety of initiatives totalling \$278.1 million by 2026-2027, with the aim of:

- fostering school perseverance and student success;
- supporting the integration of trainees into the health and social services network;
- better meeting the needs of Indigenous students;
- matching donations to college foundations;
- expanding and diversifying the mental health service offering.

TABLE D.9

Financial impact of the measures to support students throughout their studies (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Fostering school perseverance and student success | — | -12.8 | -16.8 | -18.0 | -17.4 | -12.4 | -77.4 |
| Supporting the integration of trainees into the health and social services network | — | -15.0 | -15.0 | -15.0 | -15.0 | -15.0 | -75.0 |
| Better meeting the needs of Indigenous students | — | -7.7 | -7.7 | -10.2 | -11.3 | -8.8 | -45.7 |
| Matching donations to college foundations | — | -5.0 | -10.0 | -10.0 | -10.0 | -10.0 | -45.0 |
| Expanding and diversifying the mental health service offering | — | -7.0 | -7.0 | -7.0 | -7.0 | -7.0 | -35.0 |
| TOTAL | — | -47.5 | -56.5 | -60.2 | -60.7 | -53.2 | -278.1 |

❑ Fostering school perseverance and student success

In Budget 2022-2023, investments of \$77.4 million by 2026-2027 are earmarked to foster school perseverance and student success.

The additional investments will, among other things, make it possible to hire professors and internship supervisors, as well as to enhance the envelope for perseverance scholarships for the qualifying master's degree in teaching.

❑ Supporting the integration of trainees into the health and social services network

The disciplines of nursing science, mental health and youth protection are facing major challenges in providing internships, at a time when there is a significant need for workers in these fields.

In the establishments and workplaces, the capacity for supervising interns remains low. Moreover, not enough intern positions are available for students.

To address these challenges, the government plans to develop partnerships between the universities and health and social services network, in addition to supporting internships in the regions and hiring internship supervisors at the college level.

In Budget 2022-2023, investments of \$75 million by 2026-2027 are earmarked to support the integration of college and university interns into the health and social services network.

❑ Better meeting the needs of Indigenous students

The government is enhancing the funding for various programs to support, welcome and integrate Indigenous students at college and university in order to continue efforts to improve access to education, school perseverance and success for those students.

Among other things, the government wishes to facilitate access by these communities to housing and childcare services, while improving services within their communities, such as support services or cultural entertainment.

Investments of \$45.7 million are earmarked by 2026-2027 to support a range of projects for Indigenous students.

❑ Matching donations to college foundations

Foundations associated with the college network act as a lever to fund projects, support research or grant entrance scholarships.

The government wants to deploy a matching grant program for donations collected by college foundations.

- The objective is to deploy for CEGEPs an equivalent program to the Placements Universités program set up for universities. Placements Universités aims to increase donations made to universities.

This initiative will enable college foundations to contribute more to the vitality of the college community and to have a minimal administrative structure to step up their solicitation activities.

In this budget, the government is investing \$45 million by 2026-2027 to implement a college foundation donation-matching program.

❑ Expanding and diversifying the mental health service offering

To meet the growing mental health needs of the student population resulting from the pandemic, the government is renewing the temporary measures of the action plan for student mental health in higher education by continuing to expand and diversify mental health services in higher education institutions.

Budget 2022-2023 provides investments of \$35 million by 2026-2027 to enhance mental health services for the student population.

2.3 Increasing the number of higher education graduates

Increasing the graduation rate is associated with a number of success factors, including offering the opportunity to attend higher education institutions to a larger number of people.

The government therefore wishes to increase access to education throughout Québec by promoting regional mobility, supporting distance education and investing in the development of continuing education programs to better meet the needs of the labour market.

In addition, in order to meet the objectives recently announced under the Opération main-d'œuvre action plan, institutions must have the necessary space and computer resources to accommodate these future students.

In Budget 2022-2023, the government is investing \$634.1 million by 2026-2027 to increase the number of higher education graduates.

TABLE D.10

Financial impact of the measures to increase the number of higher education graduates (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Promoting regional mobility of students | — | -30.7 | -43.3 | -48.9 | -52.7 | -63.2 | -238.8 |
| Supporting distance education | — | -1.9 | -2.7 | -2.5 | -2.5 | -2.5 | -12.1 |
| Enhancing continuing education programs at the college level | — | -2.0 | -4.2 | -4.2 | -4.2 | -4.2 | -18.8 |
| Meeting the need for additional space by leasing property | — | -39.7 | -48.2 | -48.2 | -48.2 | -48.2 | -232.5 |
| Supporting the digital transformation and increasing funding for information resources | — | -24.3 | -28.8 | -28.8 | -25.0 | -25.0 | -131.9 |
| TOTAL | — | -98.6 | -127.2 | -132.6 | -132.6 | -143.1 | -634.1 |

❑ Promoting regional mobility of students

The government wishes to provide more support for the development of training opportunities in the regions.

Specifically, the measure is designed to encourage students to have an educational experience conducive to success, outside of major centres, while diversifying their educational path. This initiative will help attract and retain students in CEGEPs located mainly in the regions, some of which are facing a significant decline in student enrollment. It also aims to ensure the vitality and financial viability of college diploma programs.

Financial support is also provided to regional university service points.

In Budget 2022-2023, investments totalling \$238.8 million are planned by 2026-2027 to support regional mobility of students.

❑ Supporting distance education

The government wishes to deploy Campus numérique, a showcase that will bring together all of the distance education offerings in Québec's higher education system.

Additional investments will fund a centre of expertise in distance education and improve access to digital resources in higher education.

This budget provides for an investment of \$12.1 million by 2026-2027 for distance education.

❑ Enhancing continuing education programs at the college level

The government is enhancing funding for continuing education programs at the college level to develop the college certification offering, a new type of non-credit training³ that takes less time to complete than an Attestation of College Studies (ACS).

In Budget 2022-2023, the government is investing \$18.8 million by 2026-2027 to enhance continuing education programs at the college level.

³ This training does not grant college credits, but allows for the rapid requalification of workers.

❑ Meeting the need for additional space by leasing property

Already observed in higher education institutions, real estate space deficits will increase as early as 2026, reaching a peak in 2029. The need for additional space at colleges and universities will become even more crucial as the Opération main-d'œuvre action plan is deployed.

In order to meet the demand in the short term, the government is recommending real estate rentals as a temporary solution. In Budget 2022-2023, investments totalling \$232.5 million are planned by 2026-2027 for this purpose.

❑ Supporting the digital transformation and increasing funding for information resources

Digital and informational resources at schools must be adapted to support the increased number of graduates resulting from the Opération main-d'œuvre action plan.

The government is providing financial support to higher education institutions so that they can improve their digital tools and services.

It is also funding initiatives to raise user awareness, strengthen the security of institutional information systems and address the growing need for IT equipment maintenance.

This budget provides \$131.9 million in investments by 2026-2027 to support the digital transformation of higher education institutions and to adapt the funding of their information resources.

FINANCIAL IMPACT

TABLE D.11

Financial impact of the measures to invest in education and higher education (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|--------|
| Supporting educational success and school perseverance | | | | | | | |
| Giving every student the means to reach their full potential | | | | | | | |
| – Promoting success for all students | — | -34.1 | -45.0 | -46.6 | -47.6 | -47.6 | -220.9 |
| – Enhancing the tutoring program | — | -55.0 | -65.0 | -65.0 | -65.0 | -65.0 | -315.0 |
| – Modernizing vocational training programs to ensure a competent and qualified workforce | — | -17.0 | -21.0 | -29.3 | -34.0 | -33.9 | -135.2 |
| – Supporting digital learning | — | -34.6 | -29.1 | -31.5 | -31.5 | -31.5 | -158.2 |
| Ensuring the attraction and retention of school staff | | | | | | | |
| – Attracting experienced workers in the education network | — | -13.3 | -19.0 | -5.7 | — | — | -38.0 |
| – Increasing continuing education for school staff | — | -8.0 | -8.0 | -13.0 | -13.0 | -13.0 | -55.0 |
| – Supporting schools in the recruitment and supervision of future teachers | — | -16.7 | -23.5 | -23.5 | -23.5 | -23.5 | -110.7 |
| Enhancing the school building inventory | — | -59.0 | -49.0 | -53.0 | -53.0 | -53.0 | -267.0 |

TABLE D.11

Financial impact of the measures to invest in education and higher education (cont.)
(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Supporting educational success and school perseverance (cont.) | | | | | | | |
| Getting Quebecers moving | | | | | | | |
| – Increasing funding for specific educational sports programs and projects | — | -14.0 | -20.0 | -22.8 | -24.0 | -24.0 | -104.8 |
| – Promoting the sharing of sports infrastructure between the educational and municipal sectors | — | — | -2.1 | -5.1 | -8.1 | -11.1 | -26.4 |
| – Developing and supporting access to recreational and sports equipment | — | -13.3 | -4.1 | -11.7 | -7.5 | -4.1 | -40.7 |
| – Improving the experience and safety of young people practising recreational and sports activities | — | -10.0 | -14.2 | -17.8 | -17.8 | -18.3 | -78.1 |
| Subtotal | — | -275.0 | -300.0 | -325.0 | -325.0 | -325.0 | -1 550.0 |
| Improving access to and graduation from higher education | | | | | | | |
| Making higher education more accessible | | | | | | | |
| – Student financial assistance program | | | | | | | |
| ▪ Reducing the contribution of parents or spouse | — | -28.0 | -45.0 | -44.0 | -43.0 | -43.0 | -203.0 |
| ▪ Enhancing the exemption for child support payments | — | -0.6 | -0.6 | -0.6 | -0.6 | -0.6 | -3.0 |
| ▪ Reducing the debt for student parents | — | — | -16.0 | -16.0 | -16.0 | -16.0 | -64.0 |
| – Renewing the elimination of interest on student loans for 2022-2023 | — | -72.0 | — | — | — | — | -72.0 |

TABLE D.11

Financial impact of the measures to invest in education and higher education (cont.)
(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Improving access to and graduation from higher education (cont.) | | | | | | | |
| Supporting students throughout their studies | | | | | | | |
| – Fostering school perseverance and student success | — | -12.8 | -16.8 | -18.0 | -17.4 | -12.4 | -77.4 |
| – Supporting the integration of trainees into the health and social services network | — | -15.0 | -15.0 | -15.0 | -15.0 | -15.0 | -75.0 |
| – Better meeting the needs of Indigenous students | — | -7.7 | -7.7 | -10.2 | -11.3 | -8.8 | -45.7 |
| – Matching donations to college foundations | — | -5.0 | -10.0 | -10.0 | -10.0 | -10.0 | -45.0 |
| – Expanding and diversifying the mental health service offering | — | -7.0 | -7.0 | -7.0 | -7.0 | -7.0 | -35.0 |
| Increasing the number of higher education graduates | | | | | | | |
| – Promoting regional mobility of students | — | -30.7 | -43.3 | -48.9 | -52.7 | -63.2 | -238.8 |
| – Supporting distance education | — | -1.9 | -2.7 | -2.5 | -2.5 | -2.5 | -12.1 |
| – Enhancing continuing education programs at the college level | — | -2.0 | -4.2 | -4.2 | -4.2 | -4.2 | -18.8 |
| – Meeting the need for additional space by leasing property | — | -39.7 | -48.2 | -48.2 | -48.2 | -48.2 | -232.5 |
| – Supporting the digital transformation and increasing funding for information resources | — | -24.3 | -28.8 | -28.8 | -25.0 | -25.0 | -131.9 |
| Subtotal | — | -246.7 | -245.3 | -253.4 | -252.9 | -255.9 | -1 254.2 |
| TOTAL | — | -521.7 | -545.3 | -578.4 | -577.9 | -580.9 | -2 804.2 |

Section E

STIMULATING ECONOMIC GROWTH

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SUMMARY

In November 2021, the government presented its economic vision for Québec, which has the objective of increasing prosperity.

In the fall 2021 *Update on Québec's Economic and Financial Situation*, the government announced its intention to step up efforts made since the fall of 2018 to eliminate the wealth gap with Ontario by 2036 by stimulating the components of economic growth throughout Québec.

In Budget 2022-2023, the government is announcing new initiatives totalling close to \$4.2 billion between now and 2026-2027 with a view to:

- increasing the productivity of Québec's economy;
- strengthening the integration of immigrants into the workforce;
- supporting regional economic development;
- supporting the recovery and promoting Québec's culture and the cultural sector.

TABLE E.1

Financial impact of the measures to stimulate economic growth (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|-----------------|-----------------|---------------|---------------|---------------|-----------------|
| Increasing the productivity of Québec's economy | -28.0 | -492.1 | -563.7 | -472.7 | -319.9 | -284.5 | -2 160.9 |
| Strengthening the integration of immigrants into the workforce | — | -15.2 | -47.7 | -60.4 | -75.2 | -91.7 | -290.2 |
| Supporting regional economic development | -45.0 | -432.1 | -473.1 | -378.4 | -79.2 | -67.3 | -1 475.1 |
| Supporting the recovery and promoting Québec's culture and the cultural sector | — | -159.1 | -49.7 | -47.7 | -0.7 | -0.7 | -257.9 |
| TOTAL | -73.0 | -1 098.5 | -1 134.2 | -959.2 | -475.0 | -444.2 | -4 184.1 |

An objective of collective wealth

Progress toward closing the standard of living gap between Québec and Ontario since 2019

Between 2015 and 2018, average annual growth in Ontario's standard of living outpaced that of Québec. The trend turned around in 2019, enabling Québec to make progress toward closing the standard of living gap with Ontario.

- From 2019 to 2022, Québec's real GDP per capita should rise by an average of 0.6% per year, while remaining stable in Ontario (0.0%).
- Ontario's lead on wealth should go from 16.4% in 2018 to 13.6% in 2022.

Stepping up efforts to catch up with Ontario's standard of living

The government would like to continue on this path and intensify its efforts to close the standard of living gap between Québec and Ontario. To achieve this, it has set the following ambitious objectives:

- reduce the gap in real GDP per capita with Ontario to less than 10% by 2026;
- catch up with Ontario's real GDP per capita by 2036.

Québec has all the assets it needs to achieve these objectives, but additional efforts will be required. To catch up with Ontario's standard of living, Québec will need to maintain an average annual increase in real GDP per capita of 0.8 percentage point higher than that of Ontario.

Eventually, this will increase the average annual wage of Québec workers by more than \$14 000 and generate more than \$40 billion in additional annual revenue for the government.

Productivity gains and a larger labour force pool will be necessary

Closing the standard of living gap with Ontario will require:

- an average increase in productivity of 1.6% per year between now and 2036, which will represent a production gain of approximately \$26 000 per worker when fully implemented;
- an average growth of 0.2% per year in the labour force pool and its employment rate in order to increase the size of the labour pool.

In short, 20% of the wealth increase needed to close the standard of living gap with Ontario will need to be generated by increasing the labour pool and the employment rate of the labour force, and 80% will need to come from increased productivity.

An objective of collective wealth (cont.)

A more productive economy to create more wealth

Given the labour shortage, productivity gains hold the greatest potential for improving Quebecers' standard of living. However, the productivity of Québec's economy is below that of Ontario, primarily due to lower non-residential business investment.

- In 2019, investment in machinery and equipment in Québec lagged 26% per private-sector job behind Ontario, while for investments in information and communication technologies the gap was 44%.

To improve its productivity record, Québec will have to:

- increase non-residential business investment;
- intensify the presence of Québec businesses on export markets;
- stimulate the entry of new businesses that commercialize new ideas;
- improve the performance of businesses as regards innovation and the commercialization of intellectual property.

Since 2018, the government has launched several important initiatives to foster business productivity, particularly in the area of investment. Significant fiscal measures such as accelerated depreciation of business investments and the investment and innovation tax credit (C3i) have been rolled out.

The government has also stepped up support for enterprises and amended the *Act respecting Investissement Québec* to increase exports and foreign direct investment so as to close the productivity gap of Québec businesses.

Qualified workers to meet labour force needs

In recent years, a strong economy, a tightening labour pool and an aging population have resulted in more job vacancies and fewer unemployed people.

Improved student retention will be needed to increase the labour force pool. Moreover, given the labour shortage, Québec must encourage people to qualify and requalify, in particular through better access to quality education services.

- In this area, Québec's postsecondary graduation rate was 11 percentage points lower than Ontario's in 2019.

Moreover, in the current demographic context, Québec must aim for better retention of immigrants and their involvement in the labour market, particularly through stronger support for their francization.

Substantial resources were deployed to counter the labour shortage, including a budget envelope of nearly \$3.9 billion over five years, \$2.9 billion of which was in the form of additional credits, to roll out Opération main-d'œuvre in the fall of 2021. The government will continue these efforts to combat the labour shortage.

1. INCREASING THE PRODUCTIVITY OF QUÉBEC'S ECONOMY

Increasing productivity is the main lever for increasing the wealth of Québec and eliminating the standard of living gap with Ontario.

The government is therefore setting aside close to \$2.2 billion in Budget 2022-2023 with a view to:

- supporting innovation and research;
- continuing the digital shift;
- stimulating investment in new technologies, entrepreneurship and exports.

TABLE E.2

Financial impact of the measures to increase the productivity of Québec's economy (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Supporting innovation and research | -28.0 | -321.4 | -335.4 | -335.5 | -233.1 | -232.6 | -1 486.0 |
| Continuing the digital shift | — | -150.0 | -182.9 | -41.7 | -38.1 | -38.0 | -450.7 |
| Stimulating investment in new technologies, entrepreneurship and exports | — | -20.7 | -45.4 | -95.5 | -48.7 | -13.9 | -224.2 |
| TOTAL | -28.0 | -492.1 | -563.7 | -472.7 | -319.9 | -284.5 | -2 160.9 |

1.1 Supporting innovation and research

Research and innovation foster the creation of wealth and the development of new technologies in Québec.

To support innovation and research, in Budget 2022-2023, the government is setting aside close to \$1.5 billion with a view to:

- deploying the Québec Research and Innovation Strategy 2022-2027;
- renewing the Québec Life Sciences Strategy;
- supporting the development of critical and strategic minerals and innovation in the mining sector;
- strengthening support for foundations and research bodies.

TABLE E.3

Financial impact of the measures to support innovation and research (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Deploying the Québec Research and Innovation Strategy 2022-2027 ^{(1),(2)} | — | -280.0 | -280.0 | -280.0 | -230.0 | -230.0 | -1 300.0 |
| Renewing the Québec Life Sciences Strategy ⁽¹⁾ | — | -20.0 | -45.0 | -45.0 | — | — | -110.0 |
| Supporting the development of critical and strategic minerals and innovation in the mining sector | — | -7.5 | -7.5 | -7.5 | — | — | -22.5 |
| Strengthening support for foundations and research bodies | -28.0 | -13.9 | -2.9 | -3.0 | -3.1 | -2.6 | -53.5 |
| TOTAL | -28.0 | -321.4 | -335.4 | -335.5 | -233.1 | -232.6 | -1 486.0 |

(1) The appropriations will be granted to the Ministère de l'Économie et de l'Innovation. The amounts provided for 2022-2023 will be drawn from the Contingency Fund.

(2) A \$500-million budget envelope reserved for private equity funds will also be made available through an advance from the Minister of Finance to the Economic Development Fund.

1.1.1 Deploying the Québec Research and Innovation Strategy 2022-2027

Over the years, Québec has built up a world-class scientific research base and innovation system. In February 2022, the first innovation zones were deployed in order to consolidate and strengthen Québec's advantageous position in the fields of digital technology and quantum science.

To support Québec's collective prosperity, the government is setting aside an additional \$1.3 billion to implement the new Québec Research and Innovation Strategy (SQRI 2022-2027).

SQRI 2022-2027 forms the foundation of the innovation project, one of the five major priority economic projects announced by the premier in fall 2021.

This strategy will, among other things:

- consolidate Québec's excellence in research and science;
- boost collaborative research and access to world-class infrastructure;
- facilitate access for businesses to expertise, support and funding offered by key players in research and innovation;
- promote the results of research and increase spinoffs;
- support innovative technological entrepreneurship;
- stimulate investment, commercialization of innovations and deployment of new innovation zones.

In addition, a budget envelope of \$600 million will be set aside for supporting the creation of innovative businesses and driving their growth: \$500 million reserved for private equity funds and \$100 million for the Impulsion PME Program.

These investments come on top of current fiscal measures and the initiatives introduced in recent years that are helping create an environment conducive to research and innovation in Québec.

Consultation regarding the development of the Québec Research and Innovation Strategy 2022-2027

The Québec Research and Innovation Strategy 2022-2027 was formulated based on a wide-ranging consultation process that informed the deliberations of the Ministère de l'Économie et de l'Innovation and highlighted the concerns of research and innovation players in the field.

This was a three-stage process:

- a call for briefs, which resulted in 233 briefs being received and more than 1 500 recommendations being analyzed;
- a regional tour conducted through virtual meetings with groups from all regions of Québec;
- the Grand Rendez-vous de l'innovation québécoise to mobilize the research and innovation ecosystem in line with the government's major policy directions.

Substantial tax incentives to support government action in favour of research and innovation

In addition to budget measures to support research and innovation, the Québec government is granting substantial tax incentives to businesses.

- These measures represent additional support of close to \$3 billion for the Québec Research and Innovation Strategy 2022-2027.

Research and development tax credits

A business that carries out research and development (R&D) activities in Québec can claim refundable tax credits on researchers' salaries, university research, private partnership research and research consortiums.

- These tax measures provide support for innovation corresponding to 30% of eligible R&D expenses for SMBs, and 14% for large corporations.

R&D tax credits will provide support of over \$2.7 billion to Québec businesses during 2022-2027, benefiting approximately 4 000 businesses annually.

Tax holiday for foreign researchers and experts

A foreign researcher doing R&D work or a foreign expert carrying out activities to promote R&D results as the employee of a company in Québec may benefit from a five-year income tax holiday.

- The tax holiday for foreign researchers and experts consists of a degressive deduction in the calculation of the individual's taxable income, the rate applicable to the individual's salary being 100% for the first two years, 75% for the third year, 50% for the fourth year and 25% for the fifth year.

These tax holidays, representing \$56 million in support for the 2022-2027 period, attract and retain approximately 500 world-class researchers or experts for the Québec innovation ecosystem annually.

Incentive deduction for the commercialization of innovations

A corporation that commercializes intellectual property in Québec may, under certain conditions, benefit from the incentive deduction for the commercialization of innovations (IDCI).

- The IDCI allows a corporation to benefit from an effective tax rate of 2% on taxable income attributable to the commercialization of intellectual property in Québec.

This deduction, which encourages corporations to commercialize their innovations in Québec, will represent a \$176-million reduction in the tax burden during the 2022-2027 period, eventually benefiting over 300 businesses annually.

1.1.2 **Renewing the Québec Life Sciences Strategy**

The pandemic has confirmed the strategic character of the life sciences sector for Québec's economy. The renewal of government support is therefore essential to foster the development of this critical sector and give Québec the means to reduce its dependence on imports.

The government is setting aside an additional \$110 million over three years for the Québec Life Sciences Strategy.

The funds will primarily be used to:

- strengthen the life sciences ecosystem;
- develop sophisticated technological, digital and physical infrastructure to attract and support businesses in this sector;
- meet health challenges with the help of Québec companies;
- develop talents and human capital adapted to the sector's emerging needs.

1.1.3 Supporting the development of critical and strategic minerals and innovation in the mining sector

With the aim of making Québec a leader in the production, transformation and recycling of critical and strategic minerals (CSMs), in fall 2020 the government launched the Québec Plan for the Development of Critical and Strategic Minerals 2020-2025.

The government is setting aside an additional \$15 million over three years to enhance the support provided in the piloting and demonstration of processes and processing designed to make optimal use of CSMs.

This initiative will speed up the completion of mineral transformation projects in Québec and foster the development of the industries necessary for energy transition, including renewable energy and battery manufacture.

Since a large part of global CSM production comes from China, this measure will help diversify the sources of strategic mineral resources for Québec and its main commercial partners.

Moreover, to support innovation in the mining industry, Budget 2022-2023 is providing additional funding of \$7.5 million over three years starting in 2022-2023. In particular, this investment will:

- continue the partnership research program on sustainable development in the mining sector;
- support the growth in knowledge on techniques of mining site redevelopment and restoration.

TABLE E.4

Financial impact of measures to support the development of critical and strategic minerals and innovation in the mining sector (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
| Supporting the development of critical and strategic minerals | — | -5.0 | -5.0 | -5.0 | — | — | -15.0 |
| Supporting innovation in the Québec mining sector | — | -2.5 | -2.5 | -2.5 | — | — | -7.5 |
| TOTAL | — | -7.5 | -7.5 | -7.5 | — | — | -22.5 |

Note: The appropriations will be granted to the Ministère de l'Énergie et des Ressources naturelles. The amounts provided for 2022-2023 will be drawn from the Contingency Fund.

1.1.4 Strengthening support for foundations and research bodies

In recent years, the government has funded research foundations and bodies whose work helps fuel reflection and debate on subjects of public interest.

In order to strengthen support for research foundations and bodies, in Budget 2022-2023, the government is setting aside \$53.5 million with a view to:

- celebrating the 100th anniversary of the birth of René Lévesque;
- renewing funding for the Research Chair in Taxation and Public Finance of the Université de Sherbrooke;
- continuing funding for the Centre de recherches mathématiques of the Université de Montréal;
- developing the Carrefour international;
- supporting the launch of HEC Montréal's Chaire de recherche Jacques-Parizeau;
- enhancing the Institut de la statistique du Québec's research data access services;
- continuing funding for HEC Montréal's Centre for Productivity and Prosperity – Walter J. Somers Foundation.

TABLE E.5

Financial impact of the measures to strengthen support for research bodies
(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
| Celebrating the 100th anniversary of the birth of René Lévesque ⁽¹⁾ | — | -10.0 | — | — | — | — | -10.0 |
| Renewing funding for the Research Chair in Taxation and Public Finance of the Université de Sherbrooke ⁽¹⁾ | — | -0.9 | -0.9 | -1.0 | -1.1 | -1.2 | -5.1 |
| Continuing funding for the Centre de recherches mathématiques of the Université de Montréal ⁽¹⁾ | — | -1.5 | — | — | — | — | -1.5 |
| Developing the Carrefour international ⁽²⁾ | -28.0 | — | — | — | — | — | -28.0 |
| Supporting the launch of HEC Montréal's Chaire de recherche Jacques-Parizeau ⁽¹⁾ | — | -0.4 | -0.4 | -0.4 | -0.4 | -0.4 | -2.0 |
| Enhancing the Institut de la statistique du Québec's research data access services ^{(1),(3)} | — | -0.5 | -1.0 | -1.0 | -1.0 | -1.0 | -4.5 |
| Continuing funding for HEC Montréal's Centre for Productivity and Prosperity – Walter J. Somers Foundation ⁽¹⁾ | — | -0.6 | -0.6 | -0.6 | -0.6 | — | -2.4 |
| TOTAL | -28.0 | -13.9 | -2.9 | -3.0 | -3.1 | -2.6 | -53.5 |

Note: The amounts provided for 2022-2023 will be drawn from the Contingency Fund.

(1) The appropriations will be granted to the Ministère des Finances.

(2) The appropriations will be granted to the Ministère des Relations internationales et de la Francophonie.

(3) Appropriations of \$1 million will be provided on a recurring basis starting in 2027-2028 to fund this initiative.

☐ Celebrating the 100th anniversary of the birth of René Lévesque

René Lévesque is one of the most influential politicians in Québec's modern history. The government wishes to commemorate René Lévesque's 100th birthday by supporting the foundation that bears his name, which works to promote the tremendous legacy of this great Quebecer.

The government also wishes to support the creation of a mentoring and leadership program so that young leaders can exert significant influence in their communities by developing innovative approaches to social issues, including some of those that marked the career of René Lévesque.

For this purpose, \$10 million will be granted to the Fondation René-Lévesque in 2022-2023. The schedule of activities and initiatives will be announced as part of the celebrations of the 100th anniversary of René Lévesque's birth.

☐ Renewing funding for the Research Chair in Taxation and Public Finance of the Université de Sherbrooke

The Research Chair in Taxation and Public Finance at Université de Sherbrooke has become an important reference for analysis and public education on taxation issues and government finance.

The Québec government is announcing \$5.1 million over five years to renew the funding of the Research Chair in Taxation and Public Finance.

☐ Continuing funding for the Centre de recherches mathématiques at the Université de Montréal

For the past three years, the Centre de recherches mathématiques (CRM) de l'Université de Montréal has been working with the Centre interuniversitaire de recherche en analyse des organisations (CIRANO) to design a strategy to foster the development of a highly skilled workforce in applied mathematics for advanced fields.

The government is providing \$1.5 million in 2022-2023 to enable the Centre de recherches mathématiques and CIRANO to continue their work.

❑ Developing the Carrefour international

Set up at Université Laval, in partnership with the public and private sectors, Carrefour international seeks to become an innovation hub in teaching and pluridisciplinary research on international issues.

Carrefour international will also highlight the major contribution of the Right Honourable Brian Mulroney, former prime minister of Canada and a graduate of Université Laval, to public life in Québec, Canada and on the international stage.

Investments of \$28 million are provided in 2021-2022 to develop the Carrefour international. Of this amount, \$24 million is set aside for the construction of the pavilion and \$4 million is devoted to the Observatoire sur la description et la compréhension transversale et pluridisciplinaire des enjeux internationaux émergents.

❑ Supporting the launch of HEC Montréal's Chaire de recherche Jacques-Parizeau

The mission of the Jacques-Parizeau research chair in economic policy at HEC Montréal will be to inform the debate on economic policy in Québec using econometric modelling and massive data.

The Québec government is announcing \$2 million over five years to support the launch of the Jacques-Parizeau research chair in economic policy.

This funding will, in particular, enable the creation of a visiting fellowship research program. Visiting fellows will contribute their expertise to the understanding of the issues studied by the Chair.

Recognizing the contributions of three great leaders: René Lévesque, Brian Mulroney and Jacques Parizeau

The government wishes to recognize the important contributions of three influential leaders to Québec's development and inspire new generations of students who will shape the world of tomorrow.

This budget includes initiatives to support organizations created in honour of these former leaders.

Fondation René-Lévesque

A leading figure of the Québec nationalist and sovereignist movement, René Lévesque is one of the most influential politicians in the province's modern history. Having started his career as a journalist, he made his political debut orchestrating the nationalization of hydroelectricity in Québec. As the 23rd premier of Québec, René Lévesque defended Québec's political sovereignty and led a number of societal reforms, including the adoption of the Charter of the French Language, the *Automobile Insurance Act* and the reform of political party financing in Québec.

The government wishes to commemorate Mr. Lévesque's 100th birthday by supporting the foundation that bears his name, which works to promote the tremendous legacy of this great Quebecer.

Carrefour international: Recognizing the work of the Right Honourable Brian Mulroney

Brian Mulroney was the 18th prime minister of Canada. He is responsible for a number of major international achievements, including the conclusion of the North American Free Trade Agreement (NAFTA) with the United States and Mexico and the signing of an acid rain agreement with the United States. He actively opposed the apartheid regime in South Africa, and is considered one of the main architects of the Organisation internationale de la francophonie.

With his unflagging dedication and unifying leadership, Mr. Mulroney is an inspiring role model to younger generations, from whose ranks tomorrow's international leaders and agents of change will emerge.

Moreover, in recognizing Prime Minister Mulroney's legacy with its future Carrefour international, Université Laval is honouring the key role he played in shaping Canadian foreign policy. He also contributed to building modern Québec's international personality.

Jacques Parizeau Research Chair

For nearly six decades, Jacques Parizeau influenced Québec's economic and social development as a professor, economic advisor, minister and the 26th premier of Québec.

Mr. Parizeau demonstrated that Québec policy-makers had a talent for producing innovative economic policies. He was the architect of several major initiatives, including the Québec Pension Plan and the Caisse de dépôt et placement du Québec.

With the creation of the Jacques Parizeau Research Chair, HEC Montréal honours Mr. Parizeau's contribution to the fields of public policy, teaching and research.

❑ Enhancing the Institut de la statistique du Québec's research data access services

Since June 17, 2019, researchers from public bodies have been able to use the Institut de la statistique du Québec's research data access services to obtain data on the health care and education sectors. Revenu Québec data will soon be added.

These data are always transmitted to researchers in an environment that guarantees the confidentiality of personal information and in a form that does not allow identification of the individuals concerned.

To extend the service offering to other fields of activity, the government is setting aside \$4.5 million over five years to add data from the Ministère du Travail, de l'Emploi et de la Solidarité sociale and the Ministère de l'Immigration, de la Francisation et de l'Intégration.

This initiative will enable researchers to match these data with those already accessible through research data access services, which will substantially extend research possibilities.

❑ Continuing funding for HEC Montréal's Centre for Productivity and Prosperity – Walter J. Somers Foundation

The HEC Montréal Centre for Productivity and Prosperity – Walter J. Somers Foundation (CPP-HEC) carries out research and analyses on the determinants of corporations' productivity performance.

In Budget 2022-2023, the government is setting aside \$2.4 million to continue funding the CPP-HEC over the next four years.

1.2 Continuing the digital shift

The digital shift, which consists in integrating digital technologies into the practices of organizations, fosters Québec's economic growth and the efficiency of the public administration.

In addition, access to high-speed Internet for Quebecers has become essential to Québec's economic development. Accordingly, in Budget 2021-2022 the government is announcing investments of close to \$1.3 billion to connect Quebecers to high-speed Internet. Work toward access for the entire population continues.

Lastly, digital technologies must serve the citizens by facilitating their interaction with the government. The aim of the government's digital transformation is to provide Quebecers with public services that are more intuitive and easier to use, and also to improve the government's efficiency, while ensuring the security of information it holds in the face of cyber security issues.

To continue the digital shift, in Budget 2022-2023, the government is setting aside \$450.7 million with a view to:

- continuing the digital shift offensive;
- completing mobile coverage of inhabited areas and major roadways in Québec;
- accelerating the pace of the government's digital transformation;
- launching a new cybersecurity enhancement program;
- upgrading digital service offerings to ensure tax fairness.

TABLE E.6

Financial impact of the measures to continue the digital shift
 (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Continuing the digital shift offensive ⁽¹⁾ | — | -30.0 | -30.0 | — | — | — | -60.0 |
| Completing mobile coverage of inhabited areas and major roadways in Québec ⁽²⁾ | — | -30.0 | -20.0 | — | — | — | -50.0 |
| Accelerating the pace of the government's digital transformation ⁽³⁾ | — | -25.0 | -25.0 | — | — | — | -50.0 |
| Launching a new cybersecurity enhancement program ⁽³⁾ | — | -30.0 | -70.0 | — | — | — | -100.0 |
| Upgrading digital service offerings to ensure tax fairness | — | -35.0 | -37.9 | -41.7 | -38.1 | -38.0 | -190.7 |
| TOTAL | — | -150.0 | -182.9 | -41.7 | -38.1 | -38.0 | -450.7 |

Note: The amounts provided for 2022-2023 will be drawn from the Contingency Fund.

(1) The appropriations will be granted to the Ministère de l'Économie et de l'Innovation.

(2) The appropriations will be granted to the Ministère du Conseil exécutif.

(3) The appropriations will be granted to the Ministère de la Cybersécurité et du Numérique.

1.2.1 Continuing the digital shift offensive

In recent months, the pandemic has highlighted the need for businesses to step up their efforts to digitize their operations.

To meet this need, the government acted quickly by implementing the digital shift offensive, which has provided support to many organizations and businesses in various sectors of the Québec economy.

In order to continue this initiative, the government is providing an additional \$60 million over two years to accelerate the digital shift and increase productivity and wealth creation in Québec.

1.2.2 Completing mobile coverage of inhabited areas and major roadways in Québec

Access to high-speed Internet is considered essential for Québec's economic development, especially in a pandemic context. To speed up connecting all Quebecers to high-speed Internet, in Budget 2021-2022 the government invested close to \$1.3 billion to serve 116 000 new homes. Work is progressing and should be completed by fall 2022.

As part of the same process, the government wants to improve mobile coverage of the road network in Québec in order to:

- address safety issues on Québec's roads and connectivity issues over the entire province;
- contribute to setting up the preconditions for hyperconnectivity.

For this purpose, the government is providing investments of \$30 million in 2022-2023 and \$20 million in 2023-2024 to complete the mapping of needs and initial coverage work. This is thus an initial phase which, when completed, will enable mobile coverage to be implemented over the entire Québec road network.

1.2.3 Accelerating the pace of the government's digital transformation

To accelerate the pace of the government's digital transformation and prevent the obsolescence of government systems, \$25 million will be set aside in 2022-2023 and in 2023-2024.

- These amounts will make it possible not only to fund government-wide projects aimed at providing Quebecers with public services that are more intuitive and easier to use, but also to improve the government's efficiency.

The Ministère de la Cybersécurité et du Numérique will complete the prioritization of major projects in light of government policy directions on digital transformation.

To maximize the scope of projects funded by this initiative and supported by the deployment of government digital foundations, the Ministère will present a portfolio of priority government projects aimed at accelerating the digital transformation of public administration.

Details regarding the portfolio of priority government projects will be given by the Minister of Cybersecurity and Digital Technology at a later date.

1.2.4 Launching a new cybersecurity enhancement program

A strong commitment to digital transformation makes the protection of information vitally important to maintain the public's trust in digital services and to protect against modern cyberthreats and cyberattacks.

To improve the protection of citizens' information, to guard against cyberthreats and to support the government's digital transformation, investments of \$100 million over two years will fund the deployment of cybersecurity projects in public bodies.

— \$30 million will be set aside in 2022-2023 and \$70 million in 2023-2024 for the launch of a new program to strengthen cybersecurity.

Details of this measure will be given by the Minister of Cybersecurity and Digital Technology at a later date.

1.2.5 Upgrading digital service offerings to ensure tax fairness

The government wants to take advantage of new possibilities offered by digital technologies, in particular by launching the project VISION at Revenu Québec. This project is designed to transform Revenu Québec's provision of services to individuals and to businesses by introducing a more efficient, simplified digital tax administration model.

Since meeting tax obligations will be made simpler, a larger number of taxpayers will be able to fulfill their responsibilities themselves, without intervention from Revenu Québec. This measure will increase tax fairness and provide Quebecers with more high-quality services that meet their expectations.

For this purpose, the government will invest \$152.7 million over five years to make it easier for taxpayers to fulfill their tax obligations.

In addition, \$38 million over five years will also be provided for initiatives to continue the implementation of the Tax Fairness Action Plan.

A detailed description of initiatives implemented is presented in *Additional Information 2022-2023*.

TABLE E.7

Financial impact of measures to upgrade the provision of digital services to ensure tax fairness
(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Facilitating taxpayer compliance ⁽¹⁾ | — | -26.7 | -28.7 | -33.3 | -32.0 | -32.0 | -152.7 |
| Continuing to implement the Tax Fairness Action Plan | | | | | | | |
| Maintaining efforts regarding corporate transparency ⁽²⁾ | — | -3.3 | -4.2 | -3.4 | -1.1 | -1.0 | -13.0 |
| Maintaining efforts in residential construction ⁽³⁾ | — | -2.0 | -2.0 | -2.0 | -2.0 | -2.0 | -10.0 |
| Stepping up the fight against economic crime ⁽³⁾ | — | -3.0 | -3.0 | -3.0 | -3.0 | -3.0 | -15.0 |
| Subtotal | — | -8.3 | -9.2 | -8.4 | -6.1 | -6.0 | -38.0 |
| TOTAL | — | -35.0 | -37.9 | -41.7 | -38.1 | -38.0 | -190.7 |

Note: A detailed description is presented in *Additional Information 2022-2023*.

(1) The amounts will be drawn from the Tax Administration Fund.

(2) The appropriations will be granted to the Ministère du Travail, de l'Emploi et de la Solidarité sociale. The amounts provided for 2022-2023 will be drawn from the Contingency Fund.

(3) The appropriations will be granted for the Provision to increase any appropriation for initiatives concerning revenues of and fraud against the government. The amounts provided for 2022-2023 will be drawn from the Contingency Fund.

1.3 Stimulating investment in new technologies, entrepreneurship and exports

To close the productivity gap with Ontario, Québec businesses must increase their investments, particularly in technological equipment. Greater entrepreneurial dynamism will also be needed to stimulate the creation of innovative new businesses. In addition, Québec businesses will have to intensify their presence on export markets in order to accelerate their development.

To stimulate investment in new technologies, entrepreneurship and exports, in Budget 2022-2023 the government is setting aside \$224.2 million to:

- accelerate the acquisition of new technologies by businesses;
- contribute to entrepreneurial dynamism;
- increase exports and promote Québec's assets.

TABLE E.8

Financial impact of measures to stimulate investment in new technologies, entrepreneurship and exports
(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Accelerating the acquisition of new technologies by businesses | — | — | -21.5 | -71.6 | -48.7 | -13.9 | -155.7 |
| Contributing to entrepreneurial dynamism ^{(1),(2)} | — | -17.5 | -20.0 | -20.0 | — | — | -57.5 |
| Increasing exports and promoting Québec's assets ⁽³⁾ | — | -3.2 | -3.9 | -3.9 | — | — | -11.0 |
| TOTAL | — | -20.7 | -45.4 | -95.5 | -48.7 | -13.9 | -224.2 |

Note: The amounts provided for 2022-2023 will be drawn from the Contingency Fund.

(1) The appropriations will be granted to the Ministère de l'Économie et de l'Innovation.

(2) The \$20 million budget envelope for recapitalization of the Fonds de transfert d'entreprise du Québec will be made available through an advance from the Minister of Finance to the Economic Development Fund.

(3) The appropriations will be granted to the Ministère des Relations internationales et de la Francophonie.

1.3.1 Accelerating the acquisition of new technologies by businesses

Since March 2020, the investment and innovation tax credit (C3i) has been encouraging businesses in all sectors to acquire new technologies to digitize their processes and upgrade their equipment.

— The C3i applies to eligible expenses for the acquisition of manufacturing and processing equipment, computer equipment and management software.

To encourage businesses to accelerate or enhance their plans to invest in new technologies, in Budget 2021-2022 the government announced that C3i rates would be doubled for goods acquired before January 1, 2023. Rates were thus raised:

- from 10% to 20% for investments in the Montréal and Québec City metropolitan communities;
- from 20% to 40% for investments in territories where economic vitality is low;
- from 15% to 30% for investments in other territories or regions.

To continue its efforts to boost productivity, the government is announcing that the temporary enhancement of C3i rates will be extended for one year, that is, for goods acquired before January 1, 2024.

This initiative will provide more than \$155 million in additional liquid assets to over 10 000 businesses between now and 2026-2027.

TABLE E.9

Principal parameters of the investment and innovation tax credit (C3i) – After Budget 2022-2023

| | | | |
|--------------------------------|---|----------------------------|--|
| Qualified corporation | A corporation with an establishment in Québec and that operates a business here ⁽¹⁾ | | |
| Qualified property | Manufacturing and processing materials (depreciation categories 43 or 53) Computer equipment (depreciation category 50) Management software (depreciation category 12) | | |
| Qualified expenditures | Expenditures exceeding: – \$12 500 per item for manufacturing and processing equipment – \$5 000 per item for computer equipment or management software | | |
| Tax credit rate | Territories | Without enhancement | Temporary enhancement⁽²⁾ |
| | – Montréal and Québec City metropolitan communities | 10% | 20% |
| | – Territories with low economic vitality | 20% | 40% |
| | – Other territories or regions | 15% | 30% |
| Reimbursement criterion | Reimbursable for companies with assets and gross revenue not exceeding \$50 million Not reimbursable for companies with assets and gross revenue of \$100 million or more ⁽³⁾ | | |
| Investment cap | \$100 million of eligible investment expenditures over five years | | |
| Time frame | Eligible property acquired after March 10, 2020 and before January 1, 2025 | | |

(1) The following are not entitled to the C3i: companies exempted from income tax, Crown corporations or subsidiaries wholly owned by them, aluminum producing companies and oil refining companies.

(2) Rates will be enhanced for property acquired after March 25, 2021 and before January 1, 2024.

(3) The tax credit is partially reimbursable when the company's assets or gross revenue are more than \$50 million but less than \$100 million.

Territories with low economic vitality

In order to take particular economic challenges in certain territories into account, the rate of the investment and innovation tax credit (C3i) is increased to 20%, or to 40% with temporary enhancement, in territories whose Economic Vitality Index (EVI) puts them among the weakest 25% in Québec.

Every two years, the Institut de la statistique du Québec publishes the EVI for Québec's RCMs or equivalent territories. The EVI is calculated on the basis of three indicators:

- the labour market (number of workers aged 25 to 64);
- the standard of living (median income of the population aged 18 and over);
- demographic vitality (average annual population growth rate over a five-year period).

List of territories with low economic vitality, for C3i application purposes

| Administrative regions | RCMs or equivalent territories | |
|--------------------------------------|---|-----------------------------------|
| Bas-Saint-Laurent | – La Matanie | – Les Basques |
| | – La Matapédia | – Témiscouata |
| | – La Mitis | |
| Saguenay–Lac-Saint-Jean | – Le Domaine-du-Roy ⁽¹⁾ | – Maria-Chapdelaine |
| Capitale-Nationale | – Charlevoix-Est | |
| Mauricie | – La Tuque | – Mékinac |
| | – Maskinongé ⁽¹⁾ | – Shawinigan |
| Estrie | – Les Sources | |
| Outaouais | – La Vallée-de-la-Gatineau | – Pontiac |
| | – Papineau ⁽¹⁾ | |
| Côte-Nord | – La Haute-Côte-Nord | – Le Golfe-du-Saint-Laurent |
| | – Avignon | – La Côte-de-Gaspé ⁽²⁾ |
| | – Bonaventure | – La Haute-Gaspésie |
| Gaspésie–Îles-de-la-Madeleine | – Communauté maritime des Îles-de-la-Madeleine ⁽²⁾ | – Le Rocher-Percé |
| Chaudière-Appalaches | – Les Appalaches ⁽²⁾ | – Les Etchemins |
| Lanaudière | – Matawinie | |
| Laurentides | – Antoine-Labelle | – Argenteuil |

(1) These three RCMs were added to the list of territories with low economic vitality following the publication of the *Information Bulletin* 2021-5, June 30, 2021.

(2) Although these three territories are no longer part of those whose EVI is among the weakest 25% in Québec, a transition period has been allowed, and they will be removed from the list of territories with low economic vitality from April 1, 2023.

Source: Institut de la statistique du Québec, *Bulletin d'analyse – Indice de vitalité économique des territoires. Édition 2021*, [Online], [<https://statistique.quebec.ca/en/fichier/bulletin-analyse-indice-vitalite-economique-territoires-edition-2021.pdf>].

1.3.2 Contributing to entrepreneurial dynamism

Entrepreneurial dynamism contributes to productivity growth by bringing onto the market new businesses that commercialize new ideas and stimulate innovation.

In support of entrepreneurship, the government is providing an additional \$57.5 million over three years to implement the future entrepreneurship plan with a view to:

- properly equipping entrepreneurs and developing entrepreneurial skills;
- setting up a business environment conducive to the start-up, growth and long-term survival of businesses.

In addition, a \$20-million budget envelope has been set aside to recapitalize the Fonds de transfert d'entreprise du Québec, which provides funding adapted to business transfer situations.

| Continuing support for businesses that have been affected by the pandemic |
|---|
| <p>The Québec government quickly provided businesses with customized financial support to mitigate the impact of the pandemic, particularly through:</p> <ul style="list-style-type: none">– the Concerted Temporary Action Program for Business (PACTE) and the addition of the Emergency Assistance Program for Small and Medium-Sized Businesses (PAUPME);– implementation of the Assistance for Businesses in Regions on Maximum Alert (AERAM) component and the PACTE tourism component in order to provide help for certain more strongly affected businesses. <p>Through these programs, the government will continue to support affected businesses for as long as the situation requires.</p> |

1.3.3 Increasing exports and promoting Québec's assets

To turn the world economic recovery to its advantage and grow its wealth, it is in Québec's interest to strengthen its relations with partners all over the world. The economic upturn puts Québec in an excellent position internationally to increase its exports and promote its assets as attractiveness factors, capitalizing on the intensification of its representations abroad, particularly in markets with strong potential.

Initiatives are aimed, among other things, at implementing territorial strategies on the international stage, intensifying the deployment of business intelligence, strengthening alliances on green energies and the electrification of transportation, and promoting agrotourism in Québec.

Budget 2022-2023 provides investments of \$11 million over three years to make the economic recovery a success by increasing exports and promoting Québec's assets as attractiveness factors. Monitoring the results obtained will make it possible to decide on the renewal of these investments beyond the three years currently planned.

These new initiatives will add weight to actions deployed under the action plan to relaunch exports announced in March 2021.

- This plan has a \$503 million budget over five years aimed mainly at propelling Québec's exports into a new growth phase and bringing their value up to 50% of GDP. A key feature of the plan is the financial assistance and personalized support and advice that it makes available to exporters.

2. STRENGTHENING THE INTEGRATION OF IMMIGRANTS INTO THE WORKFORCE

Integrating immigrants into the labour market allows businesses to benefit from a qualified workforce and mitigates the impacts of the demographic changes and labour shortages affecting several Québec regions.

However, French-language proficiency is a factor that greatly helps immigrants integrate economically and culturally into communities, particularly those that are far from urban centres.

To support employment integration for immigrants and to preserve French as the common language of Québec, in Budget 2022-2023 the government is providing \$290.2 million over five years with a view to:

- increasing support to learn French;
- fostering the attraction of immigrants to the regions;
- expediting the processing of immigration applications.

TABLE E.10

Financial impact of the measures to strengthen the integration of immigrants into the workforce (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Increasing support to learn French | — | -12.9 | -31.4 | -40.0 | -50.8 | -63.2 | -198.3 |
| Fostering the attraction of immigrants to the regions | — | — | -14.0 | -18.0 | -22.0 | -26.0 | -80.0 |
| Expediting the processing of immigration applications | — | -2.3 | -2.3 | -2.4 | -2.4 | -2.5 | -11.9 |
| TOTAL | — | -15.2 | -47.7 | -60.4 | -75.2 | -91.7 | -290.2 |

Note: The appropriations will be granted to the Ministère de l'Immigration, de la Francisation et de l'Intégration. The amounts provided for 2022-2023 will be drawn from the Contingency Fund.

2.1 Increasing support to learn French

Proficiency in French is essential for immigrants to integrate into Québec society. It also helps them find a place in the labour market and thrive, as well as promoting the vitality of French in Québec.

To support francization, the government is providing \$198.3 million over five years in Budget 2022-2023, with the aim of:

- making workplace courses available to immigrant workers who wish to improve their French language skills;
- enhancing the offer of available distance francization services to reach remote clienteles and offering French learning services to new clienteles;
- offering French courses to selected immigrants abroad, before they arrive in Québec.

2.2 Fostering the attraction of immigrants to the regions

The labour shortage is limiting the economic development of certain regions that are struggling to fill jobs requiring specific skills. Attracting and retaining immigrants helps meet the labour needs of businesses established there.

With this in mind, in Budget 2022-2023, the government is providing \$80 million over four years to reduce tuition fees charged to foreign students.

This initiative is intended for foreign college and university students registered in programs offered in French in the regions and covering sectors targeted by Opération main-d'œuvre.

Enhancing support for community organizations that help immigrants

The government recognizes the contribution made by community organizations that help immigrants.

These organizations, which can more easily reach a diversified clientele, help immigrants in their efforts to improve their grasp of French as well as their efforts to integrate into their community and the labour market.

Consequently, the government is setting aside \$8.7 million over five years to enhance support for community organizations that help immigrants.

This funding, extended under the government action plan in the community action field (PAGAC), will allow more community organizations to better meet the needs of their clientele.

2.3 Expediting the processing of immigration applications

The government wishes to expedite the processing of immigration applications, which have increased substantially in recent years.

— To achieve this, the Ministère de l'Immigration, de la Francisation et de l'Intégration must be able to process applications received within a reasonable time frame.

Therefore, in Budget 2022-2023, the government is providing \$11.9 million over five years to hire the staff needed to handle the increase in applications and ensure the integrity of processes.

3. SUPPORTING REGIONAL ECONOMIC DEVELOPMENT

The growth of Québec's economic potential depends on the active contributions of all its regions and on the vitality of their strategic activity sectors.

To support the economic development of the regions, in Budget 2022-2023, the government is providing nearly \$1.5 billion with a view to:

- contributing to prosperity in the regions;
- continuing to grow the bio-food sector;
- fostering the development of forestry and the protection of wildlife capital;
- preparing the tourism sector's recovery.

TABLE E.11

Financial impact of the measures to support regional economic development
(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Contributing to prosperity in the regions | -15.0 | -133.1 | -108.4 | -70.4 | -54.0 | -54.0 | -434.9 |
| Continuing to grow the bio-food sector | — | -161.0 | -230.0 | -230.0 | -3.0 | -3.0 | -627.0 |
| Fostering the development of forestry and the protection of wildlife capital | — | -43.2 | -55.9 | -43.4 | -13.5 | -7.2 | -163.2 |
| Preparing the tourism sector's recovery | -30.0 | -94.8 | -78.8 | -34.6 | -8.7 | -3.1 | -250.0 |
| TOTAL | -45.0 | -432.1 | -473.1 | -378.4 | -79.2 | -67.3 | -1 475.1 |

3.1 Contributing to prosperity in the regions

To contribute to prosperity in the regions, in Budget 2022-2023, the government is providing \$434.9 million over six years with a view to:

- supporting regional air transportation;
- investing in regional land transportation infrastructure;
- promoting economic vitality in the regions.

TABLE E.12

Financial impact of the measures to contribute to prosperity in the regions
(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Supporting regional air transportation | — | -55.0 | -50.0 | -50.0 | -50.0 | -50.0 | -255.0 |
| Investing in regional land transportation infrastructure | -15.0 | -62.7 | -36.5 | — | — | — | -114.2 |
| Promoting economic vitality in the regions | — | -15.4 | -21.9 | -20.4 | -4.0 | -4.0 | -65.7 |
| TOTAL | -15.0 | -133.1 | -108.4 | -70.4 | -54.0 | -54.0 | -434.9 |

3.1.1 Supporting regional air transportation

Regional air transportation is an important driver of economic development and contributes to the vitality of the regions.

Interregional air connections are also essential for the supply and mobility of remote and island communities, some of which are only accessible by air for many months of the year, and for the transportation of essential services workers.

Consequently, the government intends to continue to support regional air transportation and is setting aside \$255 million over five years with a view to:

- fostering the development of accessible regional air services;
- extending emergency assistance for regional air transportation.

TABLE E.13

Financial impact of the measures to support regional air transportation (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Fostering the development of accessible regional air services | — | -34.0 | -50.0 | -50.0 | -50.0 | -50.0 | -234.0 |
| Extending emergency assistance for regional air transportation | — | -21.0 | — | — | — | — | -21.0 |
| TOTAL | — | -55.0 | -50.0 | -50.0 | -50.0 | -50.0 | -255.0 |

Note: The appropriations will be granted to the Ministère des Transports. The amounts provided for 2022-2023 will be drawn from the Contingency Fund.

☐ Fostering the development of accessible regional air services

Regional air services in Québec are limited by the vast territory to be covered, the high cost of airline tickets and the resulting low demand.

To make specific regional air services more accessible, in Budget 2022-2023 the government is providing \$234 million over five years.

This initiative, details of which will be presented shortly, is aimed at making competitive airfares accessible to all Quebecers.

❑ Extending emergency assistance for regional air transportation

Since the beginning of the pandemic, the revenues of regional air carriers and regional airport administrations have been deeply affected by the drop in demand due to the public health situation.

To maintain interregional air connections, the government is extending its emergency assistance for regional air transportation with the investment of an additional \$21 million for 2022-2023: \$16 million to support carriers and \$5 million to support airport administrations.

— With these additional investments, the total assistance granted to regional air transportation due to the public health situation amounts to \$107 million.

Emergency assistance for regional air transportation during the pandemic

Since March 2020, to maintain interregional air service despite the decrease in ridership due to the public health situation, the government has announced assistance totalling \$86 million, that is:

- \$56 million to maintain regional air service by offsetting the carriers' deficits;
- \$30 million to support regional airport administrations.

This is in addition to the \$21 million in new investments announced in Budget 2022-2023, for a total of \$107 million in assistance for regional air transportation since the beginning of the pandemic.

Emergency assistance for regional air transportation since spring 2020
(millions of dollars)

| | 2019- 2020 | 2020- 2021 | 2021- 2022 | 2022- 2023 | Total |
|--|---------------|---------------|---------------|---------------|--------------|
| Assistance for regional air carriers ⁽¹⁾ | 10.2 | 29.8 | 16.0 | 16.0 | 72.0 |
| Assistance for regional airport administrations ⁽²⁾ | — | 20.0 | 10.0 | 5.0 | 35.0 |
| TOTAL | 10.2 | 49.8 | 26.0 | 21.0 | 107.0 |

(1) Including a federal government contribution of \$8 million in 2021-2022.
(2) Including a federal government contribution of \$10 million in 2020-2021.

3.1.2 Investing in regional land transportation infrastructure

The development of regional land transportation infrastructure boosts the capacity of local businesses to contribute to Québec's economic prosperity and improves the quality of life and safety of their communities.

To continue its support for regional economic development, the government is providing \$114.2 million in Budget 2022-2023 to invest in regional land transportation infrastructure projects.

TABLE E.14

Financial impact of the measures to invest in regional land transportation infrastructure (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|--------|
| Investing in regional land transportation infrastructure | -15.0 | -62.7 | -36.5 | — | — | — | -114.2 |

Note: The appropriations for 2021-2022 will be granted to the Ministère des Affaires municipales et de l'Habitation. The amounts provided for 2022-2023 will be drawn from the Contingency Fund. The appropriations for 2023-2024 will be granted to the Ministère des Transports.

3.1.3 Promoting economic vitality in the regions

Regional economic vitality contributes to economic growth and Quebecers' prosperity.

To promote economic vitality in the regions, in Budget 2022-2023, the government is providing \$65.7 million over five years with a view to:

- accelerating economic development throughout Québec;
- promoting Québec production and buying local;
- maximizing the international potential of Québec's regions and partners;
- securing propane supplies in Québec.

TABLE E.15

Financial impact of the measures to promote economic vitality in the regions (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
| Accelerating economic development throughout Québec ⁽¹⁾ | — | -7.6 | -11.6 | -11.6 | -4.0 | -4.0 | -38.8 |
| Promoting Québec production and buying local ⁽¹⁾ | — | -5.0 | -7.5 | -7.5 | — | — | -20.0 |
| Maximizing the international potential of Québec's regions and partners ⁽²⁾ | — | -1.3 | -1.3 | -1.3 | — | — | -3.9 |
| Securing propane supplies in Québec ⁽³⁾ | — | -1.5 | -1.5 | — | — | — | -3.0 |
| TOTAL | — | -15.4 | -21.9 | -20.4 | -4.0 | -4.0 | -65.7 |

Note: The amounts provided for 2022-2023 will be drawn from the Contingency Fund.

(1) The appropriations will be granted to the Ministère de l'Économie et de l'Innovation.

(2) The appropriations will be granted to the Ministère des Relations internationales et de la Francophonie.

(3) The appropriations will be granted to the Ministère de l'Énergie et des Ressources naturelles.

❑ Accelerating economic development throughout Québec

The government intends to take concrete actions to improve the capacity of regional economies to contribute to wealth creation in Québec. To this end, it has earmarked \$38.8 million over five years, in particular, to:

- provide additional support for the development of the battery sector by assigning the resources necessary to carry out the assessments and analyses required to obtain environmental authorizations;
- assist the regional county municipalities (RCMs) with their economic development needs and strategic planning;
- give the regions the means to accelerate the completion of industrial projects on their territory by enhancing the Fonds d'aide aux initiatives régionales for the Gaspésie–Îles-de-la-Madeleine region, and by allowing various industrial parks to obtain certification as land ready for investment.

❑ Promoting Québec production and buying local

Buying local supports Québec businesses and entrepreneurs, contributes to the regions' economic development.

To continue efforts to promote buying local, the government is providing \$20 million over three years, mainly to:

- encourage the identification, promotion and online or local purchasing of Québec products and services;
- facilitate the adoption of best business logistics practices;
- reinforce supply chains throughout Québec.

❑ Maximizing the international potential of Québec's regions and partners

The government is banking on the international potential of Québec's regions and partners, particularly chambers of commerce, by supporting the international ambitions of business networks and enterprises.

These initiatives will make it possible, among other things, to consolidate a network structure for chambers of commerce and enhance cooperation efforts with regional components.

Budget 2022-2023 provides for an investment of \$3.9 million over three years to maximize the international potential of Québec's regions and partners.

❑ Securing propane supplies in Québec

Some industries, including the agricultural sector, require a sufficient propane supply to support their operations and profitability. Disruptions in the propane supply can therefore have a harmful effect on the economy and on public safety.

To secure propane supplies, the government is providing \$3 million to carry out a temporary propane reserve pilot project.

Establishing a secure propane reserve for the Québec market by increasing storage capacities during peak periods will allow Québec to handle possible propane supply disruptions.

3.2 Continuing to grow the bio-food sector

The bio-food sector generates substantial economic spinoffs and plays an essential role in Québec's food autonomy and regional development.

In Budget 2022-2023, the government is setting aside \$627 million over five years to continue to grow the bio-food sector with a view to:

- maintaining initiatives under the 2018-2025 bio-food policy;
- supporting initiatives to mitigate the labour shortage;
- enlarging the budget envelope for La Financière agricole du Québec's (FADQ) Growth Investment Program;
- increasing the capitalization of Capital Financière agricole by \$10 million.

TABLE E.16

Financial impact of measures to continue growing the bio-food sector (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Maintaining initiatives under the 2018-2025 bio-food policy ⁽¹⁾ | — | -133.0 | -202.0 | -227.0 | — | — | -562.0 |
| Supporting initiatives to mitigate the labour shortage ⁽²⁾ | — | -3.0 | -3.0 | -3.0 | -3.0 | -3.0 | -15.0 |
| Enlarging the budget envelope for La Financière agricole du Québec's Growth Investment Program ⁽³⁾ | — | -25.0 | -25.0 | — | — | — | -50.0 |
| Increasing the capitalization of Capital Financière agricole by \$10 million ⁽⁴⁾ | — | — | — | — | — | — | — |
| TOTAL | — | -161.0 | -230.0 | -230.0 | -3.0 | -3.0 | -627.0 |

(1) The appropriations will be granted to the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation.

(2) The appropriations will be granted to the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation. The amounts provided for 2022-2023 will be drawn from the Contingency Fund.

(3) The enlarged budget envelope of the Growth Investment Program will be funded from the FADQ surplus.

(4) This measure has no financial impact since it is an investment with expected return. The necessary amounts will be made available through an advance from the Minister of Finance to the FADQ.

3.2.1 Maintaining initiatives under the 2018-2025 bio-food policy

The 2018-2025 bio-food policy entitled “Alimenter notre monde” has two objectives:

- maintaining strong consumer confidence in foods and how they are produced and processed;
- developing a prosperous and sustainable bio-food industry.

The government is setting aside \$562 million over three years to maintain the initiatives under this policy until its end in 2024-2025.

This amount will make it possible to:

- finance projects to invest in food processing, food autonomy and agriculture;
- maintain support for fisheries and aquaculture;
- support research and innovation projects;
- support the development of markets and the bio-food sector.

3.2.2 Supporting initiatives to mitigate the labour shortage

The bio-food sector is beset by a labour shortage that has been intensified by the COVID-19 pandemic.

The government is setting aside \$15 million over five years to support initiatives to mitigate the labour shortage in the bio-food sector. The funds will primarily be used to:

- increase the visibility of jobs in the bio-food sector;
- enhance the continuing education efforts made by the Ministère de l’Agriculture, des Pêcheries et de l’Alimentation;
- encourage graduation from training that leads to jobs and professions that are a priority in the bio-food sector, for example, veterinary medicine, inspection and industrial slaughter.

3.2.3 Enlarging the budget envelope for La Financière agricole du Québec's Growth Investment Program

The FADQ's Growth Investment Program offers farmers a subsidy to support investments that improve productivity and are sustainable—whatever the stage in the life cycle of the business.

— Since its implementation in April 2020, the Growth Investment Program has seen heavy demand, financing over 5 000 projects.

To allow the FADQ to continue supporting businesses under this program, the government is setting aside \$50 million over two years to enhance the budget envelope.

3.2.4 Increasing the capitalization of Capital Financière agricole by \$10 million

Created in 2002, Capital Financière agricole is a strategic investment subsidiary of the FADQ that specializes in the growth of Québec agri-food businesses.

To encourage the growth of the agricultural and agri-food sectors, in Budget 2022-2023, the government is announcing an additional \$10 million in capitalization for Capital Financière agricole.

The additional capitalization will give it access to the capital needed to support more food processing projects and projects upstream of the primary sector and in the agricultural field.

3.3 Fostering the development of forestry and the protection of wildlife capital

The forest sector contributes to the vitality of many regions in Québec. The government wants to stimulate its development while ensuring the conservation and protection of Québec's wildlife capital.

To achieve this, the government is providing \$163.2 million over five years in Budget 2022-2023 with a view to:

- encouraging innovation in the forest industry;
- modernizing forestry operations;
- continuing the development of multi-use roads;
- supporting the harvest of timber from public forests affected by spruce budworm;
- ensuring the conservation and protection of wildlife capital;
- supporting Île d'Anticosti's candidacy as a UNESCO World Heritage site.

TABLE E.17

Financial impact of the measures to foster the development of forestry and the protection of wildlife capital
(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Encouraging innovation in the forest industry ⁽¹⁾ | — | -12.5 | -18.8 | -25.0 | -12.5 | -6.2 | -75.0 |
| Modernizing forestry operations ⁽¹⁾ | — | -5.0 | -5.0 | -5.0 | — | — | -15.0 |
| Continuing the development of multi-use roads ⁽¹⁾ | — | -20.0 | -25.0 | -5.0 | — | — | -50.0 |
| Supporting the harvest of timber from public forests affected by spruce budworm ⁽¹⁾ | — | -3.5 | -4.0 | -4.5 | — | — | -12.0 |
| Ensuring the conservation and protection of wildlife capital ⁽¹⁾ | — | -1.6 | -2.3 | -2.9 | — | — | -6.8 |
| Supporting Île d'Anticosti's candidacy as a UNESCO World Heritage site ⁽²⁾ | — | -0.6 | -0.8 | -1.0 | -1.0 | -1.0 | -4.4 |
| TOTAL | — | -43.2 | -55.9 | -43.4 | -13.5 | -7.2 | -163.2 |

Note: The amounts provided for 2022-2023 will be drawn from the Contingency Fund.

(1) The appropriations will be granted to the Ministère des Forêts, de la Faune et des Parcs.

(2) The appropriations will be granted to the Ministère de l'Environnement et de la Lutte contre les changements climatiques.

3.3.1 Encouraging innovation in the forest industry

The goal of the Programme Innovation Bois is to financially support innovative projects in all sectors of the forest products industry in order to help the sector compete and support regional development.

— So far, the program has supported nearly 220 projects, amounting to investments of over \$1 billion.

The government is providing an additional \$75 million to foster increased productivity in forestry companies through support for innovation as well as for processing and diversification projects.

3.3.2 Modernizing forestry operations

The competitiveness of Québec's forest industry depends on the capacity of its supply chain to optimize its operations to transport harvested timber to processing plants.

As this industry is especially important for the vitality of many regions facing labour shortages, the various steps in this chain must be improved and modernized to increase the productivity of businesses working in this sector.

The government is therefore providing \$15 million over three years to support the modernization of the forest industry's supply chain.

3.3.3 Continuing the development of multi-use roads

In public forests, forestry companies are regularly called on to build multi-use roads so they can carry out their timber harvesting activities and see to the sustainable development of the forests.

Multi-use roads are owned by the government and facilitate access to the territory for businesses and the public. The government's financial support helps ensure sustainable and transparent management of Québec's forests and land, in accordance with best practices.

To be able to count on a network of safe, multi-use roads, the government is providing \$50 million to continue its support for building these multi-use roads in public forests.

3.3.4 Supporting the harvest of timber from public forests affected by spruce budworm

For a number of years, spruce budworm has been causing widespread devastation in Québec's forests.

To limit the repercussions of the epidemic and avoid losing a large quantity of high-quality wood, in Budget 2022-2023, the government is providing \$12 million over three years to support timber harvesting in affected and at-risk regions.

3.3.5 Ensuring the conservation and protection of wildlife capital

To conserve and protect various animal species through the sustainable development of wildlife resources, it is crucial to be able to rely on conclusive data.

As such, the government is setting aside \$6.8 million over three years to contribute to the acquisition of knowledge and the expansion of oversight for the conservation of wildlife diversity.

3.3.6 Supporting Île d'Anticosti's candidacy as a UNESCO World Heritage site

Given that Île d'Anticosti is considered part of Québec's natural heritage, the government wants to set up a management board to support the municipality in carrying out the conservation and beautification projects that are essential to having the United Nations Educational, Scientific and Cultural Organization (UNESCO) put the site on the World Heritage List.

The Québec government is therefore setting aside \$4.4 million over five years to support Île d'Anticosti's candidacy as a UNESCO World Heritage site.

3.4 Preparing the tourism sector's recovery

Tourism is one of the sectors most deeply affected by the consequences of the COVID-19 pandemic. The government took rapid action to support and foster the recovery of this key sector for the economy of Québec's regions.

To pursue its efforts in the recovery of the tourism sector, in Budget 2022-2023, the government provides \$250 million over six years with a view to:

- providing additional support to the tourism industry and fostering its recovery;
- promoting Québec as a tourist destination and supporting tourism regions and their businesses;
- encouraging the practice of outdoor activities and recreation.

TABLE E.18

Financial impact of the measures to prepare the tourism sector's recovery (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Providing additional support to the tourism industry and fostering its recovery ⁽¹⁾ | -7.0 | -54.9 | -45.0 | -1.5 | — | — | -108.4 |
| Promoting Québec as a tourist destination and supporting tourism regions and their businesses | -17.0 | -34.7 | -28.3 | -27.0 | -6.0 | — | -113.0 |
| Encouraging the practice of outdoor activities and recreation | -6.0 | -5.2 | -5.5 | -6.1 | -2.7 | -3.1 | -28.6 |
| TOTAL | -30.0 | -94.8 | -78.8 | -34.6 | -8.7 | -3.1 | -250.0 |

(1) In addition to this amount, an investment of \$53.6 million is provided for in the 2022-2032 Québec Infrastructure Plan, bringing the total granted for the provision of additional support to the tourism industry and fostering its recovery to \$162 million.

3.4.1 Providing additional support to the tourism industry and fostering its recovery

The repercussions of the measures adopted over the last two years to curtail the spread of the virus will continue to affect certain aspects of the tourism economy for a while.

Beyond one-off measures to support the industry, the recovery of the tourism sector will depend largely on investments made by businesses in the sector.

To provide additional support to the tourism industry and foster its recovery, the government is providing \$108.4 million with a view to:

- further supporting the tourist accommodation sector;
- offering financial assistance adapted to the reality of tourism businesses;
- stimulating investment by tourism businesses to boost the recovery;
- preserving and increasing the capacity of hotel accommodations.

TABLE E.19

Financial impact of the measures to provide additional support to the tourism industry and foster its recovery (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Further supporting the tourist accommodation sector ⁽¹⁾ | -7.0 | — | — | — | — | — | -7.0 |
| Offering financial assistance adapted to the reality of tourism businesses ⁽²⁾ | — | -6.0 | — | — | — | — | -6.0 |
| Stimulating investment by tourism businesses to boost the recovery ^{(1),(3)} | — | -41.4 | -39.0 | — | — | — | -80.4 |
| Preserving and increasing the capacity of hotel accommodations ⁽²⁾ | — | -7.5 | -6.0 | -1.5 | — | — | -15.0 |
| TOTAL | -7.0 | -54.9 | -45.0 | -1.5 | — | — | -108.4 |

Note: The amounts provided for 2022-2023 will be drawn from the Contingency Fund.

(1) The appropriations will be granted to the Ministère du Tourisme.

(2) The appropriations will be granted to the Economic Development Fund.

(3) In addition to this amount, an investment of \$53.6 million is provided for in the 2022-2032 Québec Infrastructure Plan, bringing the total to stimulate investment by tourism businesses to \$134 million.

❑ Further supporting the tourist accommodation sector

The cancellation of trips to Québec by foreign tourists and the decline in travel between the regions have had a negative impact on occupancy rates in tourist establishments in some regions of Québec and, by extension, on their income.

To offset their loss of income, the government is providing \$7 million in 2021-2022 to renew the accommodation tax refund program, which expired on December 31, 2021.

The Minister of Tourism will announce details of the program at a later date.

❑ Offering financial assistance adapted to the reality of tourism businesses

Emergency support for the tourism sector under the Concerted Temporary Action Program for Businesses (PACTE-Tourisme) was rolled out at the beginning of the pandemic to help the tourism sector survive the crisis and support the recovery of its activities.

To continue to provide financial assistance adapted to the reality of tourism businesses, the government is providing \$6 million in 2022-2023 to fund the tourism portion of the PACTE.

— This amount will be used to offer businesses, under certain conditions, the option to convert a portion of the loans granted for energy expenses incurred into loan forgiveness.

The Minister of Tourism will announce the details of this initiative shortly.

❑ Stimulating investment by tourism businesses to boost the recovery

To foster the recovery of the tourism industry, in March 2021 the Minister of Tourism unveiled a tourism industry intervention framework committing to acting now for a transformed tomorrow.

The tourism industry recovery assistance program (PARIT) is one of its main pillars.

— This program offers businesses subsidies to carry out construction, expansion, development and infrastructure replacement projects and to roll out new tourism experiences.

The first call for projects, launched in September 2021, generated significant demand from tourism businesses.

To support more projects and rise to this demand, in Budget 2022-2023 the government is providing \$134 million to enhance PARIT's budget envelope, of which \$53.6 million are provided for in the 2022-2032 Québec Infrastructure Plan.

❑ Preserving and increasing the capacity of hotel accommodations

In June 2020, to prepare for the recovery of the tourism industry, the government created a new component of the Program Supporting the Development of Tourist Attractions (PADAT): the financing fund for hotel establishments.

— This fund grants loans to hotels to renovate their infrastructure and add accommodations units, conditions that are essential to the vitality and appeal of a tourist destination.

In Budget 2022-2023, the government is providing \$15 million to extend the financing fund for hotel establishments in order to preserve and increase the capacity of hotel accommodations.

— This amount will make a new investment envelope of \$50 million available through the financing fund for hotel establishments.

3.4.2 Promoting Québec as a tourist destination and supporting tourism regions and their businesses

Post-pandemic, measures will have to be taken to encourage local, national and foreign tourists to reconnect with Québec as a tourist destination or continue their explorations.

The government is therefore setting aside \$113 million to promote Québec as a tourist destination and support tourism regions and their businesses in order to:

- support the development of direct international air connections to Québec;
- accelerate passenger rail travel between Montréal and New York;
- offer support adapted to tourist regions and their businesses.

TABLE E.20

Financial impact of the measures to promote Québec as a tourist destination and support tourism regions and their businesses (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Supporting the development of direct international air connections to Québec ⁽¹⁾ | -10.0 | — | — | — | — | — | -10.0 |
| Accelerating passenger rail travel between Montréal and New York ⁽²⁾ | — | -0.7 | -0.3 | — | — | — | -1.0 |
| Offering support adapted to tourist regions and their businesses ⁽¹⁾ | -7.0 | -34.0 | -28.0 | -27.0 | -6.0 | — | -102.0 |
| TOTAL | -17.0 | -34.7 | -28.3 | -27.0 | -6.0 | — | -113.0 |

Note: The amounts provided for 2022-2023 will be drawn from the Contingency Fund.

(1) The appropriations will be granted to the Ministère du Tourisme.

(2) The appropriations will be granted to the Ministère des Transports.

❑ **Supporting the development of direct international air connections to Québec**

In recent years, international air transportation grew less quickly in Québec than in the rest of the Canadian market.

— Air connections, operators, flight frequency and travel time are factors that affect the competitiveness of the sector and the economic benefits of the destination.

To rectify the situation, the government is providing \$10 million in 2021-2022 to support the development of direct international air connections to Québec.

— Priority will be given to developing new air connections to and from, among others, Québec City and Montréal airports that offer solid growth potential.

❑ **Accelerating passenger rail travel between Montréal and New York**

The Adirondack train provides the only passenger rail connection between Montréal and New York. The journey, which takes about 10 hours, entails wait time of one to two hours to clear customs at the Canada-U.S. border.

Establishing U.S. pre-clearance and Canadian clearance services for rail passengers at Montréal's Central Station would reduce travel time between the two cities.

— This initiative would increase the appeal of rail travel and position Montréal strategically as a hub of passenger rail travel in eastern Canada.

To this end, the government is providing an investment of \$1 million to fund Québec's contribution to a feasibility study and to the plans and specifications for the project.

❑ **Offering support adapted to tourist regions and their businesses**

To foster support adapted to tourist regions and their businesses, the government is providing \$102 million over five years, in particular to:

- continue to support festivals and tourist events;
 - Festivals and tourist events are part of Québec's brand image and an important component of its tourism offering.
 - This initiative will improve the predictability of their funding and allow them to maintain their activities, as well as attract and retain workers.
- consolidate the expertise and intervention capacity of regional tourism associations;
 - As representatives of tourism stakeholders in their regions and privileged partners of the government, regional tourism associations play a key coordinating and catalyzing role.
- develop and structure the regional tourism offering through regional partnership agreements with regional tourism associations.
 - These agreements will reinforce the synergies among the regional economic players in relation to shared tourism development projects that are promising for the region.

3.4.3 Encouraging the practice of outdoor activities and recreation

Outdoor activities represent an important local and regional development tool, and Québec, as a tourist destination, offers numerous opportunities for outdoor activities and recreation.

To encourage greater participation in outdoor activities, the government is providing \$28.6 million with a view to:

- fostering conciliation between tourism and leisure activities and farm businesses;
- increasing the accessibility of fishing;
- investing in Société des établissements de plein air du Québec (Sépaq) establishments;
- strengthening the national parks system;
- enhancing and modernizing the regional parks experience.

TABLE E.21

Financial impact of the measures to encourage the practice of outdoor activities and recreation (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
| Fostering conciliation between tourism and leisure activities and farm businesses ⁽¹⁾ | — | -1.0 | -1.0 | -1.0 | -1.0 | -1.0 | -5.0 |
| Increasing the accessibility of fishing ⁽²⁾ | — | -4.0 | -4.0 | -4.0 | — | — | -12.0 |
| Investing in Sépaq establishments ^{(2),(3)} | — | -0.1 | -0.4 | -0.8 | -1.2 | -1.4 | -3.9 |
| Strengthening the national parks system ^{(2),(4)} | — | -0.1 | -0.1 | -0.3 | -0.5 | -0.7 | -1.7 |
| Enhancing and modernizing the regional parks experience ⁽⁵⁾ | -6.0 | — | — | — | — | — | -6.0 |
| TOTAL | -6.0 | -5.2 | -5.5 | -6.1 | -2.7 | -3.1 | -28.6 |

Note: The amounts provided for 2022-2023 will be drawn from the Contingency Fund.

(1) The appropriations will be granted to the Ministère des Transports.

(2) The appropriations will be granted to the Ministère des Forêts, de la Faune et des Parcs.

(3) Investments of \$36.1 million are provided for in the 2022-2032 Québec Infrastructure Plan.

(4) Investments of \$8 million are provided for in the 2022-2032 Québec Infrastructure Plan.

(5) The appropriations will be granted to the Ministère du Tourisme.

❑ Fostering conciliation between tourism and leisure activities and farm businesses

Activities that involve the use of off-road vehicles, such as snowmobiles and all-terrain vehicles, contribute to the economic vitality of the regions and represent an important component of Québec's tourism industry.

However, driving these vehicles over farmland can cause damage to equipment and facilities, and when the cost of this damage cannot be recovered from the insurance policies of off-road vehicle clubs and drivers, they have to be covered by the landowners.

To compensate the owners of farmland for damage caused by off-road vehicles, the government is providing a total of \$5 million over five years.

❑ Increasing the accessibility of fishing

In Québec, sport and recreational fishing is an important element of local tourism. Democratizing this activity can also stimulate the local economy.

In Budget 2022-2023, the government therefore sets aside \$12 million over three years to increase the accessibility of fishing.

❑ Investing in Sépaq establishments

Sépaq mainly operates and manages national parks, wildlife reserves and tourist establishments that contribute to the economy in all of Québec's regions.

The government is providing for an additional investment of \$36.1 million in Sépaq, primarily to replace aging accommodations units, maintain roads, develop camping areas and overhaul the wastewater treatment infrastructure.

Furthermore, to help attract and retain workers in some establishments far from urban centres, the staff housing offer will be enhanced to allow more employees to stay at their work location.

The financial impact of this investment will amount to \$3.9 million for the period from 2022-2023 to 2026-2027.

☐ Strengthening the national parks system

Québec's national parks offer a wide array of discovery activities that respect their biodiversity.

The government is providing for \$8 million in the 2022-2032 Québec Infrastructure Plan to strengthen the national parks system by restoring national environments, conducting studies, assessing development costs and building safe infrastructure.

The financial impact of this investment will amount to \$1.7 million for the period from 2022-2023 to 2026-2027.

☐ Enhancing and modernizing the regional parks experience

Due to the public health crisis, local tourism has soared in the last two years and generated significant traffic in places that offer outdoor activities.

To respond to the needs of this new clientele, the government is providing \$6 million in 2021-2022 to enhance and modernize the regional parks experience.

— These new funds will be used to develop reception facilities, attractions, activities and nature experiences for visitors.

4. SUPPORTING THE RECOVERY AND PROMOTING QUÉBEC'S CULTURE AND THE CULTURAL SECTOR

Since spring 2020, Québec's cultural life has slowed due to the COVID-19 pandemic. The cultural sector and its artisans have been hit hard by this crisis. As a result, the sector needs the government's support to ensure its successful recovery and promote its heritage.

The government is therefore providing \$257.9 million for initiatives aimed at:

- supporting the cultural sector to offset the effects of COVID-19;
- making the cultural sector shine;
- preserving and promoting our cultural heritage.

TABLE E.22

Financial impact of the measures to support the recovery and promote Québec's culture and the cultural sector (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Supporting the cultural sector to offset the effects of COVID-19 ⁽¹⁾ | — | -72.1 | — | — | — | — | -72.1 |
| Making the cultural sector shine | — | -75.5 | -41.0 | -39.5 | -0.7 | -0.7 | -157.4 |
| Preserving and promoting our cultural heritage | — | -11.5 | -8.7 | -8.2 | — | — | -28.4 |
| TOTAL | — | -159.1 | -49.7 | -47.7 | -0.7 | -0.7 | -257.9 |

(1) The appropriations will be granted to the Ministère de la Culture et des Communications. For 2022-2023, \$21.3 million will be drawn from the Contingency Fund.

4.1 **Supporting the cultural sector to offset the effects of COVID-19**

Québec's cultural sector has been greatly weakened by the pandemic. Despite the lifting of restrictions, the situation remains precarious for cultural sector businesses, organizations and artists.

The government is therefore providing \$72.1 million in 2022-2023 to extend certain measures that were introduced to support the cultural sector. The new amounts will be used to:

- extend support measures for performances of Québec shows;
- maintain audiovisual production capacity;
- increase assistance to organizations supported by the Ministère de la Culture et des Communications and contribute to the Fonds d'urgence pour les artistes et les travailleurs culturels des arts de la scène – Fondation des artistes;
- implement and support efforts to extend the reach of culture through promotion, creation, production and large-scale dissemination initiatives.

4.2 Making the cultural sector shine

As Québec begins to lift restrictions, the cultural sector is ready to get back into full swing. The government will therefore provide support to ensure its success, giving our culture a push to shine here and beyond our borders.

The government is setting aside an envelope of \$157.4 million for the cultural sector to:

- provide additional support to the most affected cultural sectors;
- encourage the public to choose Québec culture;
- make the tax credit for a first major cultural donation permanent;
- enrich the programs offered by the Conservatoire de musique et d'art dramatique du Québec.

TABLE E.23

Financial impact of the measures to make the cultural sector shine (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Providing additional support to the most affected cultural sectors ⁽¹⁾ | — | -65.0 | -35.8 | -35.8 | — | — | -136.6 |
| Choosing Québec culture ⁽¹⁾ | — | -9.5 | -3.5 | -2.0 | — | — | -15.0 |
| Making the tax credit for a first major cultural donation permanent | — | — | -0.7 | -0.7 | -0.7 | -0.7 | -2.8 |
| Enriching the programs offered by the Conservatoire de musique et d'art dramatique du Québec ⁽¹⁾ | — | -1.0 | -1.0 | -1.0 | — | — | -3.0 |
| TOTAL | — | -75.5 | -41.0 | -39.5 | -0.7 | -0.7 | -157.4 |

(1) The appropriations will be granted to the Ministère de la Culture et des Communications.

4.2.1 Providing additional support to the most affected cultural sectors

Some areas of the cultural sector have been hit particularly hard by the effects of health measures.

To support areas most affected by the pandemic as they resume their activities, the government is providing \$136.6 million over the next three years, including \$58.6 million for programs of the Société de développement des entreprises culturelles (SODEC) and \$78 million for financial assistance programs of the Conseil des arts et des lettres du Québec (CALQ).

These amounts will enable CALQ and SODEC to pay additional subsidies to businesses, organizations and artists through their various assistance programs, particularly in order to provide more support for the rising generation.

4.2.2 Choosing Québec culture

Quebecers' cultural habits have been greatly disrupted over the past two years, mainly due to the closure of cultural venues. Moreover, the advent of digital broadcast platforms in the past decade has brought about a major change in cultural consumption habits.

To encourage the public to choose Québec culture, in Budget 2022-2023 the government is setting aside \$15 million to:

- promote Québec culture;
- continue the digital shift at Télé-Québec.

TABLE E.24

Financial impact of the measures to choose Québec culture (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
| Promoting Québec culture | — | -7.5 | -1.5 | — | — | — | -9.0 |
| Continuing the digital shift at Télé-Québec | — | -2.0 | -2.0 | -2.0 | — | — | -6.0 |
| TOTAL | — | -9.5 | -3.5 | -2.0 | — | — | -15.0 |

Note: The appropriations will be granted to the Ministère de la Culture et des Communications. The amounts provided for 2022-2023 will be drawn from the Contingency Fund.

❑ **Promoting Québec culture**

The government is providing \$9 million in Budget 2022-2023 to encourage the public to choose Québec culture and resume their cultural consumption habits.

This funding will support the development of collective promotional initiatives for certain sectors that have been hit hard by the pandemic.

❑ **Continuing the digital shift at Télé-Québec**

As a public broadcaster, Télé-Québec has been contributing to the creation and dissemination of Québec culture for more than 50 years.

In recent years, Télé-Québec has diversified its platforms and broadcasting media to respond to changing consumption habits with respect to audiovisual products and reach a wider audience.

In Budget 2022-2023, the government is providing \$6 million to continue Télé-Québec's digital shift.

4.2.3 Making the tax credit for a first major cultural donation permanent

Since it was first established, the cultural sector has taken advantage of the tax credit for a first major cultural donation, encouraging patron donations to fund their organizations.

- This tax credit was introduced in July 2013 and was extended through December 31, 2022.
- An individual who makes a first cash donation of at least \$5 000 and up to \$25 000 to a cultural organization over the course of the year is eligible for a non-refundable tax credit of 25%. The tax credit, applicable to a single donation, can therefore reach up to \$6 250.¹

This measure benefits approximately 180 donors per year and has helped raise \$24 million in donations for cultural organizations since its inception.

To encourage sustained support for cultural funding, the government is announcing that the tax credit for a first major cultural donation will now be permanent. The measure will provide donor tax assistance totalling \$0.7 million per year beginning in 2023-2024.

¹ This tax credit is in addition to the Québec non-refundable tax credit for charitable donations. As an illustration, a first cultural donation of \$25 000 would represent a net cost of \$5 465 for a person with a high income because of tax credits for donations (Québec and federal) and the additional tax credit for a first major cultural donation.

4.2.4 Enriching the programs offered by the Conservatoire de musique et d'art dramatique du Québec

Since its founding, the Conservatoire de musique et d'art dramatique du Québec has been offering professional training and leading-edge programs for performers and creators in music and drama.

— It is also an important lever for promoting and propelling Québec art and artists, both nationally and internationally.

The government is providing \$3 million to enrich the programs offered by the Conservatoire de musique et d'art dramatique du Québec

4.3 Preserving and promoting our cultural heritage

The government is providing \$28.4 million to preserve and promote our rich cultural heritage, in particular by:

- enhancing the operational aid program for museums;
- supporting the municipal sector in protecting and managing its property assets;
- carrying out emergency interventions on heritage buildings;
- developing and implementing a government commemoration strategy;
- supporting the network of accredited private archival agencies.

TABLE E.25

Financial impact of the measures to preserve and promote our cultural heritage
(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
| Enhancing the operational aid program for museums | — | -1.5 | -2.0 | -2.5 | — | — | -6.0 |
| Supporting the municipal sector in protecting and managing its property assets | — | -6.5 | -2.5 | -1.5 | — | — | -10.5 |
| Carrying out emergency interventions on heritage buildings | — | -0.9 | -0.9 | -0.9 | — | — | -2.7 |
| Developing and implementing a government commemoration strategy | — | -1.6 | -2.3 | -2.3 | — | — | -6.2 |
| Supporting the network of accredited private archival agencies | — | -1.0 | -1.0 | -1.0 | — | — | -3.0 |
| TOTAL | — | -11.5 | -8.7 | -8.2 | — | — | -28.4 |

Note: The appropriations will be granted to the Ministère de la Culture et des Communications. The amounts provided for 2022-2023 will be drawn from the Contingency Fund.

4.3.1 Enhancing the operational aid program for museums

Museums play a key role in citizens' access to and participation in culture, while also serving to assert Québec's cultural identity and attract tourists to the regions.

In view of the growth in this sector, the government is announcing \$6 million over three years to support new museum institutions that will be eligible for the Aide au fonctionnement pour les institutions muséales program.

4.3.2 Supporting the municipal sector in protecting and managing its property assets

Regional county municipalities (RCMs) and cities have been given new responsibilities regarding protection and management of their heritage.

The government is providing \$10.5 million to help the municipal sector with its new responsibilities:

- \$4 million to support the municipal sector understanding, protecting, promoting and transmitting heritage property through agreements with municipalities concerning the appointment of heritage property development agents;
- \$6.5 million to enhance cultural development agreements with Québec City and Montréal to assist in developing their knowledge and management of their heritage property.

4.3.3 Carrying out emergency interventions on heritage buildings

The *Cultural Heritage Act* requires that owners of classified properties take the necessary steps to ensure the preservation of their heritage buildings.

In recent years, the government has had to undertake emergency work to save heritage buildings in situations where owners were not fulfilling their legal obligations and where a building's integrity and durability were at risk.

Used as a last resort, this approach requires rapid mobilization as well as adequate financial and professional resources on the part of the Ministère de la Culture et des Communications.

The government is providing \$2.7 million over three years to complete these types of urgent safeguarding projects.

4.3.4 Developing and implementing a government commemoration strategy

The people and events that have forged our identity and marked our history must be preserved in our collective memory.

To stimulate and promote the commemorative activities of the Québec government and those of organizations dedicated to collective remembrance, the government is providing \$6.2 million to develop and implement a government commemoration strategy.

Details of this strategy will be announced by the Minister of Culture and Communications.

4.3.5 Supporting the network of accredited private archival agencies

Accredited private archival agencies are partners of Bibliothèque et Archives nationales du Québec (BAnQ) in its mission to acquire, conserve and disseminate private archives.

These institutions, which preserve large portions of our collective memory, are no longer able to meet requirements under current funding levels, particularly regarding hiring qualified graduates and promoting heritage to the public.

To support BAnQ in its mission, the government is providing \$3 million over three years to increase the subsidy granted to the network of accredited private archival agencies.

FINANCIAL IMPACT

TABLE E.26

Financial impact of the measures to stimulate economic growth (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|----------|
| Increasing the productivity of Québec's economy | | | | | | | |
| Supporting innovation and research | | | | | | | |
| – Deploying the Québec Research and Innovation Strategy 2022-2027 | — | -280.0 | -280.0 | -280.0 | -230.0 | -230.0 | -1 300.0 |
| – Renewing the Québec Life Sciences Strategy | — | -20.0 | -45.0 | -45.0 | — | — | -110.0 |
| – Supporting the development of critical and strategic minerals and innovation in the mining sector | | | | | | | |
| ▪ Supporting the development of critical and strategic minerals | — | -5.0 | -5.0 | -5.0 | — | — | -15.0 |
| ▪ Supporting innovation in the Québec mining sector | — | -2.5 | -2.5 | -2.5 | — | — | -7.5 |

TABLE E.26

Financial impact of the measures to stimulate economic growth (cont.)
(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|-------|
| Increasing the productivity of Québec's economy (cont.) | | | | | | | |
| Supporting innovation and research (cont.) | | | | | | | |
| – Strengthening support for foundations and research bodies | | | | | | | |
| ▪ Celebrating the 100th anniversary of the birth of René Lévesque | — | -10.0 | — | — | — | — | -10.0 |
| ▪ Renewing funding for the Research Chair in Taxation and Public Finance of the Université de Sherbrooke | — | -0.9 | -0.9 | -1.0 | -1.1 | -1.2 | -5.1 |
| ▪ Continuing funding for the Centre de recherches mathématiques of the Université de Montréal | — | -1.5 | — | — | — | — | -1.5 |
| ▪ Developing the Carrefour international | -28.0 | — | — | — | — | — | -28.0 |
| ▪ Supporting the launch of HEC Montréal's Chaire de recherche Jacques-Parizeau | — | -0.4 | -0.4 | -0.4 | -0.4 | -0.4 | -2.0 |
| ▪ Enhancing the Institut de la statistique du Québec's research data access services | — | -0.5 | -1.0 | -1.0 | -1.0 | -1.0 | -4.5 |
| ▪ Continuing funding for HEC Montréal's Centre for Productivity and Prosperity – Walter J. Somers Foundation | — | -0.6 | -0.6 | -0.6 | -0.6 | — | -2.4 |

TABLE E.26

Financial impact of the measures to stimulate economic growth (cont.)
 (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|--------|
| Increasing the productivity of Québec's economy (cont.) | | | | | | | |
| Continuing the digital shift | | | | | | | |
| – Continuing the digital shift offensive | — | -30.0 | -30.0 | — | — | — | -60.0 |
| – Completing mobile coverage of inhabited areas and major roadways in Québec | — | -30.0 | -20.0 | — | — | — | -50.0 |
| – Accelerating the pace of the government's digital transformation | — | -25.0 | -25.0 | — | — | — | -50.0 |
| – Launching a new cybersecurity enhancement program | — | -30.0 | -70.0 | — | — | — | -100.0 |
| – Upgrading digital service offerings to ensure tax fairness | | | | | | | |
| ▪ Facilitating taxpayer compliance | — | -26.7 | -28.7 | -33.3 | -32.0 | -32.0 | -152.7 |
| ▪ Maintaining efforts regarding corporate transparency | — | -3.3 | -4.2 | -3.4 | -1.1 | -1.0 | -13.0 |
| ▪ Maintaining efforts in residential construction | — | -2.0 | -2.0 | -2.0 | -2.0 | -2.0 | -10.0 |
| ▪ Stepping up the fight against economic crime | — | -3.0 | -3.0 | -3.0 | -3.0 | -3.0 | -15.0 |

TABLE E.26

Financial impact of the measures to stimulate economic growth (cont.)
(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Increasing the productivity of Québec's economy (cont.) | | | | | | | |
| Stimulating investment in new technologies, entrepreneurship and exports | | | | | | | |
| – Accelerating the acquisition of new technologies by businesses | — | — | -21.5 | -71.6 | -48.7 | -13.9 | -155.7 |
| – Contributing to entrepreneurial dynamism | — | -17.5 | -20.0 | -20.0 | — | — | -57.5 |
| – Increasing exports and promoting Québec's assets | — | -3.2 | -3.9 | -3.9 | — | — | -11.0 |
| Subtotal | -28.0 | -492.1 | -563.7 | -472.7 | -319.9 | -284.5 | -2 160.9 |
| Strengthening the integration of immigrants into the workforce | | | | | | | |
| Increasing support to learn French | — | -12.9 | -31.4 | -40.0 | -50.8 | -63.2 | -198.3 |
| Fostering the attraction of immigrants to the regions | — | — | -14.0 | -18.0 | -22.0 | -26.0 | -80.0 |
| Expediting the processing of immigration applications | — | -2.3 | -2.3 | -2.4 | -2.4 | -2.5 | -11.9 |
| Subtotal | — | -15.2 | -47.7 | -60.4 | -75.2 | -91.7 | -290.2 |

TABLE E.26

Financial impact of the measures to stimulate economic growth (cont.)
 (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|--------|
| Supporting regional economic development | | | | | | | |
| Contributing to prosperity in the regions | | | | | | | |
| – Supporting regional air transportation | | | | | | | |
| ▪ Fostering the development of accessible regional air services | — | -34.0 | -50.0 | -50.0 | -50.0 | -50.0 | -234.0 |
| ▪ Extending emergency assistance for regional air transportation | — | -21.0 | — | — | — | — | -21.0 |
| – Investing in regional land transportation infrastructure | -15.0 | -62.7 | -36.5 | — | — | — | -114.2 |
| – Promoting economic vitality in the regions | | | | | | | |
| ▪ Accelerating economic development throughout Québec | — | -7.6 | -11.6 | -11.6 | -4.0 | -4.0 | -38.8 |
| ▪ Promoting Québec production and buying local | — | -5.0 | -7.5 | -7.5 | — | — | -20.0 |
| ▪ Maximizing the international potential of Québec's regions and partners | — | -1.3 | -1.3 | -1.3 | — | — | -3.9 |
| ▪ Securing propane supplies in Québec | — | -1.5 | -1.5 | — | — | — | -3.0 |

TABLE E.26

Financial impact of the measures to stimulate economic growth (cont.)
(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|--------|
| Supporting regional economic development (cont.) | | | | | | | |
| Continuing to grow the bio-food sector | | | | | | | |
| – Maintaining initiatives under the 2018-2025 bio-food policy | — | -133.0 | -202.0 | -227.0 | — | — | -562.0 |
| – Supporting initiatives to mitigate the labour shortage | — | -3.0 | -3.0 | -3.0 | -3.0 | -3.0 | -15.0 |
| – Enlarging the budget envelope for La Financière agricole du Québec's Growth Investment Program | — | -25.0 | -25.0 | — | — | — | -50.0 |
| – Increasing the capitalization of Capital Financière agricole by \$10 million | — | — | — | — | — | — | — |
| Fostering the development of forestry and the protection of wildlife capital | | | | | | | |
| – Encouraging innovation in the forest industry | — | -12.5 | -18.8 | -25.0 | -12.5 | -6.2 | -75.0 |
| – Modernizing forestry operations | — | -5.0 | -5.0 | -5.0 | — | — | -15.0 |
| – Continuing the development of multi-use roads | — | -20.0 | -25.0 | -5.0 | — | — | -50.0 |
| – Supporting the harvest of timber from public forests affected by spruce budworm | — | -3.5 | -4.0 | -4.5 | — | — | -12.0 |
| – Ensuring the conservation and protection of wildlife capital | — | -1.6 | -2.3 | -2.9 | — | — | -6.8 |
| – Supporting Île d'Anticosti's candidacy as a UNESCO World Heritage site | — | -0.6 | -0.8 | -1.0 | -1.0 | -1.0 | -4.4 |

TABLE E.26

Financial impact of the measures to stimulate economic growth (cont.)
(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|-------|
| Supporting regional economic development (cont.) | | | | | | | |
| Preparing the tourism sector's recovery | | | | | | | |
| – Providing additional support to the tourism industry and fostering its recovery | | | | | | | |
| ▪ Further supporting the tourist accommodation sector | -7.0 | — | — | — | — | — | -7.0 |
| ▪ Offering financial assistance adapted to the reality of tourism businesses | — | -6.0 | — | — | — | — | -6.0 |
| ▪ Stimulating investment by tourism businesses to boost the recovery | — | -41.4 | -39.0 | — | — | — | -80.4 |
| ▪ Preserving and increasing the capacity of hotel accommodations | — | -7.5 | -6.0 | -1.5 | — | — | -15.0 |
| – Promoting Québec as a tourist destination and supporting tourism regions and their businesses | | | | | | | |
| ▪ Supporting the development of direct international air connections to Québec | -10.0 | — | — | — | — | — | -10.0 |

TABLE E.26

Financial impact of the measures to stimulate economic growth (cont.)
(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Supporting regional economic development (cont.) | | | | | | | |
| Preparing the tourism sector's recovery (cont.) | | | | | | | |
| – Promoting Québec as a tourist destination and supporting tourism regions and their businesses (cont.) | | | | | | | |
| ▪ Accelerating passenger rail travel between Montréal and New York | — | -0.7 | -0.3 | — | — | — | -1.0 |
| ▪ Offering support adapted to tourist regions and their businesses | -7.0 | -34.0 | -28.0 | -27.0 | -6.0 | — | -102.0 |
| – Encouraging the practice of outdoor activities and recreation | | | | | | | |
| ▪ Fostering conciliation between tourism and leisure activities and farm businesses | — | -1.0 | -1.0 | -1.0 | -1.0 | -1.0 | -5.0 |
| ▪ Increasing the accessibility of fishing | — | -4.0 | -4.0 | -4.0 | — | — | -12.0 |
| ▪ Investing in Sépaq establishments | — | -0.1 | -0.4 | -0.8 | -1.2 | -1.4 | -3.9 |
| ▪ Strengthening the national parks system | — | -0.1 | -0.1 | -0.3 | -0.5 | -0.7 | -1.7 |
| ▪ Enhancing and modernizing the regional parks experience | -6.0 | — | — | — | — | — | -6.0 |
| Subtotal | -45.0 | -432.1 | -473.1 | -378.4 | -79.2 | -67.3 | -1 475.1 |

TABLE E.26

Financial impact of the measures to stimulate economic growth (cont.)
 (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|--------|
| Supporting the recovery and promoting Québec's culture and the cultural sector | | | | | | | |
| Supporting the cultural sector to offset the effects of COVID-19 | — | -72.1 | — | — | — | — | -72.1 |
| Making the cultural sector shine | | | | | | | |
| – Providing additional support to the most affected cultural sectors | — | -65.0 | -35.8 | -35.8 | — | — | -136.6 |
| – Choosing Québec culture | | | | | | | |
| ▪ Promoting Québec culture | — | -7.5 | -1.5 | — | — | — | -9.0 |
| ▪ Continuing the digital shift at Télé-Québec | — | -2.0 | -2.0 | -2.0 | — | — | -6.0 |
| – Making the tax credit for a first major cultural donation permanent | — | — | -0.7 | -0.7 | -0.7 | -0.7 | -2.8 |
| – Enriching the programs offered by the Conservatoire de musique et d'art dramatique du Québec | — | -1.0 | -1.0 | -1.0 | — | — | -3.0 |
| Preserving and promoting our cultural heritage | | | | | | | |
| – Enhancing the operational aid program for museums | — | -1.5 | -2.0 | -2.5 | — | — | -6.0 |

TABLE E.26

Financial impact of the measures to stimulate economic growth (cont.)
(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|-----------------|-----------------|---------------|---------------|---------------|-----------------|
| Supporting the recovery and promoting Québec's culture and the cultural sector (cont.) | | | | | | | |
| Preserving and promoting our cultural heritage (cont.) | | | | | | | |
| – Supporting the municipal sector in protecting and managing its property assets | — | -6.5 | -2.5 | -1.5 | — | — | -10.5 |
| – Carrying out emergency interventions on heritage buildings | — | -0.9 | -0.9 | -0.9 | — | — | -2.7 |
| – Developing and implementing a government commemoration strategy | — | -1.6 | -2.3 | -2.3 | — | — | -6.2 |
| – Supporting the network of accredited private archival agencies | — | -1.0 | -1.0 | -1.0 | — | — | -3.0 |
| Subtotal | — | -159.1 | -49.7 | -47.7 | -0.7 | -0.7 | -257.9 |
| TOTAL | -73.0 | -1 098.5 | -1 134.2 | -959.2 | -475.0 | -444.2 | -4 184.1 |

Section F

CONTINUING EFFORTS RELATING TO THE ENVIRONMENT

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SUMMARY

Protecting the environment is a priority for the government. The government is committed to increasing the mobilization of several departments and bodies to put forward measures to fight climate change, manage water or preserve natural and energy resources.

The government will continue to make the environment a priority. In this regard, it will soon unveil the 2022-2027 implementation plan for the 2030 Plan for a Green Economy. This new implementation plan will increase investments by \$1 billion compared to the current implementation plan.¹

With this additional funding, \$7.6 billion will be allocated to actions to reduce greenhouse gas (GHG) emissions and fight climate change.

In addition, in Budget 2022-2023, the government is providing \$356.6 million:

- \$60.9 million to support the reclamation of contaminated areas and land rehabilitation;
- \$152.4 million to stimulate the energy transition;
- \$143.3 million to support sustainable practices.

TABLE F.1

Financial impact of the measures to continue efforts relating to the environment
(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Updating the 2030 Plan for a Green Economy | — | — | — | — | — | — | — |
| Supporting the reclamation of contaminated areas and land rehabilitation | -3.4 | -18.6 | -22.6 | -12.3 | -2.0 | -2.0 | -60.9 |
| Stimulating the energy transition | — | -13.3 | -23.9 | -41.1 | -44.0 | -30.1 | -152.4 |
| Supporting sustainable practices | — | -31.3 | -37.5 | -33.1 | -23.7 | -17.7 | -143.3 |
| TOTAL | -3.4 | -63.2 | -84.0 | -86.5 | -69.7 | -49.8 | -356.6 |

¹ The financial framework of the 2022-2027 implementation plan will benefit from an additional \$1 billion over the current implementation plan, stemming from the additional revenue expected from the carbon market, in particular.

1. UPDATING THE 2030 PLAN FOR A GREEN ECONOMY

In November 2020, the Québec government unveiled its 2030 Plan for a Green Economy, which includes measures to reduce GHG emissions and guide Québec in its climate transition toward a resilient, low-carbon economy.

At the same time, it published the first implementation plan to present the various actions to adapt to and combat climate change to be introduced between 2021-2022 and 2025-2026.

The implementation plan is one of the main tools, along with the cap-and-trade system for greenhouse gas emission allowances (CAT system), that Québec has at its disposal to fight climate change.

— Revenues generated by the CAT system and budgetary appropriations are the main sources of revenue to finance the implementation plan.

Moreover, the government has established a mechanism to update the implementation plan each year in order to optimize actions and investments and thus promote the achievement of climate objectives, including those of reducing GHG emissions.

1.1 An additional \$1 billion for the 2022-2027 implementation plan

In the coming weeks, the government will introduce the 2022-2027 implementation plan, which will add \$1 billion to the financial framework compared to the current implementation plan, due in part to anticipated additional revenues from the CAT system.

— As a result, expenditures under the 2022-2027 implementation plan will total \$7.6 billion, compared to \$6.7 billion in the 2021-2026 implementation plan, for a difference of \$1 billion.

By increasing efforts to fight climate change, this enhanced plan will help accelerate Québec's transition to a low-carbon economy.

TABLE F.2

Comparison of planned expenditures for the 2021-2026 implementation plan and the 2022-2027 implementation plan
(millions of dollars)

| | Planned expenditures |
|-------------------------------|----------------------|
| 2021-2026 implementation plan | 6 654 |
| 2022-2027 implementation plan | 7 647 |
| DIFFERENCE | +993 |

Note: Totals may not add due to rounding.

❑ Significant investments to address climate change

The 2022-2027 implementation plan will rely on significant investments to fight climate change.

Of the \$7.6 billion in total expenditures, \$5.8 billion will be allocated to reducing GHG emissions, including:

- \$3.5 billion in the transportation sector;
- \$1.3 billion for the industrial sector;
- \$758 million for the building sector.

Moreover, just over \$1.4 billion will be invested in initiatives with other objectives than that of reducing GHG emissions, such as adapting to climate change.

TABLE F.3

Financial framework of the 2022-2027 implementation plan
(millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Reducing GHG emissions | | | | | | |
| – Transportation sector | -717.2 | -673.5 | -706.1 | -697.0 | -685.2 | -3 479.1 |
| – Industrial sector | -197.1 | -260.5 | -286.0 | -302.8 | -295.7 | -1 342.0 |
| – Building sector | -85.2 | -123.1 | -143.4 | -204.2 | -202.0 | -757.9 |
| – Other sectors | -43.1 | -43.8 | -39.3 | -44.7 | -50.3 | -221.2 |
| Subtotal: Reducing GHG emissions | -1 042.5 | -1 100.9 | -1 174.9 | -1 248.7 | -1 233.1 | -5 800.1 |
| Adaptation, innovation and other measures | -177.4 | -266.1 | -325.1 | -324.3 | -314.2 | -1 407.2 |
| Actions under the 2022-2027 implementation plan | -1 219.9 | -1 367.0 | -1 500.0 | -1 573.0 | -1 547.4 | -7 207.3 |
| Governance and expertise | -26.8 | -27.4 | -28.0 | -28.6 | -37.6 | -148.3 |
| Expenditures associated with remaining actions in the 2013-2020 Climate Change Action Plan | -167.3 | -105.2 | -16.4 | -2.0 | -0.3 | -291.2 |
| TOTAL | -1 414.0 | -1 499.5 | -1 544.4 | -1 603.6 | -1 585.3 | -7 646.8 |

Note: Information as at March 22, 2022.

1.2 Additional actions to combat climate change

The details of the various actions and their financial impacts will be presented in the 2022-2027 implementation plan, which will be released after the 2022-2023 budget.

This plan will present the measures or programs that will primarily be financed from the Electrification and Climate Change Fund, such as the Roulez vert program.

□ **Extension of the Roulez vert program**

The Roulez vert program provides rebates for the purchase of several types of electric vehicles, as well as for the purchase and installation of charging stations at home, at work and in multi-unit buildings.

The government plans to fund the program for the period 2022-2023 to 2026-2027 from the Electrification and Climate Change Fund.

■ **Revision of the maximum rebate according to the evolution of the market**

The government is announcing that the maximum rebate granted for the acquisition of electric vehicles under the Roulez vert program will be, as of April 1, 2022:

- \$7 000 for new fully electric vehicles;
- \$5 000 for new plug-in hybrid vehicles;
- \$3 500 for used fully electric vehicles.

This adjustment reflects the reduction in additional costs of electric vehicles on the market relative to comparable internal combustion models, while encouraging the acquisition of vehicles with greater electric range and GHG emission reduction potential.

For the period after fiscal year 2022-2023, details on the parameters of the electric vehicle rebates will be announced at a later date.

❑ **Supporting the implementation of climate plans in the cities of Montréal and Québec**

To support municipalities in the development and deployment of climate change plans, the government is providing additional funding for the city of Montréal's climate plan and for the city of Québec's climate plan. This funding, financed from the Electrification and Climate Change Fund, will come from the reallocation of the 2021-2026 implementation plan.

Similar measures benefiting other municipalities will also be announced at a later date.

■ **City of Montréal's climate plan**

As part of the 2022-2023 budget, \$117.2 million will be granted to the city of Montréal to finance concrete measures to fight climate change that will benefit citizens for the period 2022-2023 to 2024-2025. The funds provided will make it possible to:

- promote the carbon neutrality of the municipal building stock by replacing fossil fuels with renewable energy, and reduce GHG emissions;
- deploy 800 public charging stations to provide easy access to the infrastructure needed to operate electric vehicles;
- carry out green infrastructure projects, in particular, aimed at countering the issues of heat islands and heavy rainfall management.

■ **City of Québec's climate plan**

As part of the 2022-2023 budget, \$49 million will be granted for the city of Québec's climate plan to finance climate change and adaptation initiatives for the period 2022-2023 to 2024-2025. The funds provided will make it possible to:

- promote the decarbonization of the city of Québec's buildings and support the decarbonization of private sector buildings;
- accelerate the roll-out of the network of public charging stations through the installation of 95 stations;
- reduce the risks associated with heat islands and rainwater through the greening of priority areas and demineralization.

❑ **A balanced approach to free allowances for large industrial businesses**

The CAT system allows large industrial businesses that are exposed to international competition to receive free allowances for their GHG emissions.

- This mechanism allows businesses to remain competitive and thereby limits the relocation of industrial activities, which can lead to an increase in GHG emissions on a global scale.

In the coming weeks, the Québec government will publish, for public consultation, the planned rules for the free allocation of emission allowances for the period 2024-2030.

- The proposed approach will be consistent with Québec's climate objectives and help maintain the competitiveness of the industrial sector.

One of the key points of the approach will be to reduce the free allocation of emission allowances to large industrial businesses and to consign, on behalf of these businesses, a portion of the reduced allowances to finance their climate transition.

2. SUPPORTING THE RECLAMATION OF CONTAMINATED AREAS AND LAND REHABILITATION

The decontamination of certain environments and strategic lands addresses both environmental and socio-economic issues, which is why the government continues to act for the benefit of the population as well as future generations.

In this regard, the 2022-2023 budget is providing \$60.9 million for the reclamation and management of contaminated sites and the rehabilitation of sites with high economic development potential, that is:

- \$38.5 million for the implementation of the action plan for the management of asbestos and asbestos mining residues;
- \$22.4 million for the enhancement of the assistance for contaminated land rehabilitation.

TABLE F.4

Financial impact of the measures to support the reclamation and rehabilitation of contaminated land (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
| Implementing the action plan for the management of asbestos and asbestos mining residues | | | | | | | |
| Reclaiming asbestos mining residues ⁽¹⁾ | — | -4.5 | -4.5 | -4.5 | -2.0 | -2.0 | -17.5 |
| Restoring a former mining site ⁽²⁾ | — | -0.5 | -2.7 | -3.3 | — | — | -6.5 |
| Supporting and guiding partners ⁽³⁾ | — | -5.5 | -4.5 | -4.5 | — | — | -14.5 |
| Subtotal | — | -10.5 | -11.7 | -12.3 | -2.0 | -2.0 | -38.5 |
| Enhancing the assistance for contaminated land rehabilitation ⁽³⁾ | -3.4 | -8.1 | -10.9 | — | — | — | -22.4 |
| TOTAL | -3.4 | -18.6 | -22.6 | -12.3 | -2.0 | -2.0 | -60.9 |

(1) Appropriations will be granted to the Ministère de l'Économie et de l'Innovation. For 2022-2023, the amounts provided will be drawn from the Contingency Fund.

(2) Appropriations will be granted to the Ministère de l'Énergie et des Ressources naturelles. For 2022-2023, the amounts provided will be drawn from the Contingency Fund.

(3) Appropriations will be granted to the Ministère de l'Environnement et de la Lutte contre les changements climatiques. For 2022-2023, the amounts provided will be drawn from the Contingency Fund.

2.1 Implementing the action plan for the management of asbestos and asbestos mining residues

In July 2020, the Bureau d'audiences publiques sur l'environnement (BAPE) proposed various courses of action to the government in order to establish a coherent management framework for asbestos mining residues, since it has been scientifically demonstrated that asbestos is toxic.

In response to the various recommendations made by the BAPE, the government is providing \$38.5 million in the 2022-2023 budget to implement the 2022-2027 government action plan for the management of asbestos and asbestos mining residues.

- The action plan will address issues such as health and environmental risks, the need for regional economic development and the exploitation of strategic natural resources.

These funds will be used to finance measures that include:

- supporting the reclamation of asbestos mining residues and the rehabilitation of a former mining site selected following a request for proposals;
- addressing scientific gaps in asbestos management;
- providing a framework for reclamation projects involving asbestos mining residues and maintaining an ongoing dialogue with regional partners and businesses.

The details of this initiative will be announced soon.

2.2 Enhancing the assistance for contaminated land rehabilitation

Component 2 of the ClimatSol-Plus program aims to facilitate the decontamination of land with strong economic development potential, such as land within the urbanization perimeter.

By modifying current program standards and extending funding for the rehabilitation of both municipal and private land, the government will achieve economic as well as environmental objectives.

The government is therefore providing \$22.4 million over three years to decontaminate land with high economic development potential.

3. STIMULATING THE ENERGY TRANSITION

The government has undertaken a gradual transition aimed at giving greater priority to the use of various renewable energies.

In the coming years, green hydrogen and bioenergy, along with electricity, will play an increasing role in the decarbonization of Québec's economy.

With its diversified resources and highly competitive renewable electricity, Québec has the necessary assets to develop these sectors of the energy transition on its territory.

In this context, the government is providing \$152.4 million for its commitment to the energy transition, that is:

- \$100 million to implement the first green hydrogen and bioenergy strategy;
- \$52.4 million to redesign the tax credits for the production of biofuels and pyrolysis oil.

TABLE F.5

Financial impact of the measures to stimulate the energy transition (millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Implementing the first green hydrogen and bioenergy strategy ⁽¹⁾ | -13.3 | -23.9 | -31.4 | -31.4 | — | -100.0 |
| Redesigning the tax credits for the production of biofuels and pyrolysis oil | — | — | -9.7 | -12.6 | -30.1 | -52.4 |
| TOTAL | -13.3 | -23.9 | -41.1 | -44.0 | -30.1 | -152.4 |

(1) Appropriations will be granted to the Ministère de l'Énergie et des Ressources naturelles. For 2022-2023, the amounts provided will be drawn from the Contingency Fund.

3.1 Implementing the first green hydrogen and bioenergy strategy

In complementarity to electricity, green hydrogen and bioenergy will contribute to the achievement of Québec's GHG emission reduction targets, as well as to its energy self-sufficiency and economic growth.

The government will soon announce the first Québec green hydrogen and bioenergy strategy, which will set out the adopted vision and the actions to be taken over the next few years to promote these two clean energy sectors and position Québec in this rapidly emerging field worldwide.

To ensure the implementation of this innovative strategy, the government is providing an additional \$100 million over four years, in particular to support the construction of infrastructure for the production and distribution of bioenergy and green hydrogen.

These amounts are on top of the additional \$52.4 million provided to redesign the tax credits for the production of biofuels and pyrolysis oil.

With these new initiatives, combined with the funding already provided for in the government's financial framework and the Electrification and Climate Change Fund (ECCF), this strategy will benefit from a financial framework of over \$1 billion by 2025-2026.

The Minister of Energy and Natural Resources will unveil the details of this strategy, which will be an integral part of Québec's Energy Transition, Innovation and Efficiency Master Plan.

3.2 Redesigning the tax credits for the production of biofuels and pyrolysis oil

For several years, the Québec government has supported the production and use of liquid biofuels, in particular through:

- financial support and regulatory amendments, such as the regulation requiring a minimum volume of renewable fuel in gasoline and diesel fuel, in effect since December 2021;
- tax assistance measures, namely the tax credits for the production of ethanol, cellulosic ethanol, biodiesel fuel and pyrolysis oil.

Since these tax assistance measures expire on March 31, 2023, the government is announcing, as part of the Québec green hydrogen and bioenergy strategy:

- a new tax credit for the production of biofuels;
- a new tax credit for the production of pyrolysis oil.

This tax credit redesign is based on an approach to economic development and energy transition that is:

- more favourable to the production of liquid biofuels in Québec in order to achieve the government's objectives of increasing bioenergy production by 50% and decreasing the use of petroleum products by 40% by 2030;
- more ambitious in terms of GHG emissions reduction, so as to ensure that the use of biofuels contributes to achieving the target of reducing GHG emissions by 37.5% below 1990 levels by 2030;
- more committed to transforming and modernizing the forestry sector in order to make use of residual forest biomass and replace heavy fuel oil in existing industrial equipment.

The new tax credits will be in effect from April 1, 2023, to March 31, 2033.

The financial impact of the redesign of the tax credits for the production of biofuels and pyrolysis oil is \$52.4 million over five years.

□ Terms and conditions of the tax credits for the production of biofuels and pyrolysis oil in Québec

The government will renew its support for the production and use of biofuels and pyrolysis oil in Québec. In this context, the terms and conditions of the two new tax credits provide for:

- the broadening of eligibility for tax assistance to all liquid biofuels² produced and used in Québec to support the development of a competitive industry;
- increased assistance for low-carbon-intensity³ fuels, to support the most promising biofuel technologies in terms of GHG emission reduction;
- the extension of the assistance for 10 years to guarantee businesses in the biofuel sector predictability for their investments.

² Liquid biofuels that can be mixed with gasoline or diesel fuel.

³ Carbon intensity is an indicator that measures GHG emissions throughout the life cycle of a fuel, from production to use.

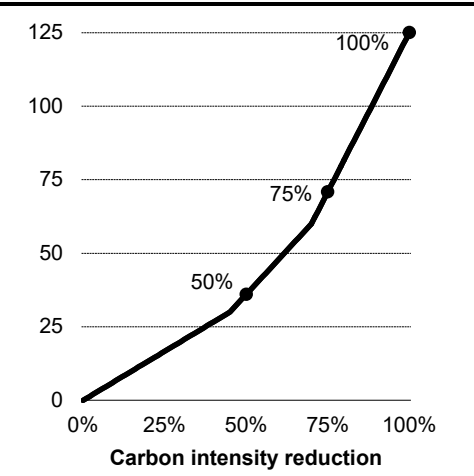
The parameters of the new tax credits also provide that:

- the assistance granted⁴ for each litre of qualifying biofuel or pyrolysis oil will be calculated based on the carbon intensity reduction of that biofuel or pyrolysis oil as compared to the fossil fuel it replaces;
- the annual production cap will be equivalent to 300 million litres.

CHART F.1

Amount of assistance granted per tonne of GHG⁽¹⁾

(dollars per tonne of CO₂-equivalent avoided)

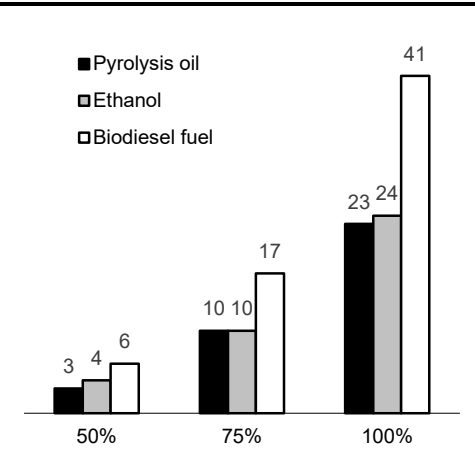


(1) Assistance is granted according to the percentage reduction of the biofuel's or pyrolysis oil's carbon intensity compared to the fossil fuel it replaces.

CHART F.2

Illustration of assistance granted⁽¹⁾

(cents per litre)



(1) This illustration is based on typical cases using the GHGenius 4.03c software's reference values for carbon intensity and high heating value. The assistance granted is presented before any government and non-government assistance.

⁴ As currently provided for in the tax law, the tax credits for the production of biofuels and pyrolysis oil will be reduced by all government and non-government assistance. For more details, see *Additional Information* from the 2022–2023 budget.

4. SUPPORTING SUSTAINABLE PRACTICES

Sustainable practices are at the core of the government's action since they aim, in particular, to make agricultural activities sustainable, to preserve air quality and, more generally, to optimize environmental and economic resources. Therefore, in the 2022-2023 budget, the government is providing \$143.3 million to support sustainable practices, that is:

- \$29.0 million to enhance the 2020-2030 Sustainable Agriculture Plan;
- \$5.8 million to support farmers in littoral zones;
- \$27.7 million to reduce air and noise pollution;
- \$52.8 million to improve waste water management;
- \$10.0 million to continue improving Québec's resilience to disasters;
- \$18.0 million to promote eco-design and the reduction of residual materials.

TABLE F.6

Financial impact of the measures to support sustainable practices (millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| Enhancing the Sustainable Agriculture Plan ⁽¹⁾ | -6.0 | -6.0 | -6.0 | -6.0 | -5.0 | -29.0 |
| Supporting farmers in littoral zones ⁽²⁾ | -0.6 | -1.3 | -1.3 | -1.3 | -1.3 | -5.8 |
| Reducing air and noise pollution ⁽²⁾ | -5.0 | -7.2 | -6.8 | -5.0 | -3.7 | -27.7 |
| Improving waste water management | -9.7 | -12.0 | -12.0 | -11.4 | -7.7 | -52.8 |
| Continuing to improve Québec's resilience to disasters ⁽³⁾ | -5.0 | -5.0 | — | — | — | -10.0 |
| Promoting eco-design and the reduction of residual materials ⁽¹⁾ | -5.0 | -6.0 | -7.0 | — | — | -18.0 |
| TOTAL | -31.3 | -37.5 | -33.1 | -23.7 | -17.7 | -143.3 |

(1) Appropriations will be granted to the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation. For 2022-2023, the amounts provided for will be drawn from the Contingency Fund.

(2) Appropriations will be granted to the Ministère de l'Environnement et de la Lutte contre les changements climatiques. For 2022-2023, the amounts provided for will be drawn from the Contingency Fund.

(3) Appropriations will be granted to the Ministère de la Sécurité publique. For 2022-2023, the amounts provided for will be drawn from the Contingency Fund.

4.1 Enhancing the Sustainable Agriculture Plan

The 2020-2030 Sustainable Agriculture Plan provides for a reward system for good practices, which grants financial assistance to farmers who use sustainable agri-environmental practices.

In particular, the government wishes to support agricultural producers who use good practices by financially compensating those who use various measures intended for soil conservation and the preservation of water quality or the establishment of cover crops.

The Sustainable Agriculture Plan will therefore be increased by \$29 million over five years to recognize and reward good agricultural practices.

4.2 Supporting farmers in littoral zones

The government wants to increase the predictability of the flood-prone areas, shoreline and coastal management transition regime by mapping shoreline areas.

As a result, \$5.8 million over five years is being provided to help increase farmers' knowledge about the shoreline and comply with current standards.

☐ **Supporting the multidisciplinary centre of expertise for the sustainable management of the Lac Saint-Pierre shoreline**

The work carried out by the multidisciplinary centre of expertise for the sustainable management of the Lac Saint-Pierre shoreline (centre of expertise) will help inform the government's reflections on improving the legal and regulatory framework for agriculture in littoral zones.

The government therefore wishes to increase the financial assistance granted to the centre of expertise by \$1 million over two years in order to enhance Québec's knowledge of agriculture in littoral zones.⁵

⁵ This assistance will be funded from the appropriations granted to ensure the continuation of initiatives under the 2018-2025 bio-food policy.

4.3 Reducing air and noise pollution

Businesses and municipalities have a role to play with respect to air and noise pollution issues. In order to support them, the government will set up an assistance program to reduce air and noise pollution.

The government will support the economic partners, including municipalities and businesses, in order to reduce the levels of air contamination coming from industrial sources, ensure the attainment of the standards in effect and reward the excellence of emitters who want to go beyond those standards.

- A program will be set up to support the attainment of air quality standards, in particular for nickel, and should address the current issues related to its mining, storage and transshipment.
- The program will also make it possible to financially support projects for mitigating noise produced by human activities in order to create a more favourable sound environment.

A total of \$27.7 million over five years is provided to roll out, across the territory, a program to reduce air and noise pollution.

4.4 Improving waste water management

The government wants to improve the effectiveness of waste water treatment in order to better protect the environment and public health. Therefore, \$52.8 million has been set aside to improve waste water management, thus preserving the quality of Québec's watercourses.

TABLE F.7

Financial impact of the measures to improve waste water management (millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|--------------|
| Renewing the tax credit for the upgrading of residential waste water treatment systems | -6.4 | -8.3 | -7.9 | -7.7 | -7.7 | -38.0 |
| Optimizing municipal waste water management ⁽¹⁾ | -0.4 | -0.4 | -0.4 | -0.4 | — | -1.6 |
| Promoting the training of the next generation of workers in water management trades ⁽²⁾ | -2.9 | -3.3 | -3.7 | -3.3 | — | -13.2 |
| TOTAL | -9.7 | -12.0 | -12.0 | -11.4 | -7.7 | -52.8 |

(1) Appropriations will be granted to the Ministère de l'Environnement et de la Lutte contre les changements climatiques. For 2022-2023, the amounts provided for will be drawn from the Contingency Fund.

(2) Appropriations will be granted to the Ministère du Travail, de l'Emploi et de la Solidarité sociale. For 2022-2023, the amounts provided for will be drawn from the Contingency Fund.

☐ Renewing the tax credit for the upgrading of residential waste water treatment systems

In the 2017-2018 budget, the government introduced the tax credit for the upgrading of residential waste water treatment systems to encourage homeowners to bring their septic systems up to standard.

This tax credit, which expires on April 1, 2022, provides refundable tax assistance of 20% of eligible expenses in excess of \$2 500. The maximum assistance is \$5 500.

From 2017 to 2022, the tax credit will have benefited approximately 16 000 households. It is estimated that an additional 16 000 households would be incentivized to undertake such upgrades if the tax credit were extended.

To encourage more homeowners to upgrade their septic systems and improve the quality of our waterways, the government is announcing the extension of the tax credit for the upgrading of residential waste water treatment systems for a period of five years.

The extension of this tax credit represents a government investment of \$38 million over five years.

❑ Optimizing municipal waste water management

Municipalities must be able to adequately characterize their waste water and identify certain contaminants, such as pharmaceuticals, pesticides or metals, and thereby obtain municipal sanitation certificates establishing, in particular, discharge and overflow standards.

The government will support the Centre d'expertise en analyse environnementale du Québec, which has unique expertise in this area, making it possible, in particular, to characterize over 300 contaminants in municipal waste water discharges.

Assistance of \$1.6 million over four years will be provided for this purpose.

❑ Promoting the training of the next generation of workers in water management trades

A significant portion of the certified workers in the waste and water treatment operator trade are expected to retire in the short and medium term.

However, a shortage of workers in this occupation in the short term could lead to service disruptions in some water treatment facilities, thereby putting access to drinking water at risk in many municipalities.

In order to prevent this situation, the government is providing \$13.2 million over four years to create a new component to the short-term training program (COUD) for internships in priority professions offered by the Commission des partenaires du marché du travail, which will be exclusively for this profession.

In addition, eligibility for this new component of the COUD will be extended to municipalities, as they employ over 40% of the workers in this occupation.

4.5 Continuing to improve Québec’s resilience to disasters

Recent decades have seen an increase in the frequency, intensity and variety of disasters that have a significant impact on the environment and living environments.

The regional departments of civil protection and fire safety provide daily support to municipalities in their activities related to disaster prevention, response and recovery.

As a result, the 2022-2023 budget provides \$10 million over two years to complement the actions outlined in the protection plan against floods and to continue supporting municipalities.

Protection plan against floods

On April 3, 2020, the government launched the protection plan against floods – *Sustainable solutions to better protect our living environments*. This plan, with investments totalling nearly \$495 million, is at the heart of the government’s action to ensure the safety of people and the protection of property in flood-prone areas. The implementation of the plan is ongoing. In this regard, it is worth mentioning:

- the adoption, in March 2021, of legislative amendments that allow for the establishment of a new management regime for flood-prone areas, lakes and waterways and that give the government and municipalities the necessary powers to better govern land use planning.
- the implementation of the 10 regional project offices in charge of planning and development of flood-prone areas in priority watersheds.

Watersheds and territories covered by the project offices

Saint-Laurent Centre watershed
(Lac Saint-Pierre)

Saint-Laurent Est watershed
(Capitale-Nationale)

Saint-Laurent Ouest watershed (Montréal)

Rivière Chaudière

Ottawa River

West Ottawa River

Rivière L'Assomption

Rivière Richelieu and Rivière Yamaska

Rivière Saint-François

Rivière Saguenay

4.6 Promoting eco-design and the reduction of residual materials

The government is currently modernizing the management of residual materials by optimizing the selective collection and deposit systems. The new requirements for the treatment and reduction of residual materials at the source, such as the development of eco-design for packaging, will affect businesses, organizations and research centres.

To this end, assistance of \$18 million over three years will be provided on a transitional basis until the modernization of the selective collection and deposit systems comes into effect in 2025.

Modernization of the selective collection and deposit systems

At the beginning of 2020, the government announced the modernization of the selective collection and deposit systems in order to promote the circularity of the residual materials resulting from the selective collection and deposit systems, by reintroducing them in a production system, thereby reducing their environmental impact.

- Following the unanimous adoption of Bill 65 – *An Act to amend mainly the Environment Quality Act with respect to deposits and selective collection* in March 2021, another step was taken at the beginning of 2022 with the publication, for consultation purposes, of the proposed regulations operationalizing these ambitious reforms based on a greater producer accountability (GPA) approach.

When fully implemented, the modernization of the deposit and selective collection systems will help the government reach the objectives it set out in the 2019-2024 Action Plan of the Québec Residual Materials Management Policy, including reducing the quantity of residual materials eliminated each year as well as recycling 75% of paper, glass, plastic and metal.

Furthermore, the GPA approach, which encourages producers to eco-design their products in order to make it easier to recycle them, will be a strong stimulus for the development of local outlets and reduce Québec's dependence on export markets.

FINANCIAL IMPACT

TABLE F.8

Financial impact of the measures to continue efforts relating to the environment (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Updating the 2030 Plan for a Green Economy | — | — | — | — | — | — | — |
| Supporting the reclamation of contaminated areas and land rehabilitation | | | | | | | |
| Implementing the action plan for the management of asbestos and asbestos mining residues | | | | | | | |
| – Reclaiming asbestos mining residues | — | -4.5 | -4.5 | -4.5 | -2.0 | -2.0 | -17.5 |
| – Restoring a former mining site | — | -0.5 | -2.7 | -3.3 | — | — | -6.5 |
| – Supporting and guiding partners | — | -5.5 | -4.5 | -4.5 | — | — | -14.5 |
| Enhancing the assistance for contaminated land rehabilitation | -3.4 | -8.1 | -10.9 | — | — | — | -22.4 |
| Subtotal | -3.4 | -18.6 | -22.6 | -12.3 | -2.0 | -2.0 | -60.9 |
| Stimulating the energy transition | | | | | | | |
| Implementing the first green hydrogen and bioenergy strategy | — | -13.3 | -23.9 | -31.4 | -31.4 | — | -100.0 |
| Redesigning the tax credits for the production of biofuels and pyrolysis oil | — | — | — | -9.7 | -12.6 | -30.1 | -52.4 |
| Subtotal | — | -13.3 | -23.9 | -41.1 | -44.0 | -30.1 | -152.4 |

TABLE F.8

Financial impact of the measures to continue efforts relating to the environment (cont.)
(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Supporting sustainable practices | | | | | | | |
| Enhancing the Sustainable Agriculture Plan | — | -6.0 | -6.0 | -6.0 | -6.0 | -5.0 | -29.0 |
| Supporting farmers in littoral zones | — | -0.6 | -1.3 | -1.3 | -1.3 | -1.3 | -5.8 |
| Reducing air and noise pollution | — | -5.0 | -7.2 | -6.8 | -5.0 | -3.7 | -27.7 |
| Improving waste water management | | | | | | | |
| – Renewing the tax credit for the upgrading of residential waste water treatment systems | — | -6.4 | -8.3 | -7.9 | -7.7 | -7.7 | -38.0 |
| – Optimizing municipal waste water management | — | -0.4 | -0.4 | -0.4 | -0.4 | — | -1.6 |
| – Promoting the training of the next generation of workers in water management trades | — | -2.9 | -3.3 | -3.7 | -3.3 | — | -13.2 |
| Continuing to improve Québec's resilience to disasters | — | -5.0 | -5.0 | — | — | — | -10.0 |
| Promoting eco design and the reduction of residual materials | — | -5.0 | -6.0 | -7.0 | — | — | -18.0 |
| Subtotal | — | -31.3 | -37.5 | -33.1 | -23.7 | -17.7 | -143.3 |
| TOTAL | -3.4 | -63.2 | -84.0 | -86.5 | -69.7 | -49.8 | -356.6 |

Section G

STRENGTHENING COMMUNITY ACTION AND SUPPORTING COMMUNITIES

| | |
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SUMMARY

The government is committed to the well-being of all Quebecers. In recent years, several measures have been put in place to meet the needs and priorities of Quebecers.

In this regard, community organizations represent a large driver of action with the public, given their capacity to reach the most vulnerable clientele, such as women who are victims of violence and people with special needs.

Community organizations offer services that complement and enhance those offered by the public network. It is therefore crucial for the government to do more to recognize the contributions of these organizations and give them the means to strengthen their actions to help more Quebecers.

In Budget 2022-2023, the government is providing \$2.2 billion to strengthen community action and implement measures for communities, which will:

- offer an unprecedented increase in financial support to certain organizations working in the community sector;
- meet the needs of certain communities, in particular by implementing various measures and government strategies.

TABLE G.1

Financial impact of the measures to strengthen community action and support communities (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Strengthening community action ⁽¹⁾ | — | -148.9 | -181.7 | -218.7 | -256.6 | -269.0 | -1 074.9 |
| Supporting communities | -96.5 | -331.6 | -159.8 | -170.7 | -184.5 | -181.5 | -1 124.6 |
| TOTAL | -96.5 | -480.5 | -341.5 | -389.4 | -441.1 | -450.5 | -2 199.5 |

(1) Of this amount, \$377.2 million will be drawn from the appropriation envelope set aside for the Ministère de la Santé et des Services sociaux.

1. STRENGTHENING COMMUNITY ACTION

Community organizations work with the public to offer services that are essential to help maintain Québec's social safety net.

- They take concrete steps every day, in particular to break the isolation of certain clientele, help vulnerable people and offer a variety of services to the public.

In Budget 2022-2023, the government wants to recognize the major role played by community organizations and give them more extensive means to carry on and strengthen their actions.

To do so, it is making an unprecedented investment of nearly \$1.1 billion to support the implementation of the new 2022-2027 government action plan in the community action field.¹

- Of this amount, \$888.1 million will enhance and expand support for the overall mission of community organizations. Ultimately, this enhancement will allow for a nearly 30% increase in total funding available for overall mission support over the 2020-2021 level.
- In addition, \$186.8 million will be invested to strengthen community action through specific measures.

TABLE G.2

Financial impact of the 2022-2027 government action plan in the community action field (millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|-----------------|
| Enhancing and expanding support for the overall mission of community organizations | -117.2 | -142.1 | -174.8 | -220.1 | -233.9 | -888.1 |
| Strengthening community action through specific measures | -31.7 | -39.6 | -43.9 | -36.5 | -35.1 | -186.8 |
| TOTAL | -148.9 | -181.7 | -218.7 | -256.6 | -269.0 | -1 074.9 |

Note: The appropriations will be granted to the government departments responsible for implementing the measures. The amounts earmarked for 2022-2023 will be drawn from the Contingency Fund.

With these investments, the government is taking an important and concrete step to support the community sector. Together, these investments will provide the community sector with approximately \$1.8 billion in government funding in 2022-2023.²

¹ Details of the measures in the action plan will be unveiled later by the Minister of Labour, Employment and Social Solidarity.

² For more details, see the box "Substantial investment in the community sector" in the subsection "Strengthening community action through specific measures."

Significant growth in support for community action in the last three years

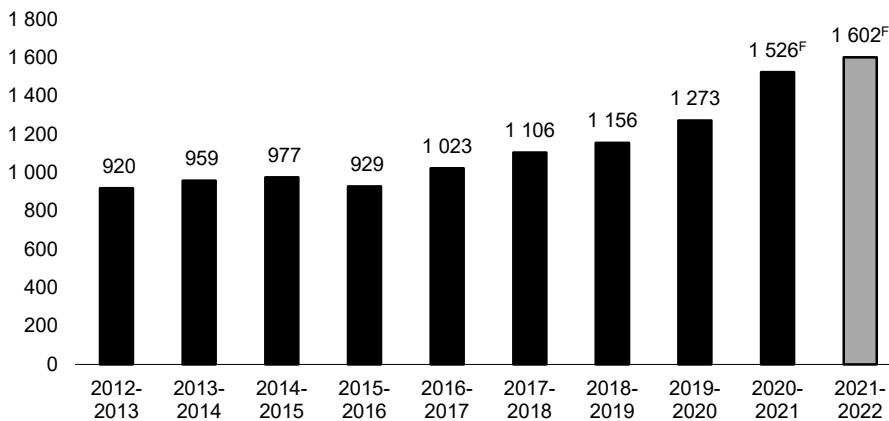
In recent years, the government has invested heavily to promote the essential actions put in place by the community sector. Government support for community organizations amounted to \$1.6 billion in 2021-2022.

- Over the past three years, the government has increased its annual investment in this sector by \$446 million. These amounts increased from \$1.2 billion in 2018-2019 to \$1.6 billion in 2021-2022, or 36% growth over the period excluding emergency assistance.

All of these investments, along with the funding in Budget 2022-2023, will provide the community sector with approximately \$1.8 billion in government funding in 2022-2023.

Evolution of government financial support for community action – 2012-2013 to 2021-2022

(millions of dollars)



F: Forecast.

Note: These amounts include COVID-19 emergency assistance corresponding to \$60.0 million for 2020-2021 and \$25.6 million for 2021-2022.

Community action: A cornerstone of Québec's social safety net

Community organizations are not-for-profit groups that originate in the community. Their action is based on values of equity, solidarity and autonomy.

They are central to the social and economic vitality of Québec because they are the result of citizen involvement in meeting the needs expressed by communities.

In Québec, more than 5 000 community organizations are financially supported by the government. They work in a variety of fields, including:

- support for families and young people, for example, for educational success;
- assistance for victims of sexual assault;
- assistance for seniors;
- mental health assistance;
- recreation and sport;
- housing assistance;
- assistance for people living with a disability;
- advocacy.

The organizations also play a decisive role as employers, as well as in integrating and maintaining employment for certain people outside the labour market or who are more vulnerable.

During the pandemic, the community sector was very much in demand and the work of these organizations made it possible for many people to get the assistance they needed, including:

- support and accommodations for women who are victims of domestic violence;
- psychological support;
- food security.

Three types of government funding

Government funding for community organizations is divided into three categories:

- financial support for the overall mission, supporting the organization's operations and helping the organization accomplish its main mission;
- funding through agreements, where organizations provide specific services, whether short or long term;
- funding for one-time or short-term projects. This type of funding may apply to organizations that are not eligible for overall mission support or service agreements. It is often granted following a call for projects.

1.1 Enhancing and expanding support for the overall mission of community organizations

Funding to support the overall mission is granted primarily to support the organization’s operations and assist the organization in pursuing its main activities.

— This government funding helps cover the cost of the organizations’ operations, such as salaries, capital expenditures and telecommunications costs.

In total, the new action plan provides an additional \$888.1 million for the overall mission of community organizations, for an increase of almost 30% ultimately. These funds will ensure the prioritizing of this type of funding for community organizations. Of this amount:

— \$834.2 million will increase funding for existing organizations;

— \$53.9 million will fund new organizations.

TABLE G.3

Financial impact of the measures to enhance and expand support for the overall mission of community organizations
(millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Increasing funding to existing organizations | -112.1 | -134.1 | -163.3 | -206.1 | -218.6 | -834.2 |
| Funding new organizations | -5.1 | -8.0 | -11.5 | -14.0 | -15.3 | -53.9 |
| TOTAL | -117.2 | -142.1 | -174.8 | -220.1 | -233.9 | -888.1 |

❑ Increasing funding to existing organizations

The government wants community organizations to be able to strengthen their actions. To this end, Budget 2022-2023 provides for an unprecedented enhancement in the support offered for their overall mission, which will give them the means to improve their services and strengthen their actions by hiring staff and improving working conditions.

This enhancement is one of the key measures in the new 2022-2027 government action plan in the community action field. It will consolidate the action of community organizations by making it easier for them to attract and retain the workforce required to achieve their mandate.

- The enhancement is an additional investment of \$112.1 million in 2022-2023 for funding in support of the overall mission.³
- Funding to support the overall mission will increase over the next several years, to \$218.6 million in 2026-2027.

❑ Funding new organizations

People's needs are changing and becoming more diverse. In response to these needs, Budget 2022-2023 provides an amount of \$53.9 million over five years to expand support for community organizations.

This investment, in addition to the enhancement in support of the overall mission, will:

- support new organizations in various sectors;⁴
- support the overall mission of multisector organizations⁵ by creating a new component for the financial support program for government policy directions on community action and volunteering.

³ The Ministère du Travail, de l'Emploi et de la Solidarité sociale estimates that nearly \$800 million was distributed in 2020-2021 to support the overall mission of community organizations.

⁴ These sectors include advocacy, immigration and English-speaking youth organizations.

⁵ These are organizations with missions that do not align entirely with the mission of a specific government department but, rather, with that of several government departments.

Support for different community sectors

The 2022-2027 government action plan in the community action field targets a variety of clientele. The enhanced overall mission support will benefit nine government departments working in various areas. The total includes:

- \$197.5 million for the support program for community organizations, managed by the health and social services sector;
- \$181.9 million for community organizations that combat sexual and domestic violence,¹ such as shelters for women who are victims of violence;
- \$25.0 million to increase funding for community housing resources for youth in difficulty;
- \$9.8 million to support English-speaking communities, in particular by enhancing current programs and supporting new community organizations;¹
- \$7.0 million to support organizations with the mission to promote gender equality;¹
- \$466.9 million for many organizations in other sectors, such as organizations that assist families, promote education or work in recreation and sports.

Financial impact of the amounts to enhance support for the overall mission of community organizations in some sectors (millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Support program for community organizations ⁽¹⁾ | -37.1 | -40.1 | -40.1 | -40.1 | -40.1 | -197.5 |
| Combatting sexual and domestic violence ⁽²⁾ | -18.8 | -32.9 | -38.9 | -42.8 | -48.5 | -181.9 |
| Community housing resources for youth in difficulty | -5.0 | -5.0 | -5.0 | -5.0 | -5.0 | -25.0 |
| Support for English-speaking communities | -0.5 | -1.1 | -2.0 | -2.9 | -3.3 | -9.8 |
| Gender equality | -1.1 | -1.2 | -1.4 | -1.6 | -1.7 | -7.0 |
| Other sectors ⁽³⁾ | -54.7 | -61.8 | -87.4 | -127.7 | -135.3 | -466.9 |
| TOTAL | -117.2 | -142.1 | -174.8 | -220.1 | -233.9 | -888.1 |

(1) These amounts do not include those to combat domestic violence and improve community housing for youth in difficulty.

(2) Of this amount, \$172.9 million over five years will come from the Ministère de la Santé et des Services sociaux support program for community organizations.

(3) Amounts for other sectors include \$117.4 million for organizations assisting families, \$85.8 million for organizations promoting education and \$68.4 million for organizations working in recreation and sports.

1 For more details, see subsection 2, "Supporting communities."

1.2 Strengthening community action through specific measures

In addition to enhancing support for the overall mission of community organizations, the budget provides \$186.8 million for specific actions:

- \$65.0 million to facilitate the socio-professional integration of youth aged 16 to 35 by increasing funding for youth employment centres;
- \$5.0 million to make the services provided by Francophone community action organizations available to English-speaking Quebecers;⁶
- \$1.5 million to encourage volunteering among youth attending school.⁷

The total investment also includes \$115.3 million for measures to allow for other specific actions, such as developing and sharing best community action practices or offering training adapted to the needs of community organizations.

These actions will promote community mobilization, in particular by encouraging volunteering and involvement in various organizations, as well as improving the accessibility of services.

TABLE G.4

Financial impact of the amounts for specific measures to strengthen community action (millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| Supporting the local harmonization of youth employment centres | -13.0 | -13.0 | -13.0 | -13.0 | -13.0 | -65.0 |
| Making the services provided by Francophone community organizations available to English-speaking Quebecers | -1.0 | -1.0 | -1.0 | -1.0 | -1.0 | -5.0 |
| Encouraging volunteering among youth attending school | -0.3 | -0.3 | -0.3 | -0.3 | -0.3 | -1.5 |
| Other specific actions | -17.4 | -25.3 | -29.6 | -22.2 | -20.8 | -115.3 |
| TOTAL | -31.7 | -39.6 | -43.9 | -36.5 | -35.1 | -186.8 |

⁶ For more details, see subsection 2.4, "Supporting English-speaking communities."

⁷ For more details, see subsection 2.2.3, "Supporting young people."

Substantial investment in the community sector

In Budget 2022-2023, the government continues its support for the community sector. Taking into consideration all amounts provided through the government action plan in the community action field and the other measures to increase support for the community sector, it is investing an additional \$1.2 billion over five years:

- \$1 074.9 million for the 2022-2027 government action plan for the community action field;¹
- \$125.0 million to ensure the sustainability of Appui pour les proches aidants;²
- \$14.4 million to extend assistance to seniors with regard to their lease;³
- \$14.7 million to support English-speaking communities;⁴
- \$10.0 million to enhance the volunteer support program.³

Financial impact of the amounts for the community sector

(millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|-----------------|
| Government action plan in the community action field | -148.9 | -181.7 | -218.7 | -256.6 | -269.0 | -1 074.9 |
| Ensuring the sustainability of Appui pour les proches aidants | -25.0 | -25.0 | -25.0 | -25.0 | -25.0 | -125.0 |
| Extending assistance to seniors with regard to their lease | -2.8 | -2.8 | -2.9 | -2.9 | -3.0 | -14.4 |
| Supporting English-speaking communities | -0.5 | -5.9 | -5.9 | -2.4 | — | -14.7 |
| Enhancing the volunteer support program | -10.0 | — | — | — | — | -10.0 |
| TOTAL | -187.2 | -215.4 | -252.5 | -286.9 | -297.0 | -1 239.0 |

Together, these investments will provide the community sector with approximately \$1.8 billion in government funding in 2022-2023.

1 For more details, see page G.5.

2 For more details, see Section C, "Restoring the Health Care System."

3 For more details, see subsection 2.7, "Targeted initiatives to benefit the community."

4 For more details, see subsection 2.4, "Supporting English-speaking communities."

2. SUPPORTING COMMUNITIES

The government wants to provide additional support to communities with specific needs, such as vulnerable people, women and families.

To this end, an additional \$1.1 billion is being provided to enhance support for various communities:

- \$169.8 million to promote gender equality and counter sexual and domestic violence, in particular through the implementation of two government strategies;
- \$108.9 million to improve assistance and services for families and youth;
- \$285.0 million to continue support for Indigenous communities;
- \$14.7 million to support English-speaking communities;
- \$83.5 million to improve access to the justice system and protect vulnerable people;
- \$385.7 million to maintain passenger transportation and supply services for communities;
- \$77.0 million to implement targeted initiatives to benefit the community.

When combined with funding announced elsewhere in this budget, including for the implementation of the new 2022-2027 government action plan in the community action field, investments to support communities total over \$1.5 billion.

TABLE G.5

Financial impact of the measures to support communities
(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Promoting gender equality and countering sexual and domestic violence ⁽¹⁾ | — | -18.0 | -29.5 | -39.5 | -41.6 | -41.2 | -169.8 |
| Improving assistance and services for families and youth ⁽²⁾ | — | -16.2 | -26.0 | -25.7 | -20.3 | -20.7 | -108.9 |
| Continuing to support Indigenous communities | — | -34.7 | -45.7 | -55.5 | -71.6 | -77.5 | -285.0 |
| Supporting English-speaking communities ⁽³⁾ | — | -0.5 | -5.9 | -5.9 | -2.4 | — | -14.7 |
| Improving access to the justice system and protecting vulnerable people | — | -15.0 | -19.1 | -18.5 | -15.5 | -15.4 | -83.5 |
| Maintaining passenger transportation and supply services for communities | -96.5 | -225.8 | -18.6 | -10.1 | -20.6 | -14.1 | -385.7 |
| Implementing targeted initiatives to benefit the community | — | -21.4 | -15.0 | -15.5 | -12.5 | -12.6 | -77.0 |
| TOTAL | -96.5 | -331.6 | -159.8 | -170.7 | -184.5 | -181.5 | -1 124.6 |

Note: The amounts earmarked for 2022-2023 will be drawn from the Contingency Fund.

- (1) Considering the amount of \$263 million already announced elsewhere in this budget, including those related to the implementation of the 2022-2027 government action plan in the community action field, total funding to promote gender equality and counter sexual and domestic violence stands at \$432.8 million over five years.
- (2) Considering the amount of \$146.9 million already recorded elsewhere in this budget, including those related to the implementation of the 2022-2027 government action plan in the community action field, total funding to improve assistance and services for families and youth stands at \$255.8 million over five years.
- (3) Considering the amount of \$14.8 million already recorded under the 2022-2027 government action plan in the community action field, total funding to support English-speaking communities stands at \$29.5 million over five years.

\$1.5 billion in investments to support communities

When combined with funding announced elsewhere in this budget, including for the implementation of the government's new 2022-2027 government action plan in the community action field, investments to support communities total more than \$1.5 billion over five years.

This total amount includes, among others:

- \$432.8 million to promote gender equality and counter sexual and domestic violence;
- \$255.8 million to improve assistance and services for families and youth;
- \$29.5 million to support English-speaking communities.

Investments to support communities (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Promoting gender equality and countering sexual and domestic violence | — | -38.7 | -82.5 | -98.6 | -104.7 | -108.3 | -432.8 |
| Improving assistance and services for families and youth | — | -33.0 | -44.7 | -47.7 | -64.4 | -66.0 | -255.8 |
| Continuing to support Indigenous communities | — | -34.7 | -45.7 | -55.5 | -71.6 | -77.5 | -285.0 |
| Supporting English-speaking communities | — | -2.0 | -8.0 | -8.9 | -6.3 | -4.3 | -29.5 |
| Improving access to the justice system and protecting vulnerable people | — | -15.0 | -19.1 | -18.5 | -15.5 | -15.4 | -83.5 |
| Maintaining passenger transportation and supply services for communities | -96.5 | -225.8 | -18.6 | -10.1 | -20.6 | -14.1 | -385.7 |
| Implementing targeted initiatives to benefit the community | — | -21.4 | -15.0 | -15.5 | -12.5 | -12.6 | -77.0 |
| TOTAL | -96.5 | -370.6 | -233.6 | -254.8 | -295.6 | -298.2 | -1 549.3 |

2.1 Promoting gender equality and countering sexual and domestic violence

Gender equality is a prime concern for Quebecers. Although many actions have been implemented in recent years, there is still work to be done for society to be completely egalitarian and for women to be valued at their full potential.

Furthermore, the femicides committed in Québec and reports of sexual violence underscore the importance of continuing to combat violence against women so they can feel safe.

To this end, the government is taking new action, announcing an additional investment of \$432.8 million over five years, including:

- \$324.9 million to combat sexual and domestic violence;
- \$100.1 million to take action on gender equality;
- \$7.8 million to consolidate the actions of the Secrétariat à la condition féminine.

The financial impact of these measures is \$169.8 million, given the amounts announced elsewhere in this budget, including those related to the implementation of the 2022-2027 government action plan in the community action field.

This is in addition to the \$626 million announced since 2019 to counter sexual and domestic violence. With the announcements in this budget, \$951 million will have been provided by the government since 2019.

TABLE G.6

Financial impact of the measures to promote gender equality and counter sexual and domestic violence (millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| Combatting sexual and domestic violence ⁽¹⁾ | -15.4 | -22.9 | -30.7 | -32.2 | -31.7 | -132.9 |
| Taking action on gender equality ⁽²⁾ | -1.6 | -5.0 | -7.2 | -7.7 | -7.6 | -29.1 |
| Consolidating the actions of the Secrétariat à la condition féminine ⁽³⁾ | -1.0 | -1.6 | -1.6 | -1.7 | -1.9 | -7.8 |
| TOTAL | -18.0 | -29.5 | -39.5 | -41.6 | -41.2 | -169.8 |

(1) Considering the amount of \$181.9 million already recorded under the 2022-2027 government action plan in the community action field and the amount of \$10.1 million for Société d'habitation du Québec programs for women who are victims of domestic violence, the total is \$324.9 million.

(2) Considering the amount of \$7 million already recorded under the 2022-2027 government action plan in the community action field and the amount of \$64 million already recorded for the student financial assistance envelope to reduce the debt of students with a child, the total is \$100.1 million.

(3) The appropriations will be granted to the Ministère de l'Éducation.

2.1.1 Combatting sexual and domestic violence

Over the last year, the government has dedicated significant amounts and taken concrete action to combat sexual and domestic violence.

To continue this work, Budget 2022-2023 provides for an investment of \$324.9 million over five years to implement the government's strategy to prevent and counteract sexual and domestic violence and rebuild trust,⁸ particularly through funding for:

- shelters and other community organizations such as those that help victims and spouses who engage in violent behaviour;
- the justice system, in particular, by adding police and prosecutorial staff at the office of the Director of Criminal and Penal Prosecutions;
- other measures, including adding 100 units for women who are victims of domestic violence to the Emergency Rent Supplement Program.⁹

TABLE G.7

Financing of the integrated government strategy to prevent and counteract sexual and domestic violence and rebuild trust (millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| Supporting shelters and other community organizations | -18.8 | -32.9 | -38.9 | -42.8 | -48.5 | -181.9 |
| Rebuilding trust in the justice system through police and prosecutorial staff | -10.7 | -14.6 | -18.5 | -18.5 | -18.8 | -81.1 |
| Other initiatives | -5.5 | -11.2 | -15.0 | -16.4 | -13.8 | -61.9 |
| TOTAL | -35.0 | -58.7 | -72.4 | -77.7 | -81.1 | -324.9 |

⁸ Details of the measures in the integrated government strategy to prevent and counteract sexual and domestic violence and rebuild trust will be announced in the coming year by the Deputy Premier and Minister of Public Security and by the Minister responsible for the Status of Women.

⁹ For more details on this measure, see Section B, "Coping with the Rising Cost of Living."

❑ **Substantial support for shelters and other community organizations**

The integrated government strategy to prevent and counteract sexual and domestic violence and rebuild trust will provide \$181.9 million over five years to community organizations:

- \$90.1 million to continue to support first-stage emergency shelters and services for women who leave their homes and who have pressing needs;
- \$48.2 million to support services in second-stage shelters under development in order to provide more support to women in their transition to independent living;
- \$16.0 million to increase funding for organizations combatting sexual violence, including the 48 sexual assault help centres (CALACS), so they can have additional resources to achieve their mission;
- \$18.6 million to increase funding for organizations that help men who engage in violent behaviour, to allow these organizations to meet the growing need for this type of support;
- \$9.0 million to continue to deploy the fingerprint – working together against sexual assault program, a sexual violence prevention program for high-school students, their parents and school staff, in order to prevent this type of violence.

These amounts will be provided under the 2022-2027 government action plan in the community action field.

TABLE G.8

Measures to support shelters for women who are victims of domestic violence and other community organizations
(millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Continuing to support first-stage emergency shelters | -11.7 | -15.9 | -18.7 | -20.5 | -23.3 | -90.1 |
| Ensuring services in second-stage shelters under development | -4.0 | -8.3 | -10.4 | -11.7 | -13.8 | -48.2 |
| Increasing funding for sexual assault help centres (CALACS) | — | -4.0 | -4.0 | -4.0 | -4.0 | -16.0 |
| Increasing the funding of organizations to help men with violent behaviour | -2.5 | -3.0 | -3.8 | -4.3 | -5.0 | -18.6 |
| Continuing to deploy the fingerprint – working together against sexual assault program | -0.6 | -1.7 | -2.0 | -2.3 | -2.4 | -9.0 |
| TOTAL | -18.8 | -32.9 | -38.9 | -42.8 | -48.5 | -181.9 |

❑ Rebuilding trust in the justice system

Special attention will be paid to supporting victims in the justice system and to police dedicated to this task in order to rebuild victims' trust in the justice system.¹⁰

Accordingly, under the integrated government strategy to prevent and counteract sexual and domestic violence and rebuild trust, \$81.1 million is being provided to fund initiatives that will have a direct effect on support for victims, including:

- \$36.5 million for the Ministère de la Justice to allow the Director of Criminal and Penal Prosecutions to assign staff, in particular prosecutors, to cases involving sexual violence;
- \$15.2 million for the Ministère de la Justice to offer better support within the judicial system to victims;
- \$29.4 million for the Ministère de la Sécurité publique to, among other things, increase the number of police officers dedicated to sexual and domestic violence.¹¹

TABLE G.9

Measures to rebuild trust in the justice system

(millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|--------------|
| Assigning Director of Criminal and Penal Prosecutions staff to sexual violence cases ⁽¹⁾ | -6.2 | -7.5 | -7.5 | -7.6 | -7.7 | -36.5 |
| Offering better legal support to victims ⁽¹⁾ | -1.0 | -0.6 | -4.5 | -4.5 | -4.6 | -15.2 |
| Increasing police resources to counter sexual and domestic violence and implementing other public safety measures ⁽²⁾ | -3.5 | -6.5 | -6.5 | -6.4 | -6.5 | -29.4 |
| TOTAL | -10.7 | -14.6 | -18.5 | -18.5 | -18.8 | -81.1 |

(1) The appropriations will be granted to the Ministère de la Justice.

(2) The appropriations will be granted to the Ministère de la Sécurité publique.

¹⁰ The report of the Expert Committee for the Support of Victims of Sexual Assault and Domestic Violence, Rebuilding Trust, was tabled in December 2020 and is available on the website of the Secrétariat à la condition féminine, at www.scf.gouv.qc.ca.

¹¹ This amount will also be used to support Indigenous police force initiatives to assist victims of sexual violence and to monitor aggressors at every stage of the continuum of intervention.

❑ Other initiatives to combat violence

Budget 2022-2023 also provides funding of \$61.9 million for the implementation of other initiatives as part of the integrated government strategy to prevent and counteract sexual and domestic violence and rebuild trust. Of this amount:

- \$26.8 million will be used to implement initiatives of the Secrétariat à la condition féminine to address violence;
- \$25.0 million will support the renewal of the Intervention Strategy for Preventing and Countering Sexual Violence in Higher Education;
- \$6.0 million will enhance funding to the Shelter Enhancement Program;¹²
- \$4.1 million will allow for the addition of 100 units for abused women to the Emergency Rent Supplement Program.¹³

TABLE G.10

Other initiatives to combat violence (millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|--------------|
| Initiatives of the Secrétariat à la condition féminine to combat violence ⁽¹⁾ | -1.7 | -3.8 | -5.7 | -6.7 | -8.9 | -26.8 |
| Intervention Strategy for Preventing and Countering Sexual Violence in Higher Education ⁽²⁾ | -3.0 | -4.5 | -6.5 | -7.0 | -4.0 | -25.0 |
| Increasing the financing of the Shelter Enhancement Program | -0.2 | -2.0 | -2.0 | -1.8 | — | -6.0 |
| Adding 100 units to the Emergency Rent Supplement Program | -0.6 | -0.9 | -0.8 | -0.9 | -0.9 | -4.1 |
| TOTAL | -5.5 | -11.2 | -15.0 | -16.4 | -13.8 | -61.9 |

(1) The appropriations will be granted to the Ministère de l'Éducation.

(2) The appropriations will be granted to the Ministère de l'Enseignement supérieur.

¹² See Section B, "Coping with the Rising Cost of Living."

¹³ See Section B, "Coping with the Rising Cost of Living."

Nearly \$951 million to combat sexual and domestic violence since 2019

Previously announced amounts totalling \$626 million

Since 2019, the government has announced \$626 million to combat sexual and domestic violence.

In Budget 2019-2020, the government announced \$52 million over five years:

- \$2.0 million for shelter improvements for women and young people aged 28 and under fleeing domestic violence;
- \$50.0 million to better support victims of sexual violence in the justice system.

In 2020, the government announced nearly \$233 million, or:

- \$50.0 million announced in Budget 2020-2021 to increase support for victims of sexual assault for counselling and psychological assistance;
- \$2.5 million announced in March 2020 to assist shelters and organizations supporting women who are victims of domestic violence;
- \$180.0 million for the implementation of the 2020-2025 specific action plan to prevent high-risk domestic violence and increase victim safety, announced in December 2020.

In 2021, the government announced more than \$341 million:

- \$22.5 million announced in Budget 2021-2022 for services for victims of domestic violence;
- \$11.2 million announced in Budget 2021-2022 for the extension of the Government Strategy to Prevent and Counteract Sexual Violence, as well as step up efforts to detect and combat sexual crimes;
- \$222.9 million announced in April 2021 for preventing domestic violence and femicide;
- \$37.6 million announced in the fall 2021 *Update on Québec's Economic and Financial Situation* for setting up a court specializing in sexual and domestic violence and for the construction of two second-stage shelters;
- \$47.1 million announced in December 2021 for the introduction of tracking bracelets to better prevent crimes in the context of domestic violence and to fund projects from Indigenous partners and organizations.

New investments bring total to nearly \$951 million

With the new investments announced in this budget to combat sexual and domestic violence totalling nearly \$325 million, the government will have announced \$951 million in funding since 2019.

2.1.2 Taking action on gender equality

The Secrétariat à la condition féminine will table the Government Strategy for Gender Equality 2022-2027 this year.

This new strategy will make it possible to continue the implementation of initiatives that are primarily intended to:

- promote egalitarian relationships and counter gender stereotypes and sexism;
- foster the economic prosperity and autonomy of women;
- reduce inequalities for women experiencing multiple types of discrimination;
- improve work-family-study balance.

In this respect, Budget 2022-2023 provides for an investment of \$100.1 million over five years to ensure the implementation of the Government Strategy for Gender Equality 2022-2027,¹⁴ including:

- \$64.0 million to reduce the debt of students with a child;¹⁵
- \$7.0 million to enhance assistance for community organizations that work to promote gender equality;
- \$29.1 million to fund other initiatives provided for in this government strategy.

TABLE G.11

Funding of the Government Strategy for Gender Equality 2022-2027 (millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Reducing the debt of students with a child | — | -16.0 | -16.0 | -16.0 | -16.0 | -64.0 |
| Enhancing assistance for community organizations ⁽¹⁾ | -1.1 | -1.2 | -1.4 | -1.6 | -1.7 | -7.0 |
| Other initiatives included in the Government Strategy for Gender Equality 2022-2027 ⁽²⁾ | -1.6 | -5.0 | -7.2 | -7.7 | -7.6 | -29.1 |
| TOTAL | -2.7 | -22.2 | -24.6 | -25.3 | -25.3 | -100.1 |

(1) This investment of \$7 million will be recorded under the government action plan in the community action field.

(2) Appropriations of \$28.2 million will be allocated to the Ministère de l'Éducation and an amount of \$0.9 million will be allocated to the Ministère de l'Enseignement supérieur.

¹⁴ Details of the strategy measures will be announced during the year by the Minister responsible for the Status of Women.

¹⁵ See Section D, "Investing in Education and Higher Education."

2.1.3 Consolidating the actions of the Secrétariat à la condition féminine

The mission of the Secrétariat à la condition féminine is to promote the social, civic, economic and professional contribution of women to Québec's development and to promote women's rights and effective gender equality.

To ensure that the Secrétariat has more resources to fulfil its mission, Budget 2022-2023 is providing \$7.8 million over five years.

| Gender-based analysis |
|--|
| <p>Gender-based analysis is an approach that, applied to the projects of decision-making bodies,¹ takes into account the differentiated needs and realities of women and men and their diversity to prevent the creation or reproduction of inequalities and to promote the achievement of de facto gender equality.</p> <p>By focusing on the separate benefits and impact of projects on women and men, gender-based analysis helps ensure that government measures fairly address the needs of both genders.</p> <p>The Secrétariat à la condition féminine is the body responsible for supporting the departments and bodies in applying this analysis approach to projects with a strategic effect on gender equality.</p> |

1 The decision-making bodies' projects to which gender-based analysis can be applied include bills or regulations, programs, action plans, policies and strategies.

2.2 Improving assistance and services for families and youth

Families and young people are the future of Québec. The government therefore considers it important to provide adequate support, particularly to promote the development of young people from childhood to self-sufficiency.

In this regard, to improve assistance and services for families and youth, the government is announcing funding totalling \$255.8 million in Budget 2022-2023:

- \$52.7 million to improve the quality of the educational childcare services network;
- \$168.7 million to provide support to families with special needs and improve services;
- \$34.4 million to support young people.

The financial impact of these measures is \$108.9 million, given the amounts announced elsewhere in this budget, including those related to the implementation of the 2022-2027 government action plan in the community action field.

TABLE G.12

Financial impact of the measures to improve assistance and services for families and youth (millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Improving the quality of the educational childcare services network | -10.8 | -11.8 | -11.5 | -9.1 | -9.5 | -52.7 |
| Providing support to families with special needs and improving services ⁽¹⁾ | -4.2 | -12.5 | -12.5 | -9.5 | -9.5 | -48.3 |
| Supporting young people ⁽²⁾ | -1.1 | -1.7 | -1.7 | -1.7 | -1.7 | -7.9 |
| TOTAL | -16.2 | -26.0 | -25.7 | -20.3 | -20.7 | -108.9 |

(1) Considering the amount of \$120.4 million already recorded elsewhere in this budget, including for the implementation of the 2022-2027 government action plan in the community action field, the total amount to support families with special needs and improve services is \$168.7 million.

(2) Considering the amount of \$26.5 million already recorded under the 2022-2027 government action plan in the community action field, the total amount to support young people is \$34.4 million.

2.2.1 Improving the quality of the educational childcare services network

Last fall, the government announced a large-scale plan to develop the network and provide high-quality educational childcare services across Québec.

- The document titled “Grand chantier pour les familles – Plan d’action pour compléter le réseau des services de garde éducatifs à l’enfance” provides, in particular, for the creation of 37 000 subsidized childcare spaces by March 2025.

To continue improving the educational childcare services network, the government is announcing additional funding of \$52.7 million over five years:

- \$34.5 million to renew certain measures of the strategy for children aged 0 to 8 aimed at promoting the development of children in the educational childcare services network, particularly through the funding of playground greening projects;
- \$8.9 million to evaluate the quality of education in educational childcare services in order to better target future interventions;
- \$9.3 million to improve and maintain information assets to better manage the educational childcare services network, particularly with respect to the creation of childcare centres (CPEs) and the funding of daycare services.

TABLE G.13

Financial impact of the measures to improve the quality of the educational childcare services network

(millions of dollars)

| | 2022-2023 | 2023-2024 | 2024-2025 | 2025-2026 | 2026-2027 | Total |
|---|--------------|--------------|--------------|-------------|-------------|--------------|
| Renewing certain measures to foster child development | -6.9 | -6.9 | -6.9 | -6.9 | -6.9 | -34.5 |
| Evaluating the quality of education in educational childcare services | -2.8 | -3.3 | -2.8 | — | — | -8.9 |
| Improving and maintaining information assets | -1.1 | -1.6 | -1.8 | -2.2 | -2.6 | -9.3 |
| TOTAL | -10.8 | -11.8 | -11.5 | -9.1 | -9.5 | -52.7 |

Note: The appropriations will be granted to the Ministère de la Famille. Funding of \$9.5 million per year is planned as of 2027-2028.

Action plan for completing the educational childcare services network

The action plan for completing the educational childcare services network was announced in October 2021. Under this plan, investments totalling nearly \$5.9 billion over five years are planned to:

- create enough spaces to meet the needs of families, particularly by creating 37 000 subsidized childcare spaces by March 2025;
- contribute to greater financial equity among families, in particular by enhancing the refundable tax credit for childcare expenses to ensure greater neutrality between the cost of reduced-rate and non-subsidized childcare;
- boost the effectiveness of the network to better develop it;
- consolidate home-based childcare services;
- ensure the presence of a sufficiently large and skilled workforce;
- place equal opportunity at the core of our actions.

2.2.2 Providing support to families with special needs and improving services

Certain families have special needs, in particular those in precarious financial situations. The government and certain community organizations are therefore offering services to support these families and ensure that they benefit fully from programs available to them.

A total of \$168.7 million has therefore been set aside in Budget 2022-2023 to grant support to families in need and to improve government programs to assist them.

The financial impact of these measures is \$48.3 million, given the amounts announced elsewhere in this budget, including those related to the implementation of the 2022-2027 government action plan in the community action field.

TABLE G.14

Financial impact of the measures to provide support to families with special needs (millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|--------------|
| Deploying outreach workers to families ⁽¹⁾ | -3.0 | -3.0 | -3.0 | — | — | -9.0 |
| Increasing exemptions for support payments for children ⁽²⁾ | -1.3 | -9.5 | -9.5 | -9.5 | -9.5 | -39.3 |
| TOTAL | -4.3 | -12.5 | -12.5 | -9.5 | -9.5 | -48.3 |

Note: Considering the amount of \$117.4 million already recorded under the 2022-2027 government action plan in the community action field and \$3 million to increase the exemption for support payments for student financial assistance, the total amount to support families with special needs and improve services is \$168.7 million.

(1) The appropriations will be granted to the Ministère de la Famille.

(2) Considering the amount of the \$3.0 million for the increase in the exemption for support payments for student financial assistance already recorded in the Ministère de l'Enseignement supérieur measures, the total amount is \$42.3 million.

☐ Deploying outreach workers to families

In its report, the Special Commission on the Rights of the Child and Youth Protection, chaired by Régine Laurent, noted that it is important to develop and maintain strategies to help families that do not turn to available services due to either mistrust, misunderstanding or a lack of resources.

In order to address this issue raised by the Commission, the government is announcing \$9 million in funding for the period 2022-2023 to 2024-2025 to implement a pilot project in areas with large numbers of vulnerable children.¹⁶

¹⁶ The funding will support the salaries of 50 outreach workers, who will facilitate the creation of connections with families and better support them in the various steps to be taken to access the services they need.

Consolidating the actions of family community organizations and supporting the implementation of a program in Indigenous communities

Family community organizations play a key role in assisting all families, especially the most vulnerable families. From pregnancy onwards and throughout life, they offer support services and assistance, as well as activities adapted to families' needs.

- Their mission involves, among other things, offering prevention and promotion activities, and assistance and support services to parents in the community they serve.

The government understands the importance of these community organizations that work with families. In this regard, investments of \$117.4 million over five years are being provided under the 2022-2027 government action plan in the community action field:

- \$103.3 million to increase support to the organizations' overall mission, which will move toward the Laurent Commission's recommendation to increase funding to \$200 000 per organization;
- \$14.1 million, in particular to support the implementation of new family community organizations in Indigenous communities.

This is in addition to the \$90 million announced in Budget 2020-2021 to further support family community organizations and community drop-in daycares for 2020-2021 to 2024-2025, which brings the total to \$207.4 million over seven years.

Financial impact of the measures to provide support to families with special needs

(millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Increasing support to the overall mission of family community organizations | -9.9 | -10.8 | -12.8 | -34.4 | -35.4 | -103.3 |
| Supporting the rollout of new family community organizations in Indigenous communities | -1.0 | -2.0 | -3.3 | -3.8 | -4.0 | -14.1 |
| TOTAL | -10.9 | -12.8 | -16.1 | -38.2 | -39.4 | -117.4 |

Initiatives in line with the recommendations of the Special Commission on the Rights of the Child and Youth Protection

On May 30, 2019, the government mandated the Special Commission on the Rights of the Child and Youth Protection to carry out a review focusing not only on youth protection services, but also on the legislation that regulates it as well as the role of the courts, social services and other actors.

In April 2021, the Special Commission tabled its report and recommendations to the government for changes to youth protection safeguards.

Close to \$424 million in additional funding

In Budget 2022-2023, the government is providing investments totalling \$423.5 million over five years for these actions in order to follow up on the Commission's final report. Of this amount, the government provides:

- \$272.1 million to enhance local services for youth in difficulty;
- \$25 million to increase funding for community housing resources for youth in difficulty;
- \$103.3 million to consolidate the actions of family community organizations;
- \$14.1 million to financially support community action by the Ministère de la Famille in Indigenous communities;
- \$9.0 million to deploy outreach workers to families.

Announcements of over \$1.4 billion in response to the Commission

It should be recalled that, before the final report was tabled, the government had announced an investment of close to \$1 billion to respond to the Commission's initial recommendations and directions, including:

- \$740 million over five years announced in Budget 2020-2021 to provide an initial response to the Commission's mid-mandate recommendations, including increasing services for youth in difficulty and their families;
- \$252 million over five years announced in Budget 2021-2022 to strengthen services for youth in difficulty.

With the nearly \$424 million in this budget, over \$1.4 billion in announcements will have been made in response to the recommendations of the Special Commission on the Rights of the Child and Youth Protection.

❑ Increasing exemptions for support payments

To support low-income families with children, some programs exempt a portion of child support payments from the income used to calculate financial assistance.

The government has already enhanced this exemption,¹⁷ but wants to do even more to ensure that most parents receiving support payments for dependent children will not have their social transfers reduced significantly because of this.

Total funding of \$42.3 million over five years is provided to increase the exemption for support payments:

- from \$350 to \$500 per month per child for social assistance programs;
- from \$4 200 to \$6 000 per year per child for student financial assistance, legal aid and housing assistance programs.¹⁸

The financial impact of these measures is \$39.3 million, given the amounts already provided for this enhancement in the student financial assistance program.¹⁹

With this enhancement, nearly 95% of households benefitting from social assistance programs and receiving support payments will have these amounts fully exempted from their financial assistance benefit calculations.

TABLE G.15

Financial impact of the measure to increase exemptions for support payments for children per program (millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|--------------|
| Social assistance ⁽¹⁾ | -0.5 | -6.3 | -6.3 | -6.3 | -6.3 | -25.7 |
| Housing assistance ⁽²⁾ | -0.8 | -3.2 | -3.2 | -3.2 | -3.2 | -13.6 |
| Student financial assistance ⁽³⁾ | — | — | — | — | — | — |
| Legal aid ⁽⁴⁾ | — | — | — | — | — | — |
| TOTAL | -1.3 | -9.5 | -9.5 | -9.5 | -9.5 | -39.3 |

(1) The appropriations will be granted to the Ministère du Travail, de l'Emploi et de la Solidarité sociale.

(2) The appropriations will be granted to the Ministère des Affaires municipales et de l'Habitation.

(3) An amount of \$3 million over five years is provided for the increase in the exemption for support payments for student financial assistance.

(4) The financial impact on the legal aid program is small.

¹⁷ In Budget 2019-2020, the government had enhanced these exemptions to social assistance, legal aid, housing assistance and student financial assistance programs.

¹⁸ This includes the Low-Rental Housing Program, the Emergency Rent Supplement Program, and the Shelter Allowance Program.

¹⁹ For more details, see Section D, "Investing in Education and Higher Education."

2.2.3 Supporting young people

The government recognizes the importance of assisting young Quebecers to better support them and offer them stimulating and safe environments.

In this budget, the government is therefore continuing to take action for young people in Québec by providing \$34.4 million over five years, which includes:

- \$5.0 million to support improvements for youth infrastructure, such as youth centres;
- \$2.9 million to finance structuring sustainable development projects for young Indigenous people aimed, for example, at the reaffirmation and reappropriation of identity and culture through access to territories and traditional activities;
- \$1.5 million to renew the volunteering component of the Créneau carrefour jeunesse program that aims to organize volunteer projects involving young people in high schools and adult education centres across Québec;
- \$25.0 million to increase funding for community housing resources for youth in difficulty.

The financial impact of these measures is \$7.9 million, given the amounts announced elsewhere in this budget, including those related to the implementation of the 2022-2027 government action plan in the community action field.

TABLE G.16

Financial impact of measures to support young people (millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|-------------|
| Supporting improvements for youth infrastructure ⁽¹⁾ | -1.0 | -1.0 | -1.0 | -1.0 | -1.0 | -5.0 |
| Focusing on structuring sustainable development projects for young Indigenous people ⁽²⁾ | -0.1 | -0.7 | -0.7 | -0.7 | -0.7 | -2.9 |
| TOTAL | -1.1 | -1.7 | -1.7 | -1.7 | -1.7 | -7.9 |

Note: Considering the amount of \$26.5 million already recorded under the 2022-2027 government action plan in the community action field, the total amount to support young people is \$34.4 million.

(1) The appropriations will be granted to the Ministère du Conseil exécutif.

(2) The amounts will be drawn from the Contingency Fund.

2.3 Continuing to support Indigenous communities

In its desire to develop and maintain nation-to-nation relations with Indigenous communities, the government is continuing its actions to support their economic and social development initiatives and cultural reaffirmation efforts.

To this end, the Budget 2022-2023 provides \$285 million over five years:

- \$100 million to consolidate government actions for the social and cultural development of Indigenous peoples;
- \$185 million to support Indigenous economic, social and community development initiatives.

TABLE G.17

Financial impact of the measures to continue to support Indigenous communities (millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| Consolidating government actions for the social and cultural development of Indigenous peoples ⁽¹⁾ | -20.0 | -20.0 | -20.0 | -20.0 | -20.0 | -100.0 |
| Supporting Indigenous economic, social and community development initiatives ⁽²⁾ | -14.7 | -25.7 | -35.5 | -51.6 | -57.5 | -185.0 |
| TOTAL | -34.7 | -45.7 | -55.5 | -71.6 | -77.5 | -285.0 |

(1) The amounts will be drawn from the Contingency Fund.

(2) The appropriations will be granted to the Ministère du Conseil exécutif.

☐ Consolidating government actions for the social and cultural development of Indigenous peoples

The Government Action Plan for the Social and Cultural Development of the First Nations and Inuit 2017-2022 was implemented in order to optimize the effects of various departmental efforts relating to social and cultural measures intended for Indigenous peoples. To that end, Budget 2017-2018 provided additional appropriations totalling \$60 million over five years.

The government wishes to continue this approach and to improve the support it provides to various measures relating to the social and cultural development of Indigenous peoples. To this end, Budget 2022-2023 provides for additional funding of \$100 million over five years to continue the action plan for the 2022-2027 period.²⁰

²⁰ The measures set out in the action plan for 2022-2027 will be announced at a later date by the Minister responsible for Indigenous Affairs.

The government is continuing to implement the Viens Commission and MMIWG recommendations

The final report of the Public Inquiry Commission on relations between Indigenous Peoples and certain public services in Québec (Viens Commission), released on September 30, 2019, and the supplementary report – specific to Québec – by the National Inquiry into Missing and Murdered Indigenous Women and Girls (MMIWG), released on June 3, 2019, contain a total of 163 recommendations, several of which are addressed to the Québec government.

In order to act on these recommendations, the government announced in the *Québec Budget Plan – March 2020* a funding envelope of \$200 million over five years to implement measures aimed primarily at improving public services offered to Indigenous peoples.

Following discussions with Indigenous communities aimed at identifying the priority actions to be taken, the government announced, in particular:

- \$30.7 million to improve the delivery of policing services to Indigenous communities;
- \$39.4 million to enhance justice services offered to Indigenous peoples;
- \$43 million to improve health and social services offered to Indigenous communities;
- \$32.6 million to offer Indigenous students services tailored to their realities;
- \$11 million to raise awareness among the population and stakeholders of Indigenous realities.

❑ Supporting Indigenous economic, social and community development initiatives

The government remains committed to supporting Indigenous communities in their economic, social and community development efforts. This support includes funding for structuring initiatives designed by and for Indigenous peoples.

To continue this support, the government is announcing the renewal of the Indigenous Initiatives Fund, with investments totalling \$185 million over five years. This investment will:

- support the implementation of economic development projects initiated by Indigenous entrepreneurs;
- provide loan guarantees to help Indigenous entrepreneurs finance their projects;
- encourage social development in the Indigenous communities of Québec;
- support the overall mission of Indigenous community organizations;
- contribute to the construction of community infrastructure;
- encourage the implementation of urban Indigenous initiatives;
- support the participation of Indigenous communities in government consultations.

The government supports the creation of the First Nations Executive Education school

On November 26, 2021, during the Grand Economic Circle of Indigenous People and Quebec, the government committed to financially supporting the creation of the First Nations Executive Education school.

To this end, total funding of \$10 million over five years is provided:

- an initial contribution of \$5 million;
- an additional amount of up to \$5 million, equivalent to the contribution from the private sector.

Support for the creation of the First Nations Executive Education school (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---------------------------|---------------|---------------|---------------|---------------|---------------|---------------|-------|
| Government's contribution | 1.5 | 1.5 | 3.0 | 2.5 | 1.5 | — | 10.0 |

This program, created by Indigenous entrepreneurs and academics in collaboration with HEC Montréal, will offer training for elected officials, managers, business leaders and organizations from the Indigenous community and will provide participants with an opportunity to contribute to the development of their communities.

By fostering Indigenous leadership and entrepreneurship, the First Nations Executive Education school will contribute to the continuous improvement of socioeconomic conditions in the communities.

2.4 Supporting English-speaking communities

There are significant regional disparities in Québec when it comes to the vitality of English-speaking communities. In order to support the Secrétariat aux relations avec les Québécois d'expression anglaise and contribute to the vitality of these communities, the government is announcing additional funding of \$29.5 million over five years:

- \$12.3 million to extend the program to strengthen the vitality of English-speaking communities aimed at supporting the capacity for action among community organizations, institutions and partnership networks;
- \$2.4 million in 2025-2026 to fund wellness centres and the employability partnership, in order to counter isolation among seniors and improve the integration of English-speaking Quebecers in the labour market;
- \$14.8 million in funding for community organizations, including:
 - \$9.8 million to fund the overall mission of Anglophone community organizations, including new organizations;
 - \$5.0 million to make community services provided by Francophone organizations more readily accessible to English-speaking Quebecers.

The financial impact of these measures is \$14.7 million, given the amounts announced elsewhere in this budget, including those related to the implementation of the 2022-2027 government action plan in the community action field.

TABLE G.18

Financial impact of the measures to support English-speaking communities (millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|--------------|
| Ensuring the sustainability of the program to strengthen the vitality of English-speaking communities | -0.5 | -5.9 | -5.9 | — | — | -12.3 |
| Maintaining funding for wellness centres and the employability partnership | — | — | — | -2.4 | — | -2.4 |
| TOTAL | -0.5 | -5.9 | -5.9 | -2.4 | — | -14.7 |

Note: The appropriations will be granted to the Ministère du Conseil exécutif.

Considering the amount of \$14.8 million already recorded under the government action plan in the community action field, the total amount to support English-speaking communities is \$29.5 million.

2.5 Improving access to the justice system and protecting vulnerable people

The Québec government wants to take care of vulnerable people and ensure that the justice system is accessible and meets the needs of Quebecers.

To that end, it is setting aside \$83.5 million in the budget for initiatives to improve access to the justice system and protect vulnerable people. This amount includes:

- \$41.8 million to improve access to the justice system;
- \$41.7 million to protect vulnerable people.

TABLE G.19

Financial impact of the measures to improve access to the justice system and protect vulnerable people (millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|--------------|
| Improving access to the justice system | -7.6 | -8.5 | -8.5 | -8.6 | -8.6 | -41.8 |
| Protecting vulnerable people | -7.4 | -10.6 | -10.0 | -6.9 | -6.8 | -41.7 |
| TOTAL | -15.0 | -19.1 | -18.5 | -15.5 | -15.4 | -83.5 |

2.5.1 Improving access to the justice system

In recent years, the government has introduced a number of measures to make the justice system more accessible and ensure that it serves citizens. With these objectives in mind, in Budget 2022-2023, the government is setting aside \$41.8 million over five years, as follows:

- \$16.2 million to strengthen access to justice;
- \$25.6 million to support case processing by the Court of Québec.

TABLE G.20

Financial impact of the measures to improve access to the justice system (millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|--------------|
| Responding to the self-representation phenomenon | -1.9 | -1.8 | -1.8 | -1.8 | -1.8 | -9.1 |
| Supporting access to pre-mediation and mediation in family and small-claims matters | -1.5 | -1.4 | -1.4 | -1.4 | -1.4 | -7.1 |
| Adding new judges at the Court of Québec | -1.6 | -2.3 | -2.3 | -2.3 | -2.3 | -10.8 |
| Adding resources for new judges at the Court of Québec | -2.6 | -3.0 | -3.0 | -3.1 | -3.1 | -14.8 |
| TOTAL | -7.6 | -8.5 | -8.5 | -8.6 | -8.6 | -41.8 |

Notes: The appropriations will be granted to the Ministère de la Justice.

❑ **Strengthening access to justice**

Numerous services are available to support citizens who represent themselves in legal proceedings. Among these are the university legal clinics and community justice centres that benefit from government funding.

To strengthen access to justice, the government wishes to:

- consolidate and reinforce the provision of services to citizens who represent themselves in legal proceedings;
- perpetuate access to three hours of family mediation free of charge for couples without common dependent children;
- maintain access to three hours of mediation in small-claims matters, free of charge, until May 31, 2023.

In Budget 2022-2023, the government is setting aside \$16.2 million over five years for this purpose, that is:

- \$9.1 million to respond to the self-representation phenomenon;
- \$7.1 million to support access to pre-mediation and mediation in family and small-claims matters.

Mediation and pre-mediation initiatives

Family mediation pilot project for couples without common dependent children

In February 2021, the government extended access to the Family Mediation Program¹ to couples without common dependent children with the implementation of a pilot project. This pilot project, which ends on June 30, 2022, provides:

- access to three hours with an accredited family mediator free of charge;
- free pre-mediation services.

Under this pilot project, several hundred couples have received three hours of mediation at no charge. The results are conclusive, with over 80% of mediations ending in an agreement.

Since mediation is a tried and tested method of settlement, the government is making family mediation permanent for couples without common dependent children.

Pilot project for pre-mediation and mediation in small-claims matters

In addition, under a second pilot project, citizens who have filed an application at the Small Claims Division that is contested can benefit from:

- access to a mediator for three hours free of charge;
- free pre-mediation services.

This pilot project was scheduled to end on November 30, 2022. It is extended until May 31, 2023 to support the evaluation of its results.

¹ The Family Mediation Program for ex-spouses with common dependent children remains in force. They are entitled to five hours of mediation in the case of a separation process and two-and-a-half hours in the case of an application for review of a judgment or an agreement.

❑ **Supporting case processing by the Court of Québec**

The Court of Québec has three divisions: the Youth Division, the Criminal and Penal Division, which includes the division specializing in sexual violence and domestic violence, and the Civil Division.

The government wishes to support the Court of Québec in the processing of youth protection cases.²¹

In Budget 2022-2023, the government is setting aside \$25.6 million over five years to support the processing of cases by the Court of Québec:

- \$10.8 million for the addition of new judges at the Youth Division of the Court of Québec;
- \$14.8 million for the addition of resources for new judges at the Court of Québec.

²¹ According to the report of the Special Commission on the Rights of the Child and Youth Protection released in May 2021, the judicialization rate is very variable from one region to another, and in some regions close to 70% of children whose cases are managed by directors of youth protection (DPJs) are the subject of a court order.

2.5.2 Protecting vulnerable people

The government wishes to strengthen its commitment to the protection of vulnerable people. Its actions will make Québec a safer place, will improve resources to enable police officers to act, and will reinforce protection for the most vulnerable people.

In Budget 2022-2023, \$41.7 million over five years has been set aside for this purpose.

TABLE G.21

Financial impact of the measures to protect vulnerable people (millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|--------------|
| Intensifying search efforts in cases of missing persons and abductions ^{(1),(2)} | -2.7 | -3.7 | -3.5 | -0.1 | -0.1 | -10.1 |
| Providing a continuum of services to support police officers in psychological distress ⁽²⁾ | -0.2 | -0.9 | -0.5 | -0.7 | -0.6 | -2.9 |
| Reinforcing the Québec strategy to combat gun violence ⁽²⁾ | -2.0 | -1.0 | -1.0 | -1.1 | -1.1 | -6.2 |
| Better protecting vulnerable people ⁽³⁾ | -0.5 | -1.0 | -1.0 | -1.0 | -1.0 | -4.5 |
| Improving the provision of services for incapacitated persons ⁽³⁾ | -2.0 | -4.0 | -4.0 | -4.0 | -4.0 | -18.0 |
| TOTAL | -7.4 | -10.6 | -10.0 | -6.9 | -6.8 | -41.7 |

(1) The budgetary impact is spread over three years due to depreciation of capital investments.

(2) The appropriations will be granted to the Ministère de la Sécurité publique.

(3) The appropriations will be granted to the Ministère de la Famille.

❑ Intensifying search efforts in cases of missing persons and abductions

In Québec, a large number of disappearances are reported to the authorities each year, who do everything they can to find these missing persons.

It is essential that the investigations be conducted efficiently and that appropriate support be provided to the families of missing persons. To that end, the government wishes to:

- give the Sûreté du Québec the task of collaborating with municipal and Indigenous police forces in cases of missing persons and abductions across Québec;
- enhance the ability of the Service de police de la Ville de Montréal and the Sûreté du Québec to act;
- increase the scientific analysis capacity of the Laboratoire de sciences judiciaires et de médecine légale in order to provide greater support to investigative work by the police;
- grant additional funding to organizations providing support to the families of missing persons.

To intensify search efforts for missing and abducted persons, the government is setting aside \$10.1 million over five years.

❑ Providing a continuum of services to support police officers in psychological distress

In the course of their duties, police officers are often exposed to a variety of stress factors, particularly those related to the risks inherent in the nature of their work.

Services must be available to police officers who need them, and the availability of the services must be comparable between the various police organizations across Québec. More importantly, the resources available must be adapted to the reality of policing in order to guarantee the quality of services provided.

This is why the government is setting aside \$2.9 million over five years for the implementation of a continuum of services to provide a safety net for police officers in psychological distress. This funding will be used to:

- develop a training program for professional counsellors working with police officers;
- develop a provincial peer support network;
- set up a 24/7 emergency helpline for police officers in psychological distress.

These actions are among the recommendations of the police reality advisory committee's May 2021 report.

❑ Reinforcing the Québec strategy to combat gun violence

The Québec strategy to combat gun violence was introduced in the fall of 2021 with the aim of ensuring the safety of Quebecers in the face of the rise in crimes involving firearms. The government had announced almost \$150 million over five years.

Just a few months after its deployment, Opération CENTAURE²² has already produced results leading to arrests and seizures of firearms.

To improve the effectiveness of police interventions to combat illegal firearms trading, funding is provided to the Akwesasne Indigenous police force.

This increased police presence will help deter gun traffickers and allow them to be intercepted more effectively, thereby increasing firearm seizures.

The government is setting aside \$6.2 million over five years to reinforce the Québec strategy to combat gun violence.

In addition, the government will soon announce the deployment, in Montréal, of multidisciplinary teams that will play a preventive role in schools to help curb firearm violence arising from conflicts between youths.

| Opération CENTAURE |
|---|
| <p>Over the past year, Québec has experienced a wave of gun-related violence, primarily in the greater Montréal area. These incidents, involving mainly members of criminal groups, constitute a threat to the safety of the public.</p> <p>To address this issue, the government announced the implementation of Operation CENTAURE on September 24. This policy aims to reduce gun violence by focusing on four areas:</p> <ul style="list-style-type: none"> – reinforcing police forces by deploying specialized teams; – disrupting the illegal supply of firearms; – supporting interventions and knowledge development; – preventing crime. <p>Since its deployment, Opération CENTAURE has put increased pressure on criminal networks in Québec, destabilizing them. Numerous interventions have already taken place, leading to several arrests and seizures of firearms. The police will continue their efforts to ensure the public's safety and peace.</p> |

Source: Ministère de la Sécurité publique.

²² Coordination des efforts nationaux sur le trafic d'armes, unis dans la répression et les enquêtes [Coordinating national efforts on arms trafficking, united in law enforcement and investigation].

❑ **Better protecting vulnerable people**

The government is extending the service offering of the Curateur public in order to better support the role of assisting people in vulnerable situations. As a result, persons of full age,²³ without being declared incapacitated, could have one or two assistants assigned to look after them, administer their property, etc.

The government also wishes to enhance the service offering of the Curateur public to incapacitated persons under its protection and to incapacitated persons under private protective supervision.

In Budget 2022-2023, the government is setting aside \$22.5 million over five years for this purpose:

- \$4.5 million to better protect people in vulnerable situations;
- \$18.0 million to improve the provision of services for incapacitated persons.

²³ May include an elderly person with a loss of independence or a young adult with autism.

2.6 Maintaining passenger transportation and supply services for communities

Urban and intercity transportation services by bus and boat are essential for workers who use them on a daily basis, and for communities that depend on them for the supply of necessities.

Public transit services are alternatives to the use of private cars. As a result, they help reduce greenhouse gas emissions and traffic.

Consequently, the government intends to continue its support for the maintenance of these various services and is setting aside investments totalling \$385.7 million over six years for this purpose:

- \$293.0 million to further support public transit services;
- \$20.0 million to continue supporting intercity bus transportation;
- \$72.7 million to ensure the reliability and efficiency of maritime ferry and supply services.

TABLE G.22

Financial impact of the measures to maintain passenger transportation and supply services for communities (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Further supporting public transit services | -96.5 | -196.5 | — | — | — | — | -293.0 |
| Continuing support for intercity bus transportation | — | -20.0 | — | — | — | — | -20.0 |
| Ensuring the reliability and efficiency of maritime ferry and supply services | — | -9.3 | -18.6 | -10.1 | -20.6 | -14.1 | -72.7 |
| TOTAL | -96.5 | -225.8 | -18.6 | -10.1 | -20.6 | -14.1 | -385.7 |

Note: The appropriations will be granted to the Ministère des Transports.

❑ Further supporting public transit services

Since the spring of 2020, public transit bodies have suffered substantial drops in fare income because of reduced ridership due to the pandemic. Since the start of the public health crisis, nearly \$1.4 billion has been devoted to supporting public transit bodies in their efforts to maintain essential service levels.

Given that the effects of the pandemic on the ridership of public transit networks are still being felt, the government is setting aside an additional \$393 million, funded jointly by Québec and Canada, to maintain support to public transit bodies.

This additional support brings the emergency assistance provided to public transit bodies since the start of the pandemic to almost \$1.8 billion.

TABLE G.23

Emergency assistance to public transit since spring 2020 (millions of dollars)

| | 2020-2021 ⁽¹⁾ | 2021-2022 | 2022-2023 ⁽²⁾ | Total |
|-----------------------|--------------------------|-----------|--------------------------|---------|
| Public transit bodies | 1 381.8 | 96.5 | 296.5 | 1 774.8 |

(1) This support is funded jointly by the governments of Québec and Canada under the Safe Restart Agreement.

(2) This amount includes the \$100 million granted to the Autorité régionale de transport métropolitain in the fall 2021 *Update on Québec's Economic and Financial Situation* and a \$196.5-million contribution from the federal government.

❑ Continuing support for intercity bus transportation

In the first few months after the start of the pandemic, the government announced emergency assistance to help intercity carriers maintain their services despite the substantial drop in ridership. With funding of \$18.2 million for 2020-2021, this emergency assistance was renewed with funding of \$20 million for 2021-2022.

To support economic recovery in the regions, the government is setting aside an additional \$20 million to renew this assistance for 2022-2023.

This amount brings the support provided to intercity bus carriers since the start of the pandemic to \$58.2 million.

TABLE G.24

Assistance for restarting intercity bus transportation (millions of dollars)

| | 2020-2021 ⁽¹⁾ | 2021-2022 | 2022-2023 | Total |
|------------------------|--------------------------|-----------|-----------|-------|
| Intercity bus carriers | 18.2 | 20.0 | 20.0 | 58.2 |

(1) This support is funded jointly by the governments of Québec and Canada under the Safe Restart Agreement.

❑ Ensuring the reliability and efficiency of maritime ferry and supply services

Ferry services provided by the Société des traversiers du Québec (STQ) are essential, not only to open up access to island and remote communities, but also for the travel of workers who use these services on a daily basis.

To ensure reliable and efficient services, the government is investing \$72.7 million over five years. These amounts will allow the STQ to:

- open up access to remote and island communities;
- carry out regular preventive maintenance on its vessels to avoid service breakdowns while meeting regulatory requirements to ensure infrastructure reliability and passenger safety.

2.7 Targeted initiatives to benefit the community

The government wants government programs to continue to meet Quebecers' needs. To this end, it is setting aside \$77 million over five years, that is:

- \$24.9 million to promote the use of French;
- \$19.5 million to reinforce the protection of personal information and cybersecurity in the digital age;
- \$14.4 million to maintain support for the elderly, particularly in lease renewal proceedings;
- \$10.0 million to enhance support for volunteering;
- \$4.5 million to promote and support laicity;
- \$2.4 million to extend the 2017-2022 Government Action Plan against Homophobia and Transphobia until March 31, 2023;
- \$1.3 million to simplify administrative steps to be taken following a death.

TABLE G.25

Financial impact of targeted initiatives to benefit the community (millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|--------------|
| Promoting the use of French | -4.1 | -6.7 | -6.7 | -3.7 | -3.7 | -24.9 |
| Reinforcing the protection of personal information and cybersecurity in the digital age ⁽¹⁾ | -1.5 | -4.2 | -4.6 | -4.6 | -4.6 | -19.5 |
| Extending assistance to seniors with regard to their lease ⁽²⁾ | -2.8 | -2.8 | -2.9 | -2.9 | -3.0 | -14.4 |
| Enhancing the volunteer support program ⁽³⁾ | -10.0 | — | — | — | — | -10.0 |
| Promoting and supporting laicity ⁽¹⁾ | -0.5 | -1.0 | -1.0 | -1.0 | -1.0 | -4.5 |
| Extending the 2017-2022 Government Action Plan against Homophobia and Transphobia until March 31, 2023 ⁽⁴⁾ | -2.4 | — | — | — | — | -2.4 |
| Simplifying administrative steps following a death ⁽⁵⁾ | -0.1 | -0.3 | -0.3 | -0.3 | -0.3 | -1.3 |
| TOTAL | -21.4 | -15.0 | -15.5 | -12.5 | -12.6 | -77.0 |

(1) The appropriations will be granted to the Ministère du Conseil exécutif.

(2) The appropriations will be granted to the Ministère des Affaires municipales et de l'Habitation.

(3) The appropriations will be granted to the Ministère de l'Éducation.

(4) The appropriations will be granted to the Ministère de la Justice.

(5) The appropriations will be granted to the Ministère du Travail, de l'Emploi et de la Solidarité sociale.

❑ Promoting the use of French

The protection of the French language is an important concern for the nation of Québec. In Budget 2022-2023, the government plans to invest a total of \$24.9 million over five years:

- \$16.9 million to strengthen the status of French;
- \$8.0 million to increase the influence and vitality of French.

TABLE G.26

Financial impact of the measures to promote the use of French (millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|--------------|
| Strengthening the status of French ⁽¹⁾ | -2.1 | -3.7 | -3.7 | -3.7 | -3.7 | -16.9 |
| Increasing the influence and vitality of French ⁽²⁾ | -2.0 | -3.0 | -3.0 | — | — | -8.0 |
| TOTAL | -4.1 | -6.7 | -6.7 | -3.7 | -3.7 | -24.9 |

(1) The appropriations will be granted to the Ministère de la Justice.

(2) The appropriations will be granted to the Ministère du Conseil exécutif.

■ Strengthening the status of French

The protection and promotion of the French language, the only official and common language of Québec, is a historical responsibility of the Québec government. Consequently, one of the government's priorities is to take action to strengthen the status of French.

Budget 2022-2023 is setting aside \$16.9 million over five years for this purpose:

- \$14.4 million to implement Bill 96, *An Act respecting French, the official and common language of Québec*: \$5.4 million for the Office québécois de la langue française and \$9.0 million for the Ministère de la Langue française;
- \$2.5 million to further knowledge of the language situation in Québec by the Office québécois de la langue française.

This amount represents a continuation of the additional funding to strengthen French provided for in Budgets 2020-2021 and 2021-2022.

TABLE G.27

Financial impact of the measures to strengthen French
(millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|--------------|
| Implementing Bill 96 – Office québécois de la langue française | -0.6 | -1.2 | -1.2 | -1.2 | -1.2 | -5.4 |
| Implementing Bill 96 – Ministère de la Langue française | -1.0 | -2.0 | -2.0 | -2.0 | -2.0 | -9.0 |
| Furthering knowledge of the language situation in Québec – Office québécois de la langue française | -0.5 | -0.5 | -0.5 | -0.5 | -0.5 | -2.5 |
| TOTAL | -2.1 | -3.7 | -3.7 | -3.7 | -3.7 | -16.9 |

**Additional funding of \$170.5 million over three years
to strengthen the status of French**

Over three years, the additional funding announced to strengthen the status of French will total \$170.5 million:

- \$16.9 million in Budget 2022-2023;
- \$103.6 million in Budget 2021-2022;
- \$50.0 million in Budget 2020-2021.

In addition to this, there is funding to encourage immigrants to improve their French language skills, including an additional \$198.3 million in Budget 2022-2023.

In connection with these additional investments to strengthen the status of French, Bill 96, *An Act respecting French, the official and common language of Québec*, was tabled in the National Assembly in May 2021.

This Bill proposes to reform the Charter of the French Language by strengthening several of its provisions and extending its scope.

It also proposes to reassert that the French language must remain the sole common language of Quebecers and to protect, develop and promote the official language of the Québec nation: French.

To make these aims reality, the Bill provides for the creation of a Ministère de la Langue française and the assigning of broader responsibilities to the Office québécois de la langue française.

■ Increasing the influence and vitality of French

In Budget 2022-2023, the government is providing for the renewal of the Québec policy on the Canadian Francophonie, the most recent edition of which dates back to 2006. This policy centres on five major policy directions:

- fostering better mutual knowledge and greater reciprocal openness between Francophone and Québec communities;
- preserving the vitality of Francophone and Acadian communities;
- promoting the French language and Francophone cultures;
- highlighting the contribution of Francophones to Canadian society and the Canadian economy;
- accentuating the Québec government's leadership in the Canadian Francophonie.

The 2022-2027 government action plan on the Canadian Francophonie, which will oversee the implementation of this policy, comes with a budget envelope of \$8.0 million over three years.

TABLE G.28

Financial impact of the government action plan on the Canadian Francophonie (millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|-------|
| Government action plan on the Canadian Francophonie | -2.0 | -3.0 | -3.0 | — | — | -8.0 |

□ Reinforcing the protection of personal information and cybersecurity in the digital age

Developments in information technology are prompting the government to modernize its legislation on the protection of personal information, particularly in view of the numerous confidentiality incidents that have occurred in recent years. With this in mind, the government intends to give the Commission d'accès à l'information greater responsibilities in order to initiate the reform of legislation in this area.

In Budget 2022-2023, the government is setting aside \$19.5 million by 2026-2027 to reinforce the protection of personal information and cybersecurity in the digital age.

❑ **Extending assistance to seniors with regard to their lease**

Complaint assistance and support centres (CAAPs) are community organizations whose main vocation is to provide assistance, free of charge, to those who wish to file a complaint against resources or institutions in the health care and social services network regarding services they have received.

Elderly people living in private seniors' residences (PSRs) also experience difficulties understanding their rights and obligations regarding their lease. Accordingly, the Ministère des Affaires municipales et de l'Habitation has mandated the CAAPs so they can provide elderly persons living in PSRs with:

- information about their housing rights and obligations;
- assistance in order to reach an agreement;
- support at a conciliation session or at a hearing before the Administrative Housing Tribunal.

This mandate will end on March 31, 2022. Despite the health crisis and the measures to counter COVID-19, in 2020-2021, support services were provided to approximately 2 700 seniors living in PSRs. The results reveal a high level of satisfaction among both the elderly persons and partners of the CAAPs.

In order to develop these services across Québec and meet growing demand, Budget 2022-2023 is setting aside a total of \$14.4 million over five years to extend assistance to seniors with regard to their lease.

❑ **Enhancing the volunteer support program**

The volunteer support program enables MNAs from all parties to provide financial support to community organizations in their constituency. Over the past two years, the amounts granted annually have been increased in order to take into account the greater needs during the pandemic.

Accordingly, additional funding of \$10 million will be provided in 2022-2023 to promote local volunteer action by supporting eligible community organizations in their efforts to meet the needs of their community in the areas of leisure, sports or community action.

- The additional funds will bring the total budget envelope of the volunteer support program to \$20 million in 2022-2023.

❑ Promoting and supporting laicity

In December 2021, the government announced the creation of the laicity support program. The purpose of this program is to promote the acquisition of knowledge about the laicity of the state.

In Budget 2022-2023, the government is setting aside \$4.5 million by 2026-2027 to promote and support laicity.

TABLE G.29

Financial impact of the measures to promote and support laicity (millions of dollars)

| | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|-------|
| Promoting and supporting laicity | -0.5 | -1.0 | -1.0 | -1.0 | -1.0 | -4.5 |

❑ Extending the 2017-2022 Government Action Plan against Homophobia and Transphobia

The 2017-2022 Government Action Plan against Homophobia and Transphobia has several objectives, including supporting community action, implementing an awareness-raising strategy that is adapted to various groups, and strengthening coordination of the activities of the Bureau de lutte contre l'homophobie, particularly in the regions.

— This action plan will end on March 31, 2022.

Extending the action plan by one year will ensure continuity of services to lesbian, gay, bisexual, trans and queer (LGBTQ) people while a third action plan is under development, which will incorporate the measures of the 2021-2023 government action plan to prevent and counter conversion therapy, launched in December 2021.

In Budget 2022-2023, the government is setting aside \$2.4 million to extend the action plan to March 31, 2023.

❑ Simplifying administrative steps following a death

There are few greater trials than facing the loss of a loved one. Death brings its share of administrative procedures. To simplify them, the government plans to implement a government action plan to simplify administrative steps following a death,²⁴ with a view to:

- speeding up the registration of a death in the register of civil status with the implementation of an electronic platform for registering deaths;
- facilitating the appointment of the liquidator of an estate by reinforcing the obligation to register the liquidator in the register of personal and movable real rights;
- improving the administration of files, particularly by increasing collaboration between government departments and bodies in order to speed up the processing of files and by simplifying the rules governing the liquidation of an estate.

In Budget 2022-2023, the government plans to invest a total of \$14.0 million over five years for this action plan:

- \$12.4 million to speed up registering a death in the register of civil status, including \$1.3 million in additional appropriations;
- \$1.4 million to facilitate appointing the liquidator of an estate;
- \$0.2 million to implement other measures to improve the administration of files.

TABLE G.30

Investments and financial impact of the plan to simplify administrative steps following a death

(millions of dollars)

| | | Financial impact | | | | | |
|--|-------------|------------------|-------------|-------------|-------------|-------------|-------------|
| | | 2022-2023 | 2023-2024 | 2024-2025 | 2025-2026 | 2026-2027 | Total |
| Investments ⁽¹⁾ | | | | | | | |
| Speeding up the registration of a death in the register of civil status ⁽²⁾ | 12.4 | -0.1 | -0.3 | -0.3 | -0.3 | -0.3 | -1.3 |
| Facilitating the appointment of the liquidator of an estate | 1.4 | — | — | — | — | — | — |
| Other measures aimed at improving the administration of files | 0.2 | — | — | — | — | — | — |
| TOTAL | 14.0 | -0.1 | -0.3 | -0.3 | -0.3 | -0.3 | -1.3 |

(1) Additional funding will be drawn from the government departments' available funds.

(2) An amount of \$1.3 million over five years, that is, a recurring amount of \$0.3 million beginning in 2027-2028, will be granted to the Institut de la statistique du Québec to speed up registration of a death in the register of civil status.

²⁴ The Minister of Labour, Employment and Social Solidarity will, at a later date, release the details on the directions and measures to be implemented in the government action plan to simplify administrative steps following a death.

FINANCIAL IMPACT

TABLE G.31

Financial impact of the measures to strengthen community action and support communities (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|----------|
| Strengthening community action | | | | | | | |
| Enhancing and expanding support for the overall mission of community organizations | | | | | | | |
| – Increasing funding to existing organizations | — | -112.1 | -134.1 | -163.3 | -206.1 | -218.6 | -834.2 |
| – Funding new organizations | — | -5.1 | -8.0 | -11.5 | -14.0 | -15.3 | -53.9 |
| Subtotal | — | -117.2 | -142.1 | -174.8 | -220.1 | -233.9 | -888.1 |
| Strengthening community action through specific measures | | | | | | | |
| – Supporting the local harmonization of youth employment centres | — | -13.0 | -13.0 | -13.0 | -13.0 | -13.0 | -65.0 |
| – Making the services provided by Francophone community organizations available to English-speaking Quebecers | — | -1.0 | -1.0 | -1.0 | -1.0 | -1.0 | -5.0 |
| – Encouraging volunteering among youth attending school | — | -0.3 | -0.3 | -0.3 | -0.3 | -0.3 | -1.5 |
| – Other specific actions | — | -17.4 | -25.3 | -29.6 | -22.2 | -20.8 | -115.3 |
| Subtotal | — | -31.7 | -39.6 | -43.9 | -36.5 | -35.1 | -186.8 |
| Subtotal – Strengthening community action | — | -148.9 | -181.7 | -218.7 | -256.6 | -269.0 | -1 074.9 |
| Supporting communities | | | | | | | |
| Promoting gender equality and countering sexual and domestic violence | | | | | | | |
| – Combatting sexual and domestic violence | — | -15.4 | -22.9 | -30.7 | -32.2 | -31.7 | -132.9 |
| – Taking action on gender equality | — | -1.6 | -5.0 | -7.2 | -7.7 | -7.6 | -29.1 |
| – Consolidating the actions of the Secrétariat à la condition féminine | — | -1.0 | -1.6 | -1.6 | -1.7 | -1.9 | -7.8 |
| Subtotal | — | -18.0 | -29.5 | -39.5 | -41.6 | -41.2 | -169.8 |

TABLE G.31

Financial impact of the measures to strengthen community action and support communities (cont.)
(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|--------|
| Supporting communities (cont.) | | | | | | | |
| Improving assistance and services for families and youth | | | | | | | |
| – Improving the quality of the educational childcare services network | | | | | | | |
| ▪ Renewing certain measures to foster child development | — | -6.9 | -6.9 | -6.9 | -6.9 | -6.9 | -34.5 |
| ▪ Evaluating the quality of education in educational childcare services | — | -2.8 | -3.3 | -2.8 | — | — | -8.9 |
| ▪ Improving and maintaining information assets | — | -1.1 | -1.6 | -1.8 | -2.2 | -2.6 | -9.3 |
| Subtotal | — | -10.8 | -11.8 | -11.5 | -9.1 | -9.5 | -52.7 |
| – Providing support to families with special needs and improving services | | | | | | | |
| ▪ Deploying outreach workers to families | — | -3.0 | -3.0 | -3.0 | — | — | -9.0 |
| ▪ Increasing exemptions for support payments for children | — | -1.3 | -9.5 | -9.5 | -9.5 | -9.5 | -39.3 |
| Subtotal | — | -4.3 | -12.5 | -12.5 | -9.5 | -9.5 | -48.3 |
| – Supporting young people | | | | | | | |
| ▪ Supporting improvements for youth infrastructure | — | -1.0 | -1.0 | -1.0 | -1.0 | -1.0 | -5.0 |
| ▪ Focusing on structuring sustainable development projects for young Indigenous people | — | -0.1 | -0.7 | -0.7 | -0.7 | -0.7 | -2.9 |
| Subtotal | — | -1.1 | -1.7 | -1.7 | -1.7 | -1.7 | -7.9 |
| Subtotal | — | -16.2 | -26.0 | -25.7 | -20.3 | -20.7 | -108.9 |

TABLE G.31

**Financial impact of the measures to strengthen community action
and support communities (cont.)**
(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|--------|
| Supporting communities (cont.) | | | | | | | |
| Continuing to support Indigenous communities | | | | | | | |
| – Consolidating government actions for the social and cultural development of Indigenous peoples | — | -20.0 | -20.0 | -20.0 | -20.0 | -20.0 | -100.0 |
| – Supporting Indigenous economic, social and community development initiatives | — | -14.7 | -25.7 | -35.5 | -51.6 | -57.5 | -185.0 |
| Subtotal | — | -34.7 | -45.7 | -55.5 | -71.6 | -77.5 | -285.0 |
| Supporting English-speaking communities | | | | | | | |
| – Ensuring the sustainability of the program to strengthen the vitality of English-speaking communities | — | -0.5 | -5.9 | -5.9 | — | — | -12.3 |
| – Maintaining funding for wellness centres and the employability partnership | — | — | — | — | -2.4 | — | -2.4 |
| Subtotal | — | -0.5 | -5.9 | -5.9 | -2.4 | — | -14.7 |
| Improving access to the justice system and protecting vulnerable people | | | | | | | |
| – Improving access to the justice system | | | | | | | |
| ▪ Responding to the self-representation phenomenon | — | -1.9 | -1.8 | -1.8 | -1.8 | -1.8 | -9.1 |
| ▪ Supporting access to pre-mediation and mediation in family and small-claims matters | — | -1.5 | -1.4 | -1.4 | -1.4 | -1.4 | -7.1 |
| ▪ Adding new judges at the Court of Québec | — | -1.6 | -2.3 | -2.3 | -2.3 | -2.3 | -10.8 |
| ▪ Adding resources for new judges at the Court of Québec | — | -2.6 | -3.0 | -3.0 | -3.1 | -3.1 | -14.8 |
| Subtotal | — | -7.6 | -8.5 | -8.5 | -8.6 | -8.6 | -41.8 |

TABLE G.31

**Financial impact of the measures to strengthen community action
and support communities (cont.)**
(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|--------|
| Supporting communities (cont.) | | | | | | | |
| – Protecting vulnerable people | | | | | | | |
| ▪ Intensifying search efforts in cases of missing persons and abductions | — | -2.7 | -3.7 | -3.5 | -0.1 | -0.1 | -10.1 |
| ▪ Providing a continuum of services to support police officers in psychological distress | — | -0.2 | -0.9 | -0.5 | -0.7 | -0.6 | -2.9 |
| ▪ Reinforcing the Québec strategy to combat gun violence | — | -2.0 | -1.0 | -1.0 | -1.1 | -1.1 | -6.2 |
| ▪ Better protecting vulnerable people | — | -0.5 | -1.0 | -1.0 | -1.0 | -1.0 | -4.5 |
| ▪ Improving the provision of services for incapacitated persons | — | -2.0 | -4.0 | -4.0 | -4.0 | -4.0 | -18.0 |
| Subtotal | — | -7.4 | -10.6 | -10.0 | -6.9 | -6.8 | -41.7 |
| Subtotal | — | -15.0 | -19.1 | -18.5 | -15.5 | -15.4 | -83.5 |
| Maintaining passenger transportation and supply services for communities | | | | | | | |
| – Further supporting public transit services | -96.5 | -196.5 | — | — | — | — | -293.0 |
| – Continuing support for intercity bus transportation | — | -20.0 | — | — | — | — | -20.0 |
| – Ensuring the reliability and efficiency of maritime ferry and supply services | — | -9.3 | -18.6 | -10.1 | -20.6 | -14.1 | -72.7 |
| Subtotal | -96.5 | -225.8 | -18.6 | -10.1 | -20.6 | -14.1 | -385.7 |

TABLE G.31

**Financial impact of the measures to strengthen community action
and support communities (cont.)**
(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Supporting communities (cont.) | | | | | | | |
| Implementing targeted initiatives to benefit the community | | | | | | | |
| – Promoting the use of French | | | | | | | |
| ▪ Strengthening the status of French | — | -2.1 | -3.7 | -3.7 | -3.7 | -3.7 | -16.9 |
| ▪ Government action plan on the Canadian Francophonie | — | -2.0 | -3.0 | -3.0 | — | — | -8.0 |
| Subtotal | — | -4.1 | -6.7 | -6.7 | -3.7 | -3.7 | -24.9 |
| – Reinforcing the protection of personal information and cybersecurity in the digital age | — | -1.5 | -4.2 | -4.6 | -4.6 | -4.6 | -19.5 |
| – Extending assistance to seniors with regard to their lease | — | -2.8 | -2.8 | -2.9 | -2.9 | -3.0 | -14.4 |
| – Enhancing the volunteer support program | — | -10.0 | — | — | — | — | -10.0 |
| – Promoting and supporting laicity | — | -0.5 | -1.0 | -1.0 | -1.0 | -1.0 | -4.5 |
| – Extending the 2017-2022 Government Action Plan against Homophobia and Transphobia until March 31, 2023 | — | -2.4 | — | — | — | — | -2.4 |
| – Simplifying administrative steps following a death | — | -0.1 | -0.3 | -0.3 | -0.3 | -0.3 | -1.3 |
| Subtotal | — | -21.4 | -15.0 | -15.5 | -12.5 | -12.6 | -77.0 |
| Subtotal – Supporting communities | -96.5 | -331.6 | -159.8 | -170.7 | -184.5 | -181.5 | -1 124.6 |
| TOTAL | -96.5 | -480.5 | -341.5 | -389.4 | -441.1 | -450.5 | -2 199.5 |

Section H

THE QUÉBEC ECONOMY: RECENT DEVELOPMENTS AND OUTLOOK FOR 2022 AND 2023

| | |
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SUMMARY

The global economy rebounded significantly in 2021, supported by the easing of public health restrictions and the increase in vaccination. In addition, the unprecedented budgetary and financial measures adopted by various governments provided a favourable context for economic recovery.

For its part, the Québec economy recovered impressively in 2021.

- Real gross domestic product (GDP) grew 6.3%, following a 5.5% decline in 2020.¹
- In 2021, growth was stronger in Québec than elsewhere in the country, allowing the economy to return to pre-pandemic levels more quickly than in Ontario and Canada.
- This strength has resulted in the creation of 169 400 jobs in 2021 in Québec. As a result, employment was above pre-pandemic levels last December, and many sectors of the economy had more employees than in February 2020.

Growth will continue over the next few years in most economies.

- In Québec, economic activity is expected to grow by 2.7% in 2022 and 2.0% in 2023.
- In Canada, increases of 3.8% in 2022 and 2.6% in 2023 are expected, while in the United States, increases of 3.6% and 2.4% respectively are anticipated.
- Global real GDP is expected to grow by 3.9% in 2022 and 3.6% in 2023.

TABLE H.1

Economic growth

(real GDP, percentage change)

| | 2020 | 2021 | 2022 | 2023 |
|---------------|------|------|------|------|
| Québec | -5.5 | 6.3 | 2.7 | 2.0 |
| Canada | -5.2 | 4.6 | 3.8 | 2.6 |
| United States | -3.4 | 5.7 | 3.6 | 2.4 |
| World | -3.0 | 5.8 | 3.9 | 3.6 |

Sources: Institut de la statistique du Québec, Statistics Canada, International Monetary Fund, IHS Markit, Datastream, Bloomberg, Eurostat and Ministère des Finances du Québec.

¹ The economic forecast was finalized on March 1, 2022. With the exception of the forecast, the information presented in this section is based on data available as at March 11, 2022.

Moreover, the economy will have to keep dealing with the effects of supply chain disruptions. In addition, Russia's invasion of Ukraine has already led to a significant increase in energy prices. These factors will sustain inflationary pressures in the first half of 2022.

- Price increases are stronger than forecast in the fall 2021 *Update on Québec's Economic and Financial Situation*. They affect every household, which are facing, in particular, higher prices for gasoline, rent and food.
- The measures announced since the economic and financial update will help Quebecers cope with the increase in the cost of living.

The evolution of the war in Ukraine and that of the pandemic are significant risks to the economic forecasts. However, in the case of the latter, the high vaccination rate and the continued ability of businesses and households to adapt will ensure that the economy remains resilient.

TABLE H.2

Consumer Price Index
(percentage change)

| | 2020 | 2021 | 2022 | 2023 |
|--------------------|------------|------------|------------|------------|
| Québec | 0.8 | 3.8 | 4.7 | 2.3 |
| – <i>Fall 2021</i> | 0.8 | 3.4 | 2.9 | 2.3 |
| Canada | 0.7 | 3.4 | 4.2 | 2.2 |
| – <i>Fall 2021</i> | 0.7 | 3.1 | 2.6 | 2.1 |

Sources: Statistics Canada and Ministère des Finances du Québec.

The effects of Russia's invasion of Ukraine on the economic forecasts

The invasion of Ukraine by Russia will have numerous geopolitical and economic consequences. However, it is difficult to assess the extent of these effects with certainty since the scope and duration of the conflict are unknown.

While the situation continues to evolve, the war has resulted in revisions to the economic forecast scenarios of the Ministère des Finances du Québec.

- Based on information available as at March 1, global economic growth has been revised downward by about 0.4 percentage point.
 - The effects of this conflict on the global economy are expected to be limited, since Russia and Ukraine represent a small share of the global economy (3.5% of global GDP).
 - In addition, the downward revision mainly took place in Europe.
- The war in Ukraine has pushed up the prices of energy and other commodities, which will add to the inflationary pressures already present.
 - Oil and natural gas prices will be at a higher level. In particular, the price of West Texas Intermediate (WTI) is expected to average US\$87 a barrel in 2022 compared to the US\$77 or so that was expected prior to the invasion of Ukraine.¹ Oil prices, which currently carry a significant geopolitical risk premium, are expected to start falling in the second half of 2022.
 - In addition, Ukraine and Russia are major exporters of grain, particularly wheat. Thus, the conflict will result in higher prices for some agricultural products.

Canada and Québec will also be affected by the conflict fallout, but to a lesser extent. In 2021, exports to Ukraine and Russia represented only 0.3% of Québec's total international goods exports and 0.1% of Canada's.

- Gasoline prices will remain high in the coming months. Some food prices will also be affected. For example, the Consumer Price Index (CPI) for 2022 in Québec has been revised upward by 0.3 percentage point compared to the pre-invasion forecast scenario.
- Québec is a net importer of oil. The rise in oil prices will therefore have a negative effect on its trade balance. Real term economic growth could also be slowed down somewhat by the additional cost of gasoline consumption and a less favourable environment for exports. Thus, the expected growth in real and nominal GDP has been revised downward by 0.2 percentage point compared to the pre-invasion forecast scenario.
- High crude oil prices will benefit Canada's economy, as the country is a net oil exporter. As a result, nominal GDP in Canada is expected to grow more than forecast, with an upward revision of 0.8 percentage point. Changes in real GDP remain similar to those expected in the pre-invasion forecast scenario.

¹ This forecast is similar to the average forecast of 35 analysts surveyed by Reuters on March 4, 2022 (US\$87.68 on average in 2022).

The effects of Russia's invasion of Ukraine on the economic forecasts (cont.)

The government's financial situation is based on prudent economic forecasts and a provident looking financial framework.

- The economic forecast for 2022 assumes an increase in economic activity in Québec (+2.7%), less than the average private sector forecast (+3.1%).¹
- The financial framework includes provisions for economic risks and other contingencies of \$8.5 billion, increased payments to the Generations Fund over the forecast horizon, and stable and predictable funding of the government's chief missions.
- Public finances are therefore based on solid foundations that allow Québec to cope with the uncertainties in the global economy.

Fiscal policy will need to support households, says IMF

In a statement issued on March 5, 2022, the International Monetary Fund (IMF) provided an update on the economic effects already seen from the war in Ukraine and those potentially to come.

The effects of the war on prices will be felt worldwide, especially by poor households, as food and fuel account for a higher share of their expenses.

According to the IMF:

- while the situation remains highly fluid and the outlook is subject to extraordinary uncertainty, the economic consequences are already serious;
- energy and commodity prices—including wheat and other grains—have surged, adding to inflationary pressures from supply chain disruptions and the rebound from the COVID-19 pandemic;
- fiscal policy will need to support the most vulnerable households, to help offset rising living costs;
- monetary authorities will need to carefully monitor the pass-through of rising international prices to domestic inflation, to calibrate appropriate responses;
- the sanctions on Russia will also have a substantial impact on the global economy and financial markets, with significant spillovers to other countries;
- countries that have very close economic links with Ukraine and Russia are at particular risk of scarcity and supply disruptions and are most affected by the increasing inflows of refugees.

¹ Ministère des Finances du Québec summary as at March 8, 2022, which includes the forecasts of 11 private sector institutions.

1. QUÉBEC'S PERFORMANCE IN 2021 WAS EXCEPTIONAL

1.1 Stronger-than-forecast economic recovery

After a historic decline in 2020, the global economy has recovered more strongly than expected.

- A rebound in global real GDP of 5.8% was recorded in 2021, while growth of 5.3% was expected at the time of the *Québec Budget Plan – March 2021* forecast.
- Similarly, economic activity in Canada and the United States grew more than expected.

In turn, Québec's economic growth in 2021 was remarkable. The vaccination campaign and easing of public health restrictions provided a favourable context for growth. In addition, fiscal and financial measures adopted by governments have supported households and businesses.

- Real GDP grew by 6.3% in 2021. Economic activity picked up more quickly than forecast in the *Québec Budget Plan – March 2021*, which at the time of publication was calling for a 4.2% increase.

In addition, the economic recovery was stronger in Québec than in Canada (+4.6%). In other words, Québec returned to pre-pandemic production levels more quickly than Ontario and Canada.

TABLE H.3

Economic growth

(real GDP, percentage change)

| | 2020 | 2021 |
|----------------------|-------------|------------|
| Québec | -5.5 | 6.3 |
| – <i>March 2021</i> | -5.2 | 4.2 |
| Canada | -5.2 | 4.6 |
| – <i>March 2021</i> | -5.4 | 4.4 |
| United States | -3.4 | 5.7 |
| – <i>March 2021</i> | -3.5 | 5.0 |
| World | -3.0 | 5.8 |
| – <i>March 2021</i> | -3.5 | 5.3 |

Sources: Institut de la statistique du Québec, Statistics Canada, International Monetary Fund, IHS Markit, Datastream, Eurostat and Ministère des Finances du Québec.

❑ Québec, a resilient economy

The Québec economy has rebounded faster than what was expected in March 2021. At that time, Québec was faced with the emergence of a third wave of COVID-19 and had to implement very strict public health measures to curb the spread of the disease.

- Private-sector forecasts expected the Québec economy to grow by an average of 5.1% in 2021.
- The *Québec Budget Plan – March 2021* forecast a 4.2% increase in real GDP for 2021, which turned out to be 6.3%.

The easing of pandemic uncertainties, the great capacity of Quebecers and the economy to adapt, the successful vaccination campaign and the easing of most health restrictions have led to a rapid recovery of the economy and greater-than-expected job creation.

Growth in household consumption expenditure and residential investment exceeded the March 2021 forecast.

- Generous government benefits have had a positive effect on household income. The strong job market has provided a stronger boost to wages and salaries than was expected. Lastly, the easing of public health measures allowed households to spend the savings accumulated during the pandemic.

For their part, businesses experienced a more robust than expected gain in net operating surplus. The governments' various subsidy programs and strong demand supported corporate earnings.

The remarkable performance of the Québec economy in 2021 has had a positive effect on government revenue.

TABLE H.4

Québec economic statistics for 2021 (percentage change, unless otherwise indicated)

| | March 2022 | March 2021 |
|---|--------------|--------------|
| Real GDP | 6.3 | 4.2 |
| – Household consumption | 5.9 | 5.0 |
| – Residential investment | 14.5 | 5.5 |
| – Exports | 5.2 | 3.1 |
| Nominal GDP | 11.3 | 6.0 |
| – Household consumption | 9.2 | 7.0 |
| – Wages and salaries | 9.6 | 6.0 |
| – Net operating surplus of corporations | 12.4 | 2.2 |
| Job creation (thousands) | 169.4 | 148.9 |
| Unemployment rate (per cent) | 6.1 | 6.4 |

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

1.2 The Québec economy exceeded its pre-pandemic level

Despite the various waves of COVID-19 and restrictive public health measures, the Québec economy recovered quickly.

- The recovery of economic activity in Québec in 2021 was more robust than that observed in Canada.
- The strength of the Québec economy has allowed it to return to pre-pandemic levels of production more quickly than Canada.
 - Québec was 2.3% above its pre-pandemic production level in November 2021. In Canada, production was only 0.4% higher in December than in February 2020.

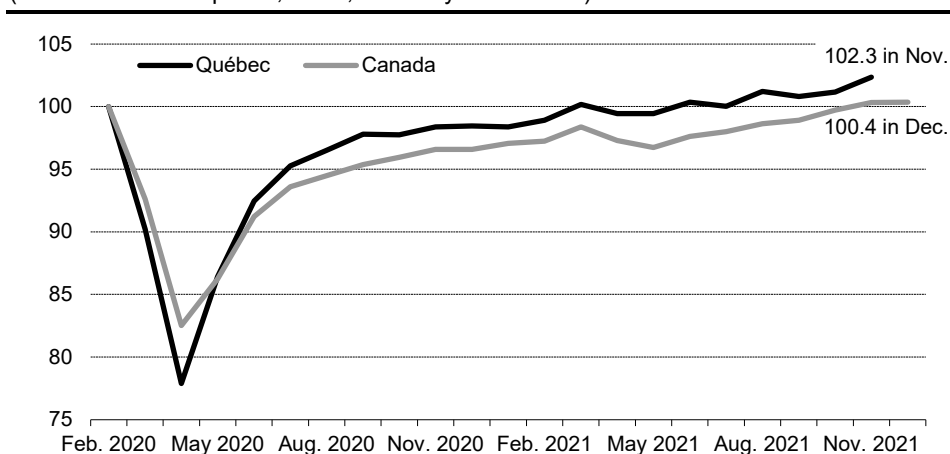
The Québec economy has successfully adapted to the pandemic context.

- The vaccination rate of the Québec population has reached very high levels, with more than 87% of the population aged five and over having received at least two doses. Moreover, the public health measures implemented in Québec over the past few quarters have been more targeted than those applied during the first wave.
- Businesses and households have adapted to the restrictions in place.
- Furthermore, the generous support programs put in place since the beginning of the pandemic have fostered the recovery of economic activity in Québec.

CHART H.1

Change in output in Québec and Canada

(real GDP at basic prices, index, February 2020 = 100)



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

❑ Slower recovery for some industries

The resilience of most industries has allowed the recovery of output for the economy as a whole.

— Last November, the level of real GDP at basic prices was 2.3% higher than in February 2020.

However, activity in some sectors is still slow to recover.

— These include the accommodation and food services industry (–12.9% between February 2020 and November 2021), as well as the transportation and warehousing (–12.8%), information, culture, and recreation (–5.2%), and other services (–4.2%) industries.

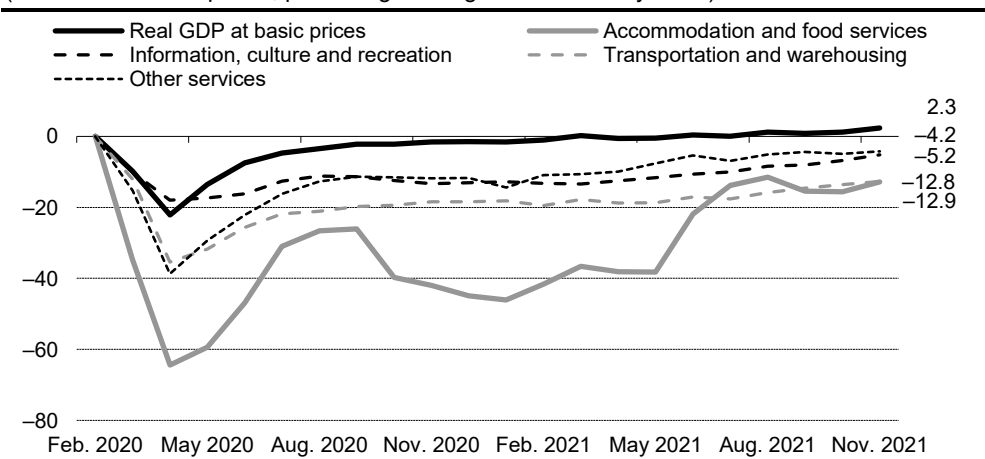
— Physical distancing measures in these industries have slowed the return of production to pre-pandemic levels.

The increase in contamination last December prompted governments to tighten public health measures. These tighter restrictions briefly slowed down activity in industries where distancing is difficult. Thereafter, the lifting of public health measures in February and March 2022 fostered the sustained recovery of activity in these industries.

CHART H.2

Change in output for selected industries in Québec

(real GDP at basic prices, percentage change from February 2020)



Note: Other services include, in particular, services provided for private households by self-employed workers relating to tasks primarily concerned with the operation of the household, personal services such as hair care and esthetic services as well as funeral services, repair and maintenance—for example, for motor vehicles—and religious activities.

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

1.3 Employment exceeds its pre-pandemic level

The labour market was strong in Québec in 2021. In December, employment had surpassed its pre-pandemic level (100.1% of the February 2020 level). The unemployment rate fell from 6.9% in December 2020 to 4.7% in December 2021.

Then, in January 2022, the increase in contamination and the subsequent tightening of health measures led to a decline of 63 000 jobs. In turn, the unemployment rate climbed to 5.4%.

The temporary decline was more than offset by the creation of 81 500 jobs in February. This rebound followed the easing of many public health restrictions. Against this backdrop, employment rose back above its pre-pandemic level (100.5%). In February, the unemployment rate stood at 4.5%, an all-time monthly low. This is also the lowest unemployment rate among the provinces.

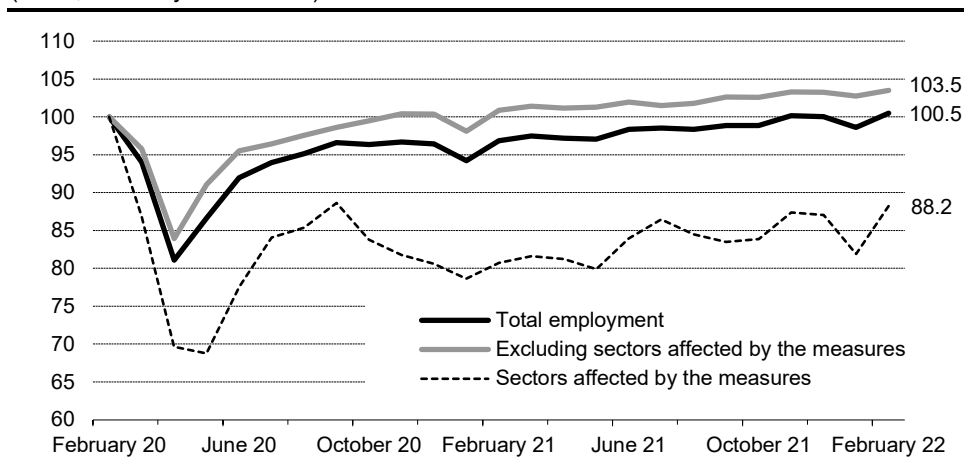
The Québec labour market is dynamic and reflects the strength of the economy. In February, excluding the sectors most affected by the public health restrictions,² employment stood at 103.5% of the level observed in February 2020.

— Additional job gains may be realized over the next few months as employment in the industries sensitive to the measures is still below its February 2020 level (88.2% of February 2020).

CHART H.3

Change in employment in Québec

(index, February 2020 = 100)



Sources: Statistics Canada and Ministère des Finances du Québec.

² These are the accommodation and food services, transportation and warehousing, information, culture and recreation, and other services industries. Other services include, in particular, services provided for private households by self-employed workers relating to tasks primarily concerned with the operation of the household, personal services such as hair care and esthetic services as well as funeral services repair and maintenance—for example, for motor vehicles—and religious activities.

The effects of the labour shortage

The Québec labour market must deal with the challenge of labour availability. Indeed, some industries are having difficulty hiring staff quickly.

- In the third quarter of 2021, there were more than 238 000 unfilled positions in Québec, 100 000 more than in the third quarter of 2019. This is an increase of 73.1% in two years.
- The vacancy rate, which is the number of vacant positions as a percentage of all vacant or occupied positions, is increasing. It rose to 6.1% in the third quarter of 2021, compared to 3.6% in the third quarter of 2019.

One of the reasons for this is the aging of the population, which has resulted in a decrease in the demographic weight of the population aged 15 to 64. This group constitutes the main pool of potential workers.

As a result, Québec has fewer workers that can fill the available positions.

- For example, in the third quarter of 2019, when the economy was booming, Québec had 1.6 unemployed individuals per vacant job.
- By the third quarter of 2021, this ratio had declined to 1.1 unemployed individuals.

In the coming months, employers will continue to face recruitment challenges as economic activity continues to grow. Nevertheless, the effects of the labour shortage can be mitigated by an increase in the labour force participation rate, by the graduation and training of the workforce, and by productivity gains by businesses.

Change in the number of vacancies and unemployed individuals in Québec

(number of vacancies and unemployed individuals in units, vacancy rate in per cent)

| | 3rd quarter of 2021 | 3rd quarter of 2019 | Difference |
|--|------------------------|------------------------|-------------|
| Number of vacant jobs | 238 050 | 137 530 | +100 520 |
| Vacancy rate ⁽¹⁾ | 6.1 | 3.6 | +2.5 |
| Number of unemployed individuals | 265 300 | 221 900 | +43 400 |
| NUMBER OF UNEMPLOYED INDIVIDUALS PER VACANT JOB | 1.1 | 1.6 | -0.5 |

Note: Data are not seasonally adjusted. It is recommended to compare them with those of the same quarter of the previous year. However, Statistics Canada did not conduct its survey in the second and third quarters of 2020 due to the pandemic.

(1) Number of vacancies as a percentage of all jobs, either occupied or vacant.

Sources: Statistics Canada and Ministère des Finances du Québec.

1.4 A significant reduction in the standard of living gap with Ontario since 2019

From 2015 to 2018, Québec's average annual growth in living standards was lower than Ontario's. This trend reversed in 2019.

- From 2019 to 2022, Quebecers' standard of living is expected to grow by an average of 0.6% annually, while Ontarians' standard of living is expected to remain stable (0.0%).
- In comparison, growth in living standards averaged 1.3% annually in Québec and 1.4% in Ontario from 2015 to 2018.

TABLE H.5

Changes in standard of living

(real GDP per capita, annual percentage change and difference in percentage points)

| | From 2015 to 2018 | 2018 | 2019 | 2020 | From 2021 to 2022 | From 2019 to 2022 |
|-------------------|----------------------|-------------|-------------|-------------|---------------------------|----------------------|
| Québec | 1.3 | 1.7 | 1.6 | -6.3 | 3.8 | 0.6 |
| Ontario | 1.4 | 1.7 | 0.4 | -6.4 | 3.2 | 0.0 |
| DIFFERENCE | — | 16.4 | 15.1 | 15.0 | 13.6⁽¹⁾ | — |

Note: Ontario's real GDP growth for 2021 and 2022 is the average of nine private sector institutions' forecasts as at March 11, 2022. Ontario's population growth in 2022 is the Canadian population growth rate excluding Québec, as forecast by the Ministère des Finances du Québec.

(1) Gap in the standard of living in 2022.

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

One of the reasons for the significant gains in Québec's standard of living since 2019 is the strong performance of its economy.

- In 2019, Québec's economy was operating at full capacity. Then the pandemic hit the Québec and Ontario economies equally hard. In 2020, real GDP fell by 5.5% in Québec and 5.1% in Ontario.
- However, the recovery was stronger in Québec. Real GDP increased by 6.3% in Québec in 2021 compared to 4.2% in Ontario.
 - Unlike Ontario, Québec has quickly caught up to its pre-pandemic level of output.
 - Ontario's economy was slowed in 2021 by the global shortage of microchips, which affected the automobile industry. As a result, the recovery phase of the Ontario economy will continue into 2022.

The strong performance of the economy has allowed Québec to make historic gains in terms of the living standard gap.

- The gap in favour of Ontario has fallen from 16.4% in 2018 to 13.6% in 2022, a reduction of 2.8 percentage points.

❑ Continuing efforts to increase Québec's economic potential

The government has set itself the objective of creating wealth and increasing Québec's economic potential over the long term. It is by acting on the determinants of growth that this objective will be achieved.

- Because of its aging population, Québec cannot count on the contribution of its pool of potential workers to increase the size of its economy.
- To ensure sustained growth, Québec must therefore count on the participation of all its workers.
 - At 60.1% on average in 2021, the employment rate is below the peak reached in 2019 (61.5%).
 - The job creation expected in the coming quarters should result in a significant increase in the employment rate (+1.7% on average per year in 2022 and 2023).
- The increase in economic potential also depends on productivity gains, as defined by real GDP per job.
 - The recovery of the economy has resulted in a significant rebound in productivity of 2.1% in 2021. This growth is expected to continue in 2022 and 2023, although at a more moderate pace.

Against a backdrop of aging demographics and labour shortage, productivity gains offer the greatest potential for improvement to support economic growth and rising living standards.

TABLE H.6

Contribution of economic growth factors in Québec

(average annual percentage change and contribution in percentage points)

| | 2009-2018 | 2019 | 2020 | 2021 | 2022-2023 | 2024-2025 |
|---|------------|------------|-------------|------------|------------|------------|
| Real GDP | 1.5 | 2.8 | -5.5 | 6.3 | 2.4 | 1.5 |
| Growth factors (contribution) | | | | | | |
| Potential labour pool ⁽¹⁾ | 0.2 | 0.4 | -0.1 | -0.2 | 0.1 | 0.1 |
| Employment rate ⁽²⁾ | 0.7 | 1.6 | -4.8 | 4.4 | 1.7 | 0.4 |
| Productivity ⁽³⁾ | 0.7 | 0.7 | -0.7 | 2.1 | 0.5 | 0.9 |
| STANDARD OF LIVING⁽⁴⁾ | 0.7 | 1.6 | -6.3 | 6.0 | 1.4 | 0.8 |

Note: Totals may not add due to rounding.

(1) Population aged 15 to 64.

(2) The employment rate corresponds to the total number of workers in proportion to the population aged 15 to 64.

(3) Productivity as measured by real GDP per job.

(4) Standard of living as measured by real GDP per capita.

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

2. QUÉBEC'S ECONOMIC SITUATION IN 2022 AND 2023

2.1 The Québec economy will remain dynamic

The Québec economy has made an impressive recovery in 2021. After a historic decline of 5.5% in 2020, real GDP grew by 6.3% in 2021. Growth in Québec has been more sustained than in the rest of the country.

— The strong recovery allowed the Québec economy to return to pre-pandemic levels by June 2021, well ahead of Ontario and Canada.

This dynamism will continue over the next few years. Real GDP increases of 2.7% in 2022 and 2.0% in 2023 are expected.

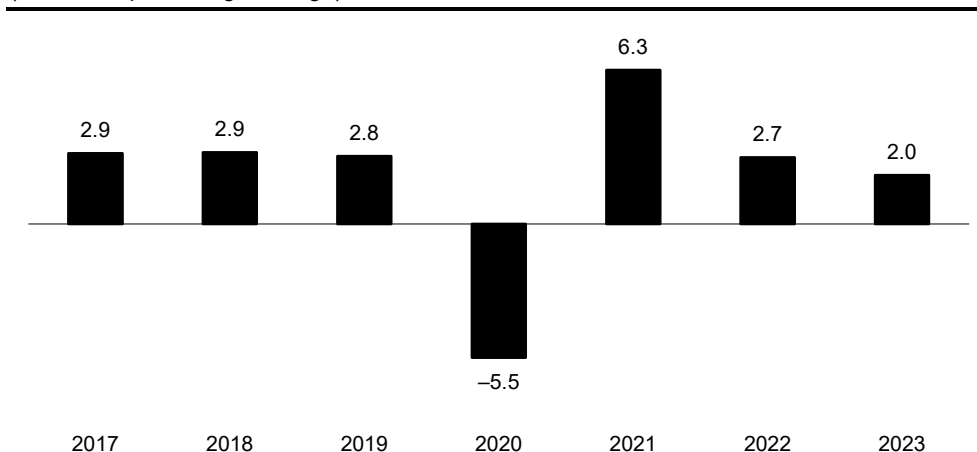
— With the recovery period having been completed quickly in 2021, the economy will evolve closer to its potential over the next few years.

— The resurgence of contamination in early 2022 will cause a slight slowdown in economic growth in January. However, the lifting of restrictions in February and March 2022 will encourage a sustained recovery in economic activity.

— The high vaccination rate and the continued ability of businesses and households to adapt will allow the economy to be resilient in the event of new waves of contamination.

CHART H.4

Economic growth in Québec (real GDP, percentage change)



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

2.2 Domestic demand remains the main driver of growth

Domestic demand will remain a strong support for economic activity.

- Consumers will continue to play a key role in growth. The enviable financial position of households, the disbursement of some of their accumulated savings and the reduction of uncertainty related to the pandemic will support their spending. Moreover, wage increases and the measures announced to offset the rising cost of living will help to lessen the impact of price increases.
- After peaking in 2021, activity in the residential sector will remain strong. However, rising interest rates and high housing prices will restrict housing affordability.
- Non-residential business investment growth will accelerate. In particular, pressures on production capacity combined with the labour shortage will prompt businesses to implement their investment projects. These investments will help raise their productivity.
- Governments will continue to support economic activity.

Exports will benefit from sustained external demand, particularly from continued economic growth in the United States. Imports will be supported by strong domestic demand. However, disruptions in production chains will continue to weigh on the external sector in the coming quarters. In addition, Russia's invasion of Ukraine could limit global trade.

TABLE H.7

Real GDP and its major components in Québec (percentage change and contribution in percentage points)

| | Change | | | Contribution | | |
|-------------------------------------|------------|------------|------------|--------------|-------------|------------|
| | 2021 | 2022 | 2023 | 2021 | 2022 | 2023 |
| Domestic demand | 5.6 | 3.3 | 1.6 | 5.9 | 3.4 | 1.7 |
| Household consumption | 5.9 | 5.7 | 1.9 | 3.5 | 3.4 | 1.1 |
| Residential investment | 14.5 | -4.5 | -2.2 | 1.1 | -0.4 | -0.2 |
| Non-residential business investment | -2.1 | 4.2 | 6.5 | -0.2 | 0.3 | 0.5 |
| Government spending and investment | 5.3 | 1.1 | 1.0 | 1.5 | 0.3 | 0.3 |
| External sector | — | — | — | -1.1 | -1.2 | 0.2 |
| Exports | 5.2 | 3.9 | 4.4 | 2.4 | 1.7 | 2.0 |
| Imports | 7.1 | 6.0 | 3.5 | -3.4 | -3.0 | -1.8 |
| Inventories | — | — | — | 1.4 | 0.4 | 0.0 |
| REAL GDP | 6.3 | 2.7 | 2.0 | 6.3 | 2.7 | 2.0 |

Note: Totals may not add due to rounding.

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

2.3 Job creation will continue

After a historic annual increase of 169 400 jobs in 2021, job creation will continue in the coming years.

- More specifically, 98 400 jobs will be created in 2022 and 59 400 jobs in 2023, which represents increases of 2.3% and 1.4%, respectively.
- Job creation will be driven by economic growth.
- In addition, the lifting of most public health restrictions will result in significant job gains in the industries that were hit the hardest by the pandemic.

The strong demand for labour will result in a decline in the unemployment rate, which is expected to fall from an average of 6.1% in 2021 to 5.0% in 2022 and 4.7% in 2023.

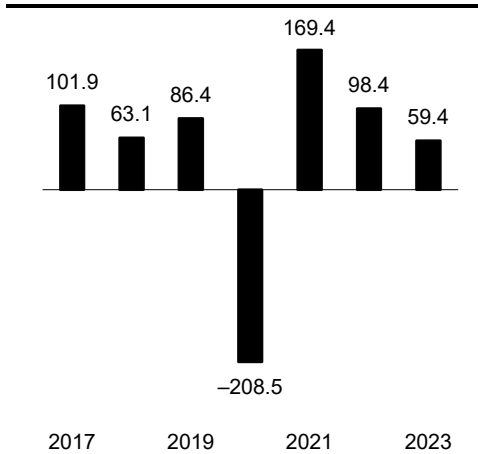
Moreover, the labour shortage will slow the pace of hiring in the coming years.

- Despite this positive outlook, the aging of the population is limiting the growth of the labour force and increasing pressures on the labour market and production.

CHART H.5

Job creation in Québec

(average annual data in thousands)

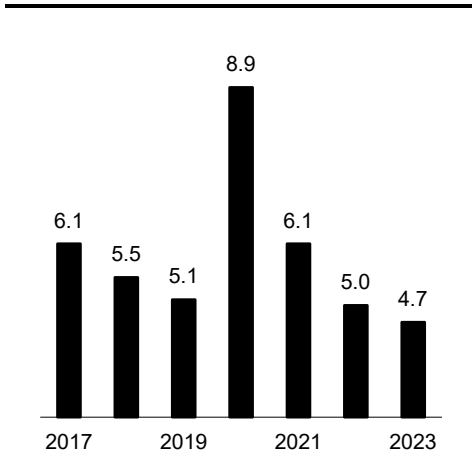


Sources: Statistics Canada and Ministère des Finances du Québec.

CHART H.6

Unemployment rate in Québec

(average annual data in per cent)



Sources: Statistics Canada and Ministère des Finances du Québec.

**More than 50 000 jobs expected to be created
between December 2021 and December 2022**

The labour market has been strong in Québec over the past year.

- 156 900 jobs were created between December 2020 and December 2021.
- At the same time, the unemployment rate decreased from 6.9% in December 2020 to 4.7% in December 2021.

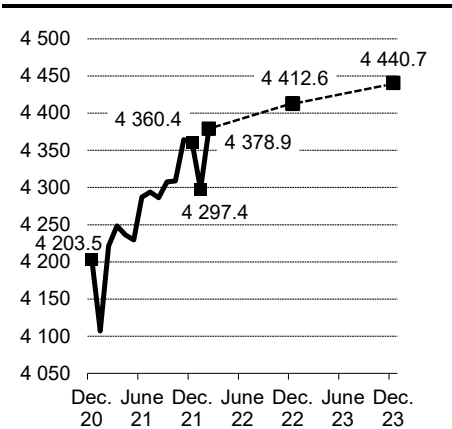
In the coming months, continued economic growth will result in strong demand for workers. However, the labour shortage will slow hiring growth.

- As a result, 52 200 jobs are expected to be created between December 2021 and December 2022, then 28 100 jobs between December 2022 and December 2023.

Resumed immigration will increase the size of the labour force, which should help keep the unemployment rate near current levels.

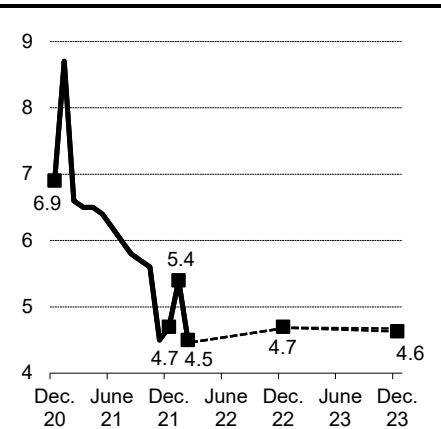
- The unemployment rate is expected to remain relatively stable at 4.7% in December 2022 and 4.6% in December 2023.

**Change in employment
in Québec**
(thousands)



Sources: Statistics Canada and Ministère des
Finances du Québec.

**Change in the unemployment rate
in Québec**
(per cent)



Sources: Statistics Canada and Ministère des
Finances du Québec.

2.4 Household consumption plays a central role in economic activity

Household consumption expenditure will again be at the heart of economic growth. It will grow by 5.7% in 2022 and 1.9% in 2023 in real terms, following a solid increase in 2021 (+5.9%).

- Reduced uncertainty related to the pandemic and the continued recovery of the service sector will support spending.
- However, changing prices, particularly for gasoline, as well as rising interest rates will put pressure on purchasing volumes. Nevertheless, the measures announced to offset the rising cost of living will mitigate the effects of inflation on Quebecers' wallets.

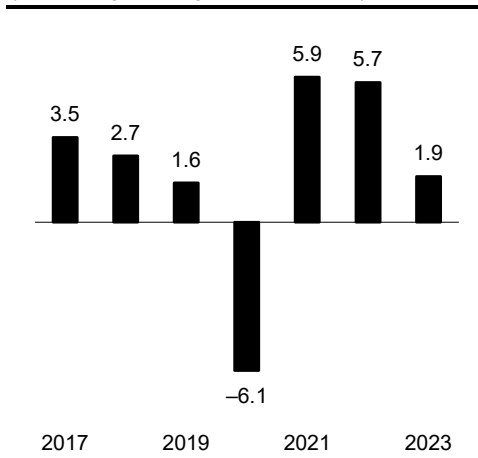
In addition, Québec households are benefiting from a favourable financial situation.

- Savings accumulated since the beginning of the pandemic will finance part of their new expenses. As a result, the savings rate will decline from 16.0% in 2021 to 12.1% in 2022 and 8.8% in 2023. In addition, wages and salaries will jump by 8.1% in 2022 and 3.3% in 2023, supported by a strong labour market and a shortage of labour.
- Quebecers' debt ratio (146.2% in 2020), that is, the value of household liabilities as a proportion of disposable income, is significantly lower than in Canada (178.8%) and Ontario (189.4%). Therefore, the potential effects of rising interest rates on Quebecers' wallets will be less significant than in the rest of Canada.

CHART H.7

Household consumption expenditure in Québec

(percentage change, in real terms)

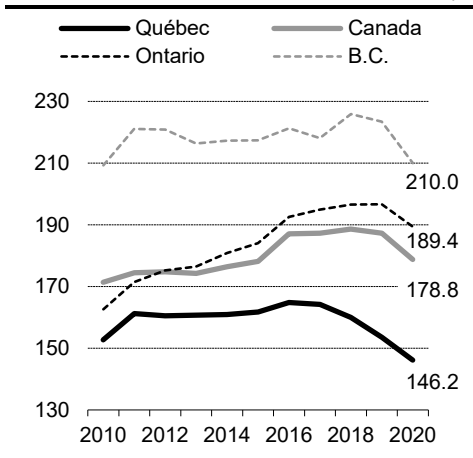


Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART H.8

Household indebtedness ratio

(total value of liabilities divided by household disposable income, in per cent)



Sources: Statistics Canada and Ministère des Finances du Québec.

2.5 Despite a slowdown, housing market activity remains strong

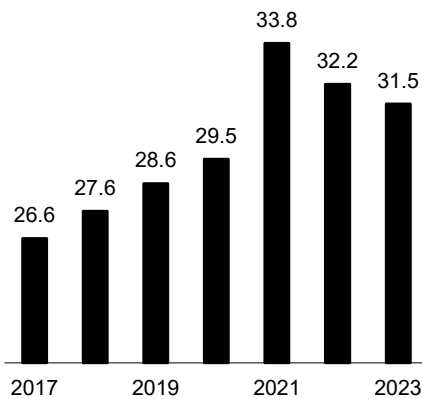
In 2021, residential investment jumped 14.5% in real terms to a record \$33.8 billion.

After this record year, residential investment is expected to decline by 4.5% in 2022 and 2.2% in 2023. Despite this decline, the level of investment will remain high from a historical perspective.

- Households are expected to redirect some of their spending away from housing. In addition, the decline in affordability due to rising house prices, rising mortgage interest rates and stricter mortgage rules will help to moderate this market.
- However, the sector should experience a soft landing. The inventory of unsold new properties is extremely low, which will support residential construction. In addition, favourable household finances, a strong labour market and a pickup in immigration will continue to support housing demand.
- Consequently, housing starts will reach 58 500 units in 2022 and 52 700 units in 2023, a level higher than the average for the 10 years prior to the pandemic, which is 44 200 units. In 2021, housing starts were up 25.7% and reached 68 000 units, the highest level since 1987.

CHART H.9

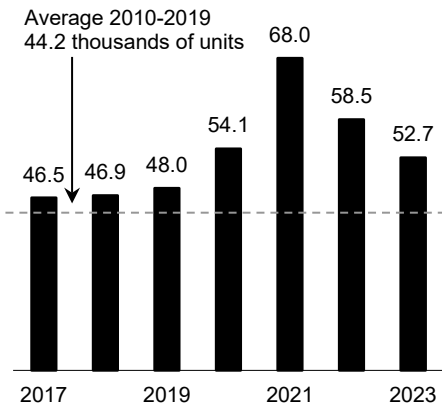
Residential investments in Québec
(billions of chained 2012 dollars)



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

CHART H.10

Housing starts in Québec
(thousands of units)



Sources: Canada Mortgage and Housing Corporation and Ministère des Finances du Québec.

Tight conditions in the real estate market

In 2021, Québec's housing market reached record highs

The real estate sector surprised by its strength in 2021.

- Housing starts were up 25.7% to 68 000 units, the highest level since 1987 (74 200 units). The number of resale market transactions was 110 400 units, surpassing the 110 000 transactions mark for the second year in a row.

Residential investment peaked, rising 14.5% in real terms in 2021. For this period, spending on both new residential construction and renovations peaked while homeownership transfer costs remained high after peaking in 2020.

An imbalance between supply and demand that puts pressure on prices

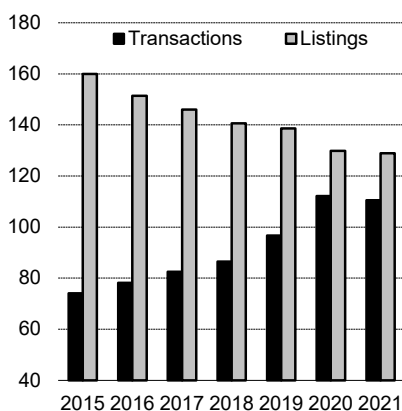
Since the start of the pandemic, demand for housing has risen sharply in Québec. Teleworking and the lockdown have changed the housing needs of many households. In addition, low interest rates and the accumulation of savings resulting from increased government transfers and reduced consumption have supported housing demand.

However, the supply was insufficient to absorb such a surge in demand.

- New listings of properties for sale fell 0.7% in 2021. This was the seventh consecutive annual decline.

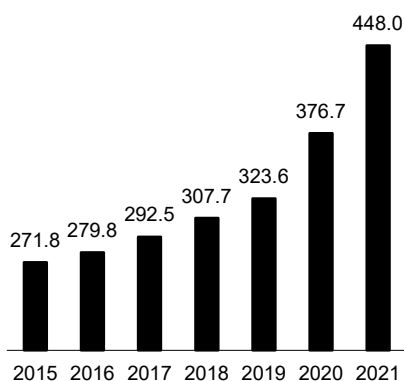
The imbalance between supply and demand has put pressure on housing costs. As a result, average prices for properties on the resale market jumped 18.9% in 2021, to \$448 000. This was the highest annual increase ever recorded. Nonetheless, housing on the resale market remain much more affordable in Québec than in Ontario (\$871 800 in 2021).

Transactions and new listings on Québec's resale market
(thousands of units)



Source: Haver Analytics.

Average home resale price in Québec
(thousands of dollars)



Source: Haver Analytics.

Tight conditions in the real estate market (cont.)

The momentum has slowed in recent months

After peaking in early 2021, housing demand has moderated in recent months.

- In January 2021, there were the equivalent of 118 800 housing units started at an annualized rate, a record. Since then, housing starts declined to 79 200 units in January 2022. Resale market transactions are also on a downward trend.

Several factors account for the moderation in housing demand.

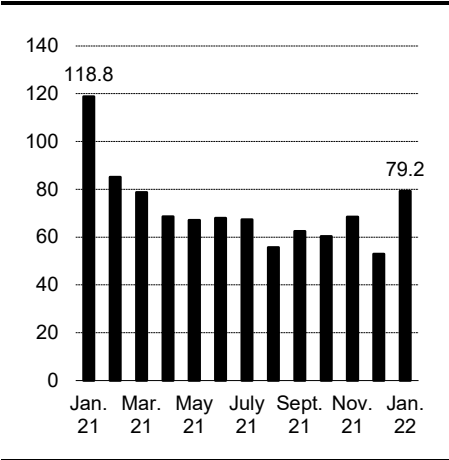
- Properties have become less affordable and mortgage interest rates started to rise slightly. In addition, rising material prices have contributed to dampening enthusiasm for potential new homebuyers.
- Moreover, as of June 1, 2021, buyers are subject to a new federal rule that limits their borrowing ability.
- Lastly, the gradual recovery of activities, including recreation activities, has reduced the share of the household budget allocated to housing.

The supply of properties on the market has been slow to recover. However, the recent boom in new residential construction will increase the number of homes available on the market.

Therefore, over the next few quarters, the real estate market should gradually return to balance, which will limit price increases.

Change in housing starts in Québec

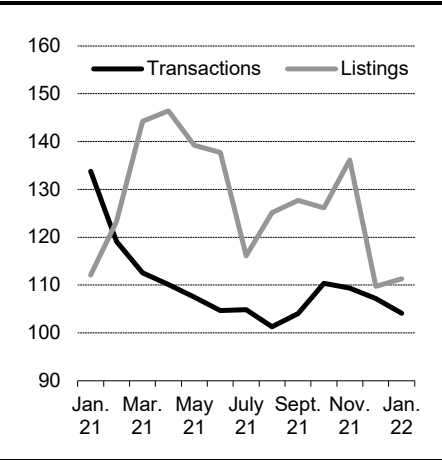
(thousands of units, annualized rate)



Source: Canada Housing and Mortgage Corporation.

Transactions and new listings on the resale market in Québec

(thousands of units, annualized rate)



Source: Haver Analytics.

Foreign buyers still have little presence in Québec

In 2020 and 2021, lower immigration and restrictions on international travellers to Québec have limited home purchases by foreign buyers.

- The share of real estate transactions by foreign buyers¹ has declined since its peak in 2018. In January 2022, it averaged 0.9% of real estate transactions in Québec and 2.8% on the island of Montréal.
- In 2018, this share stood at 1.1% and 3.4% respectively.

Moreover, the share of transactions made in Québec by buyers from the rest of Canada has continued to grow in recent quarters, but it remains low.

- For Québec as a whole, it rose from 2.3% in 2018 to 3.8% in January 2022. On the island of Montréal, it reached 4.1% in January 2022 compared to 3.1% in 2018.

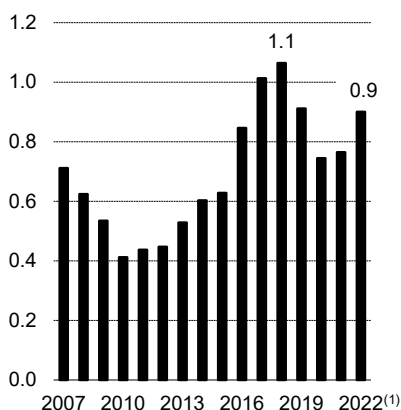
As a result, for both Québec as a whole and the island of Montréal, the vast majority of real estate transactions are carried out by Québec buyers.

- In January 2022, 95.3% of all real estate transactions in Québec and 93.1% on the island of Montréal were carried out by Québec buyers.

Although the proportion of foreign buyers has decreased since 2018, the government will continue to keep a close watch on developments in the Québec real estate market.

Real estate transactions by foreign buyers in Québec

(percentage of total transactions in Québec)

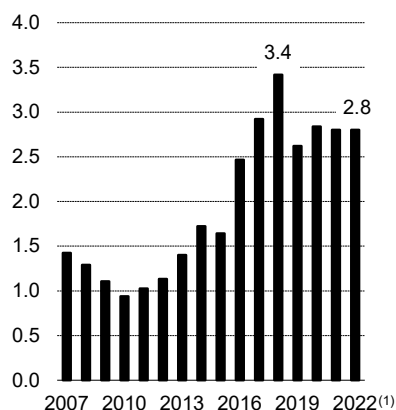


(1) This is the average of the months available in 2022.

Sources: JLR solutions foncières and Ministère des Finances du Québec.

Real estate transactions by foreign buyers on the island of Montréal

(percentage of total transactions on the island of Montréal)



(1) This is the average of the months available in 2022.

Sources: JLR solutions foncières and Ministère des Finances du Québec.

¹ Buyers who had a residential address outside of Canada at the time of the real estate transaction. This information, which appears in the deed, does not indicate the buyer's status under the *Immigration and Refugee Protection Act*.

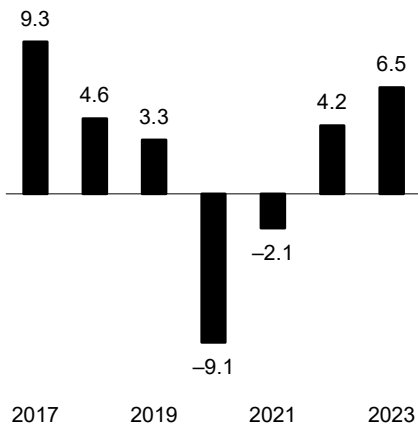
2.6 Non-residential investment back on the growth path

Non-residential business investment is expected to grow by 4.2% in 2022 and 6.5% in 2023. Several factors are currently in place to support a rebound in non-residential business investment.

- The tax measures implemented by the Québec government since the fall of 2018 significantly reduce the cost of investment. For example, the marginal effective tax rate (METR) for new investments in Québec has been reduced from 14.7% in 2017 to 7.4% in 2021.
- Rising demand will put pressure on production capacity, which should support investment in machinery and equipment and non-residential construction.
- The labour shortage could encourage entrepreneurs to invest in machinery and equipment in order to increase their productivity and automate production.
- Credit conditions remain favourable despite the expected increase in interest rates.
- The transition to a low-carbon economy will have a positive impact on business spending.
- The digital shift in the economy will boost business spending on intellectual property products.

CHART H.11

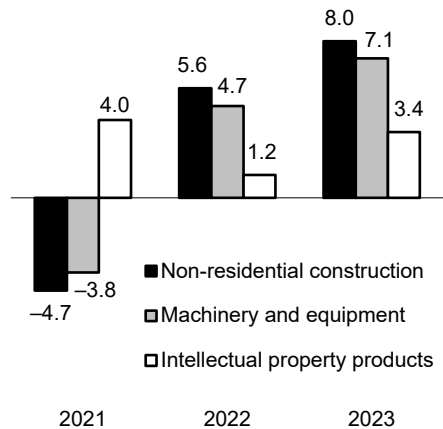
Non-residential business investment in Québec
(percentage change, in real terms)



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

CHART H.12

Components of non-residential business investment in Québec
(percentage change, in real terms)



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

Québec is among the leaders in terms of investment intentions in 2022

The most recent Statistics Canada Capital and Repair Expenditures Survey (CAPEX) confirms that businesses and governments intend to increase their investments in Québec in 2022.¹

The value of total non-residential investment in Québec is expected to reach \$53.1 billion in 2022, an increase of 11.8% (+10.1% in 2021).

- This places Québec second among Canadian provinces in terms of growth in investment intentions.

In Canada, the value of total non-residential investment is expected to reach \$298.2 billion in 2022, an increase of 8.6% (+10.4% in 2021).

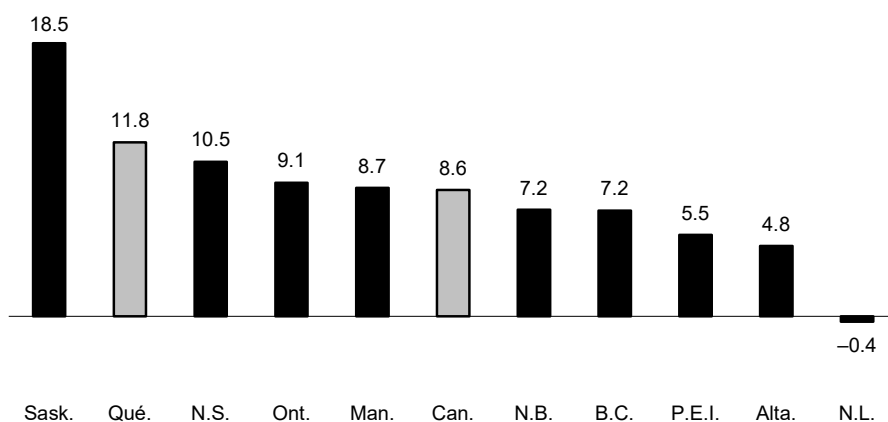
Saskatchewan (+18.5%), Québec (+11.8%) and Nova Scotia (+10.5%) show the largest increases.

According to the survey, the main investment categories will be on the rise in Québec in 2022, as:

- investment in non-residential construction is expected to increase by 13.9% to \$34.4 billion;
- investment in machinery and equipment is expected to increase by 8.1% to \$18.7 billion.

Total non-residential investment by province, outlook for 2022

(percentage change, in nominal terms)



Source: Statistics Canada.

¹ The statistics from the Capital and Repair Expenditures Survey for 2021 represent preliminary estimates. For 2022, they are investment intentions.

2.7 Governments continue to stimulate the economy

Following strong growth of 11.8% in 2021, the value of government investment is expected to increase by 9.7% in 2022 and 4.2% in 2023. It is expected to reach \$25.3 billion in nominal terms in 2023.

— Governments are an important driver of economic growth. The value of government investment as a proportion of GDP was 4.4% in Québec in 2020, compared to 3.7% in Ontario.

In particular, investments in the *2022-2032 Québec Infrastructure Plan* (QIP) are reaching record levels. This plan makes it possible to rehabilitate infrastructure in a state of asset maintenance deficit and to add new ones.

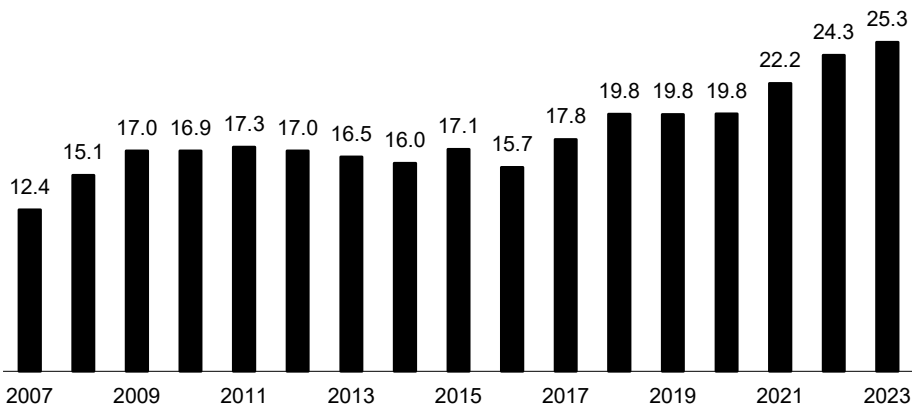
— The QIP amounts to \$142.5 billion over a 10-year period.

— These investments provide significant support to the economy. In particular, they make it possible to provide the population with modern, quality infrastructure.

In addition, the federal government's Investing in Canada infrastructure program and the high levels of investment planned in Québec's major municipalities, including Montréal, Québec and Laval, will also support the growth in investments.

CHART H.13

Government investments in Québec (billions of dollars, in nominal terms)



Note: Government investments include investments by the Québec government, the federal government, local public administrations and Aboriginal public administrations.

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

2.8 Strong foreign demand fuels export growth

Continued bottlenecks in supply chains will weigh on the external sector's growth in the coming quarters. Despite these challenges, the outlook for the sector remains positive.

- Exports will increase by 3.9% in 2022 and 4.4% in 2023.
 - The strength of foreign demand, particularly from the United States, will contribute to the increase in exports.
 - Québec will also benefit from a recovery in tourism activities, which will fuel growth in international service exports.
- Imports will grow by 6.0% in 2022 and 3.5% in 2023.

In 2022, imports are expected to grow faster than exports for the second year in a row.

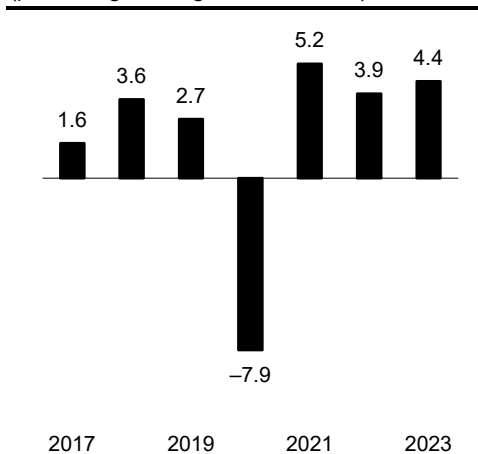
- This reflects strong growth in Québec's domestic demand, particularly household consumption. In addition, imports will be stimulated by a strong rebound in travel spending by Quebecers.

Moreover, the rise in oil prices will have a significant detrimental effect on Québec's trade balance, as it imports all the oil it consumes.

CHART H.14

Québec exports

(percentage change, in real terms)

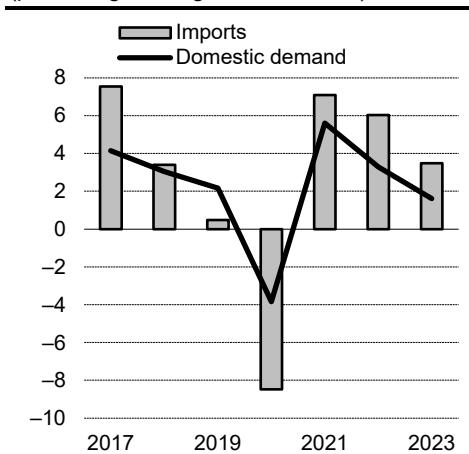


Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART H.15

Québec imports and domestic demand

(percentage change, in real terms)



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

2.9 Inflationary pressures continue into early 2022

In 2021, price pressures increased, and the CPI rose 3.8%. The Consumer Price Index (CPI) is expected to rise 4.7% in 2022 and 2.3% in 2023. Excluding food and energy, two volatile components of the index, prices are expected to rise 4.1% and 2.5% in 2022 and 2023, respectively.

Various factors will contribute to keeping prices high in the first half of 2022, including:

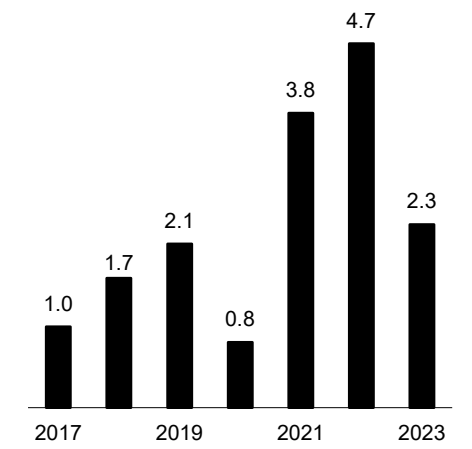
- the synchronized recovery of economic activity and the war in Ukraine, which have caused commodity prices, especially energy prices, to soar;
- distortions amplified by the pandemic, which have affected supply chains, and bottlenecks in the transportation of goods, which are driving up production costs;
- strong labour market performance and the labour shortage, which are driving up wages and salaries;
- the imbalance between housing supply and demand, which puts pressure on housing prices.

In the first half of 2022, CPI inflation is expected to remain above the upper end of the Bank of Canada's 1% to 3% inflation-control range. It is expected to return closer to the 2% target during 2023 as the base effects of the reopening of the economy disappear and supply chain disruptions are resolved.

CHART H.16

CPI in Québec

(percentage change)

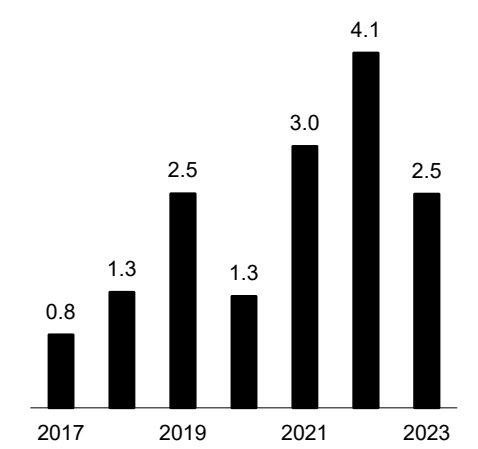


Sources: Statistics Canada and Ministère des Finances du Québec.

CHART H.17

CPI excluding food and energy in Québec

(percentage change)



Sources: Statistics Canada and Ministère des Finances du Québec.

2.10 A sustained increase in nominal GDP

Nominal GDP will increase by 6.4% in 2022 and 3.5% in 2023, following a jump of 11.3% in 2021. These increases are due to continued economic growth in real terms and an increase in the GDP deflator, which measures changes in output prices.

The deflator is determined by two factors:

- domestic demand prices, of which the CPI is an important indicator;
- the terms of trade, which can be measured by the ratio of export prices to import prices.

In 2022, the change in the GDP deflator will be slowed by the change in the terms of trade.

- CPI growth is expected to accelerate to 4.7%. On the other hand, the rise in import prices, particularly oil prices, will lead to a deterioration in the terms of trade (–2.0%). On net, GDP prices are expected to grow by 3.6%.

The government's main tax bases will show increases.

- Growth in wages and salaries (+8.1% in 2022 and +3.3% in 2023) will be supported by a strong labour market and the labour shortage.
- Nominal consumption will jump by 9.7% in 2022 and 3.9% in 2023, supported by rising consumer prices, the disbursement of some accumulated savings, and strong wage growth.
- However, net operating surplus of corporations will decline in 2022 and 2023, following impressive gains of 14.5% in 2020 and 12.4% in 2021. The end of various business subsidy programs and higher oil prices and wages will limit corporate profits.

TABLE H.8

Nominal GDP in Québec (percentage change)

| | 2021 | 2022 | 2023 |
|----------------------|-------------|------------|------------|
| Real GDP | 6.3 | 2.7 | 2.0 |
| Price – GDP deflator | 4.7 | 3.6 | 1.4 |
| – CPI | 3.8 | 4.7 | 2.3 |
| – Terms of trade | 1.8 | –2.0 | 0.1 |
| NOMINAL GDP | 11.3 | 6.4 | 3.5 |

Note: Totals may not add due to rounding.

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

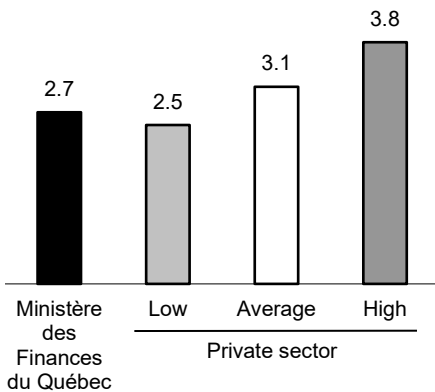
2.11 Comparison with private sector forecasts

In 2022, the Ministère des Finances du Québec forecasts that the increase in economic activity (+2.7%) will be lower than that anticipated on average by private sector forecasters (+3.1%).

In 2023, the Ministère des Finances du Québec estimates an increase in economic activity (+2.0%) that is lower than the average expected by private sector forecasters (+2.5%).

CHART H.18

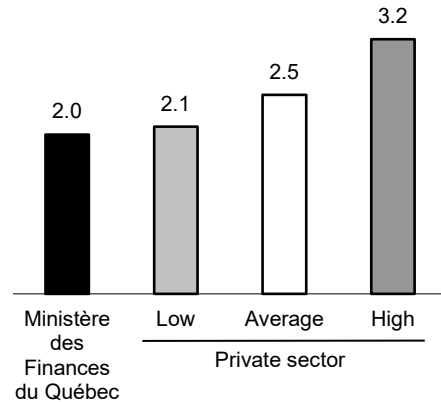
Economic growth in 2022 in Québec
(real GDP, percentage change)



Source: Ministère des Finances du Québec summary as at March 8, 2022, which includes the forecasts of 11 private sector institutions.

CHART H.19

Economic growth in 2023 in Québec
(real GDP, percentage change)



Source: Ministère des Finances du Québec summary as at March 8, 2022, which includes the forecasts of 11 private sector institutions.

TABLE H.9

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

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | Average 2022-2026 |
|----------------------------------|------|------|------|------|------|------|----------------------|
| Real GDP | | | | | | | |
| Ministère des Finances du Québec | 6.3 | 2.7 | 2.0 | 1.5 | 1.5 | 1.5 | 1.8 |
| Private sector average | 6.2 | 3.1 | 2.5 | 1.7 | 1.5 | 1.6 | 2.1 |
| Nominal GDP | | | | | | | |
| Ministère des Finances du Québec | 11.3 | 6.4 | 3.5 | 3.4 | 3.4 | 3.4 | 4.0 |
| Private sector average | 11.7 | 6.2 | 4.3 | 3.7 | 3.5 | 3.5 | 4.2 |

Note: Totals may not add due to rounding.

Source: Ministère des Finances du Québec summary as at March 8, 2022, which includes the forecasts of 11 private sector institutions.

TABLE H.10

Economic outlook in Québec

(annual average, percentage change, unless otherwise indicated)

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|--------|-------|-------|-------|-------|-------|-------|
| Output | | | | | | | |
| Real GDP | -5.5 | 6.3 | 2.7 | 2.0 | 1.5 | 1.5 | 1.5 |
| Nominal GDP | -2.4 | 11.3 | 6.4 | 3.5 | 3.4 | 3.4 | 3.4 |
| Nominal GDP (billions of dollars) | 449.1 | 500.0 | 532.2 | 550.7 | 569.6 | 588.8 | 608.5 |
| Components of GDP (in real terms) | | | | | | | |
| Final domestic demand | -3.8 | 5.6 | 3.3 | 1.6 | 1.4 | 1.3 | 1.2 |
| – Household consumption | -6.1 | 5.9 | 5.7 | 1.9 | 1.5 | 1.5 | 1.5 |
| – Government spending and investment | 0.4 | 5.3 | 1.1 | 1.0 | 1.1 | 0.9 | 0.7 |
| – Residential investment | 3.1 | 14.5 | -4.5 | -2.2 | 0.1 | 0.3 | 0.2 |
| – Non-residential business investment | -9.1 | -2.1 | 4.2 | 6.5 | 2.7 | 2.5 | 2.2 |
| Exports | -7.9 | 5.2 | 3.9 | 4.4 | 3.2 | 2.5 | 2.0 |
| Imports | -8.5 | 7.1 | 6.0 | 3.5 | 2.8 | 2.1 | 1.5 |
| Labour market | | | | | | | |
| Population (thousands) | 8 578 | 8 604 | 8 687 | 8 763 | 8 830 | 8 891 | 8 942 |
| Population aged 15 and over (thousands) | 7 054 | 7 099 | 7 157 | 7 234 | 7 303 | 7 365 | 7 419 |
| Jobs (thousands) | 4 100 | 4 269 | 4 367 | 4 427 | 4 453 | 4 477 | 4 498 |
| Job creation (thousands) | -208.5 | 169.4 | 98.4 | 59.4 | 26.6 | 23.4 | 21.6 |
| Unemployment rate (per cent) | 8.9 | 6.1 | 5.0 | 4.7 | 4.5 | 4.4 | 4.3 |
| Other economic indicators (in nominal terms) | | | | | | | |
| Household consumption | -5.5 | 9.2 | 9.7 | 3.9 | 3.1 | 3.2 | 3.1 |
| – Excluding food expenditures and shelter | -9.8 | 11.2 | 12.0 | 3.9 | 3.1 | 3.1 | 3.0 |
| Housing starts (thousands of units) | 54.1 | 68.0 | 58.5 | 52.7 | 49.9 | 48.3 | 46.7 |
| Residential investment | 9.5 | 30.0 | 0.6 | -0.1 | 2.3 | 2.5 | 2.4 |
| Non-residential business investment | -7.8 | 0.7 | 8.1 | 8.9 | 4.3 | 4.3 | 4.2 |
| Wages and salaries | 0.2 | 9.6 | 8.1 | 3.3 | 2.9 | 3.2 | 3.1 |
| Household income | 5.8 | 6.0 | 6.0 | 1.6 | 3.1 | 3.5 | 3.3 |
| Net operating surplus of corporations | 14.5 | 12.4 | -6.4 | -3.1 | 5.6 | 3.0 | 3.7 |
| Consumer Price Index | 0.8 | 3.8 | 4.7 | 2.3 | 1.9 | 2.0 | 2.0 |
| – Excluding food and energy | 1.3 | 3.0 | 4.1 | 2.5 | 2.0 | 1.9 | 1.8 |

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

3. THE SITUATION OF QUÉBEC'S MAIN ECONOMIC PARTNERS

After a significant rebound in 2021, global economic growth will continue in 2022 and 2023, but at a more moderate pace. Most economies will lift their public health restrictions and pressures on supply chains should ease in the coming quarters. However, the war in Ukraine and the evolution of the pandemic are significant risks to the economic outlook.

3.1 The economic situation in Canada

❑ A full economic recovery

Canada's real GDP grew by 4.6% in 2021. However, the recovery in economic activity was less robust than in Québec (+6.3%).

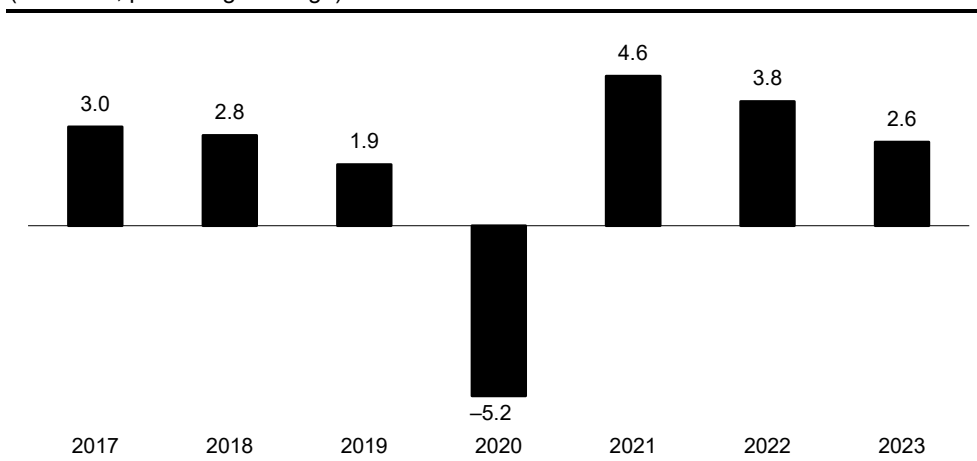
— The rebound in real GDP in Canada has been held back by natural disasters in British Columbia. In addition, the global shortage of microchips forced the temporary closure of some automobile manufacturing plants in Ontario.

As a result, the recovery period will continue, as real GDP is expected to grow by 3.8% in 2022 and 2.6% in 2023.

— The significant improvement in labour market conditions and strong consumer spending will support sustained economic growth. In addition, high oil, grain and fertilizer prices will benefit the Canadian economy, as Canada is a net exporter of these products.

CHART H.20

Economic growth in Canada (real GDP, percentage change)



Sources: Statistics Canada and Ministère des Finances du Québec.

❑ Increased economic activity supported by domestic demand

In 2022 and 2023, the recovery in oil prices and continued growth in each of the provinces will support growth in economic activity in Canada.

- Consumer spending will continue to be the main driver of real GDP growth. The gradual lifting of public health measures, the disbursement of accumulated savings and strong employment will continue to support household consumption and residential investment.
- However, the housing boom will gradually fade as affordability deteriorates and mortgage rates rise.
- Non-residential business investment is expected to recover in both the energy and non-energy sectors.
- Total public spending will continue to support the economy.
- Improved pipeline transportation capacity, a gradual recovery in automobile production and strong foreign demand will boost export growth.

TABLE H.11

Real GDP and its major components in Canada (percentage change and contribution in percentage points)

| | Change | | | Contribution | | |
|-------------------------------------|------------|------------|------------|--------------|------------|-------------|
| | 2021 | 2022 | 2023 | 2021 | 2022 | 2023 |
| Domestic demand | 5.5 | 3.2 | 2.5 | 5.6 | 3.2 | 2.5 |
| Household consumption | 5.2 | 5.3 | 3.2 | 2.8 | 3.0 | 1.8 |
| Residential investment | 15.4 | -6.5 | -2.2 | 1.3 | -0.5 | -0.2 |
| Non-residential business investment | 1.9 | 6.4 | 6.2 | 0.2 | 0.6 | 0.6 |
| Government spending and investment | 4.8 | 1.2 | 1.1 | 1.3 | 0.3 | 0.3 |
| External sector | — | — | — | -1.8 | 0.2 | -0.2 |
| Exports | 1.4 | 4.5 | 4.0 | 0.4 | 1.3 | 1.2 |
| Imports | 7.4 | 3.6 | 4.4 | -2.2 | -1.1 | -1.4 |
| Inventories | — | — | — | 0.7 | 0.4 | 0.2 |
| REAL GDP | 4.6 | 3.8 | 2.6 | 4.6 | 3.8 | 2.6 |

Note: Totals may not add due to rounding.

Sources: Statistics Canada and Ministère des Finances du Québec.

■ Households are ready to spend

Consumer spending is expected to grow by 5.3% in 2022 and 3.2% in 2023, after increasing by 5.2% in 2021.

- The gradual lifting of public health measures and a robust labour market will support household consumption growth.
- Households will also continue to spend the savings accumulated since the beginning of the pandemic. As a result, the household savings rate will fall from an average of 10.9% in 2021 to 6.9% in 2022 and 4.9% in 2023.

However, inflationary pressures will dampen the increase in consumer spending in real terms.

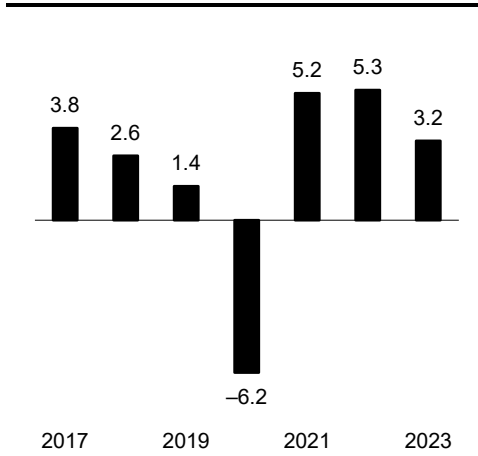
■ Residential investment declines after a record year

After record growth of 15.4% in 2021, residential investment is expected to decline by 6.5% in 2022 and 2.2% in 2023. Despite these declines, investment levels will remain high.

- Low borrowing costs, increased demand exacerbated by the pandemic, and strong growth in household disposable income have contributed to this surge in investment.
- However, the expected increase in mortgage interest rates and high housing prices will dampen demand for housing in the coming years, despite the recovery in immigration.

CHART H.21

Household consumption expenditure in Canada (percentage change, in real terms)

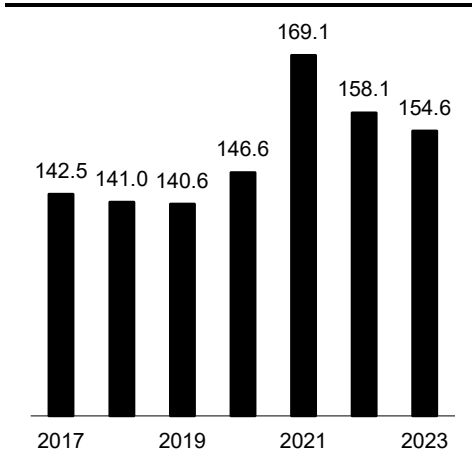


Sources: Statistics Canada and Ministère des Finances du Québec.

CHART H.22

Residential investment in Canada

(billions of chained 2012 dollars)



Sources: Statistics Canada and Ministère des Finances du Québec.

■ Recovery in non-residential investment

Non-residential business investment will gradually recover. It will grow by 6.4% in 2022 and 6.2% in 2023.

- Increasing pressure on production capacity, improved business confidence, and growing difficulty in retaining workers account for the rebound in investment in the non-energy sectors.
- In the energy sectors, increased oil and gas production linked to higher energy prices will support the start of investment projects. In addition, the willingness of producers to reduce greenhouse gas emissions from their operations should support investment.

■ Trade flows will normalize

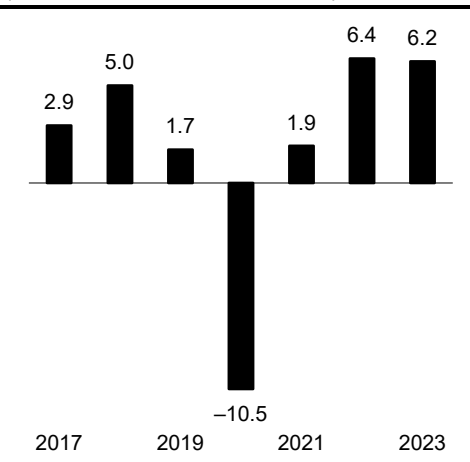
Despite continued problems in supply chains in the first half of 2022, exports are expected to increase by 4.5% in 2022 and 4.0% in 2023.

- The rebound in exports is mainly due to strong external demand, particularly from the United States.
- In addition, the opening of new oil pipelines should support the increase in exports over the next few years.

Import growth will slow in 2022 as domestic demand moderates.

CHART H.23

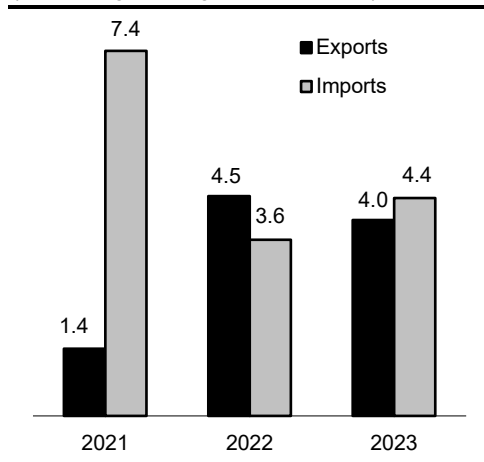
Non-residential business investment in Canada (billions of chained 2012 dollars)



Sources: Statistics Canada and Ministère des Finances du Québec.

CHART H.24

Exports and imports in Canada (percentage change, in real terms)



Sources: Statistics Canada and Ministère des Finances du Québec.

3.2 The economic situation in the United States

❑ U.S. economic growth will slow down

Economic growth in the United States rose to 5.7% in 2021, the highest level since 1984. As a result, the U.S. economy returned to its pre-pandemic level in the second quarter of 2021. However, economic growth is expected to slow to a more sustainable pace in the coming years, as real GDP increases of 3.6% and 2.4% are expected in 2022 and 2023, respectively.

The U.S. economy will face several headwinds over the next two years, which will limit real GDP growth. In particular:

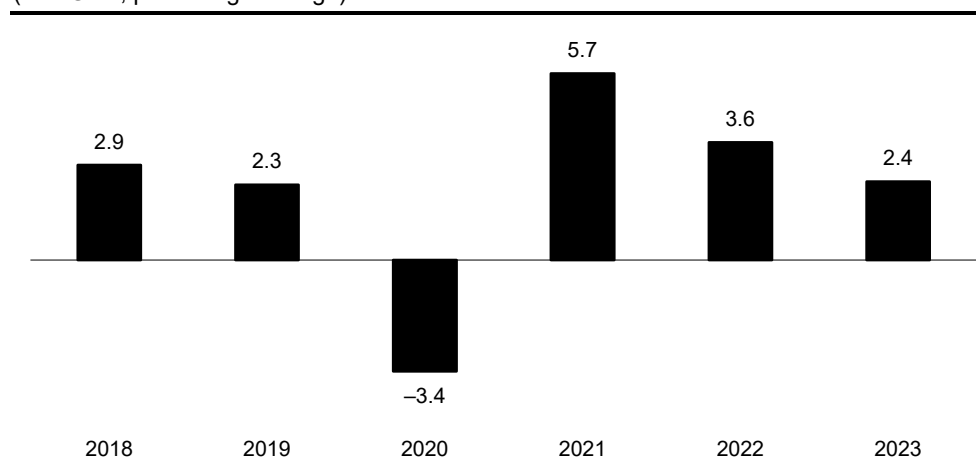
- high inflation, which reached a more than 40-year high in February 2022, will prompt the Federal Reserve to move up the normalization of its policy rate in 2022, when four increases are expected;
- the positive impulse of fiscal policy will fade as the income support measures adopted in the stimulus packages expired;
- the Omicron outbreak is expected to cause economic growth to slow temporarily in the first quarter of 2022 as U.S. consumers exercise caution due to the high transmissibility of the variant.

The pace of real GDP expansion will also be constrained by robust import growth, which will benefit from business restocking and easing tensions in supply lines in the coming quarters.

Moreover, the economic outlook in the United States remains uncertain. It will depend, in particular, on the evolution of the epidemiological situation and the speed at which inflationary pressures moderate.

CHART H.25

Economic growth in the United States
(real GDP, percentage change)



Sources: IHS Markit and Ministère des Finances du Québec.

❑ A moderation in consumer spending and residential investment

Following a 7.9% increase in 2021, household consumption expenditures are expected to moderate and grow by 3.4% in 2022 and 2.5% in 2023. Spending will be limited by:

- the erosion of consumer purchasing power caused by high inflation, especially for food and energy, which will reduce the share of consumers' budget available for discretionary spending;
- the decline in federal government transfer revenues as the stimulus packages expired.

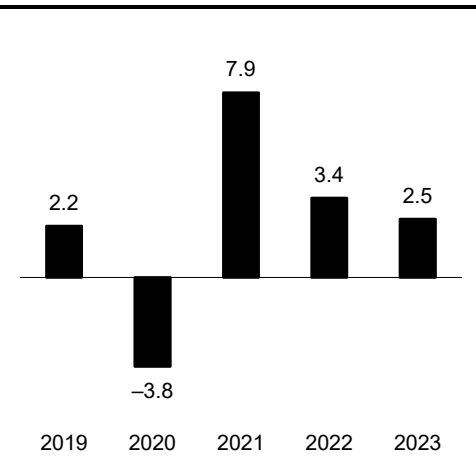
However, strong wage growth, supported by a tight labour market, and significant savings accumulated during the pandemic should help mitigate these negative effects.

At the same time, residential investment is expected to stagnate in 2022 and then grow by 1.6% in 2023, following a strong year in 2021 (+9.1%).

- Expected increases in interest rates in the coming quarters, combined with robust growth in house prices in 2021, will further reduce affordability in the residential sector, in a context where inventories of houses for sale are at an all-time low.
- However, low inventories in the resale market should support residential construction over the next two years.

CHART H.26

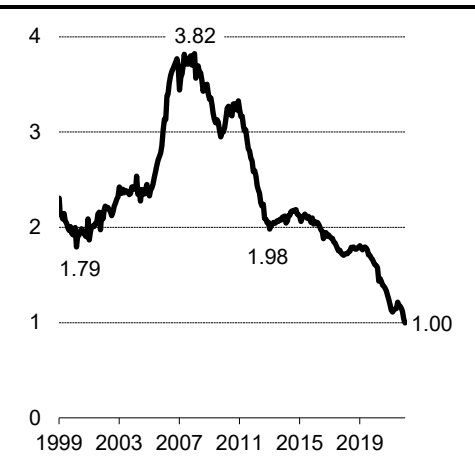
Consumption expenditure in the United States
(percentage change, in real terms)



Sources: IHS Markit and Ministère des Finances du Québec.

CHART H.27

Inventory of existing houses for sale in the United States
(millions of units)



Sources: IHS Markit and Ministère des Finances du Québec.

❑ Business investment and restocking will boost imports

After growing by 7.4% in 2021, business investment is expected to grow by 4.5% in 2022 and 4.2% in 2023. It will be supported mainly by:

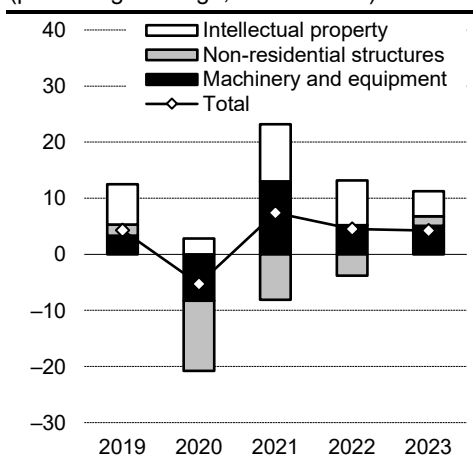
- investment in machinery and equipment, which will be accompanied by significant restocking by businesses as tensions on supply chains ease over the course of 2022;
- energy investments, which will benefit from high oil and natural gas prices;
- intellectual property investments, as the pandemic has helped drive the digital shift.

Increased business investment and restocking should translate into robust import growth. Imports are expected to grow by 6.8% in 2022 and 3.6% in 2023, whereas exports are expected to grow by 6.2% and 4.9% over the same period.

- The external sector is expected to reduce real GDP growth by 0.3 percentage point in 2022. The contribution of net exports is then expected to be zero in 2023.

CHART H.28

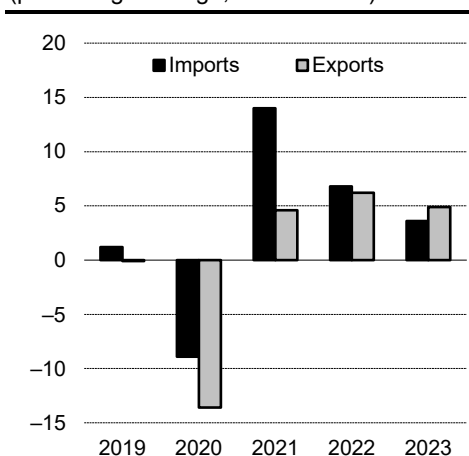
Non-residential business investment in the United States (percentage change, in real terms)



Sources: IHS Markit and Ministère des Finances du Québec.

CHART H.29

Imports and exports in the United States (percentage change, in real terms)



Sources: IHS Markit and Ministère des Finances du Québec.

❑ Labour market recovery continues

The labour market in the United States continued to recover in 2021, as 3.9 million jobs were added on an annual average basis (+2.8%), following the 8.7-million drop in 2020 (−5.8%).

- In February 2022, the number of jobs remained below its pre-pandemic level by 2.1 million, or 98.6% of the level in February 2020.
- The unemployment rate, meanwhile, has been steadily declining in recent months, reaching 3.8% in February 2022, a level close to that of February 2020 (3.5%).

Despite this progress, the recovery in employment has been slower in the United States than in other advanced economies, including Canada and Québec. This is due to the fact that many individuals left the labour market prematurely in the United States.

- As a result, the participation rate remains well below the level of February 2020. It stood at 62.3% in February 2022, compared to 63.4% in February 2020. However, an increase in the labour force is expected over the next few years.

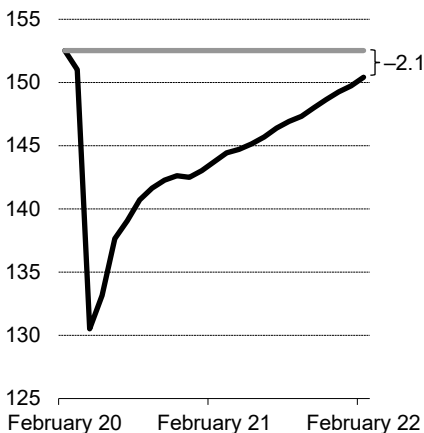
The shrinking pool of available workers has resulted in a significant tightening of the labour market in the United States. The number of unemployed persons per vacant position reached 0.6 in January 2022, a historic low.

Against this background, employment is expected to grow by 5.1 million in 2022 and 2.2 million in 2023. The unemployment rate is expected to be 3.7% in 2022 and 3.5% in 2023 (5.4% in 2021).

CHART H.30

Number of jobs in the United States

(millions)

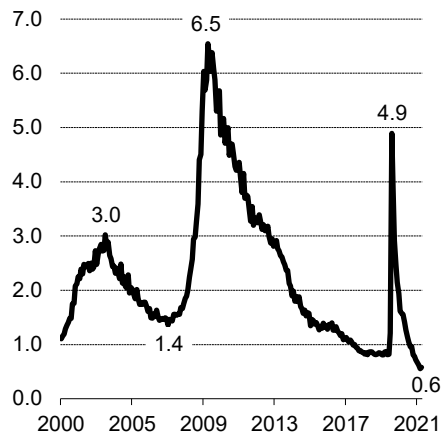


Source: IHS Markit.

CHART H.31

Ratio of unemployed individuals to vacant positions in the United States

(units)



Sources: IHS Markit and Ministère des Finances du Québec.

The recovery of the U.S. labour market limited by a shrinking labour pool

The labour force participation rate in the United States has been slowly recovering since the end of the first wave of COVID-19, in the spring of 2020, despite a strong labour market with vacancies near historic highs.

The labour force participation rate stood at 61.8% in the fourth quarter of 2021, 1.4 percentage points below the pre-pandemic level in the fourth quarter of 2019 (63.2%).

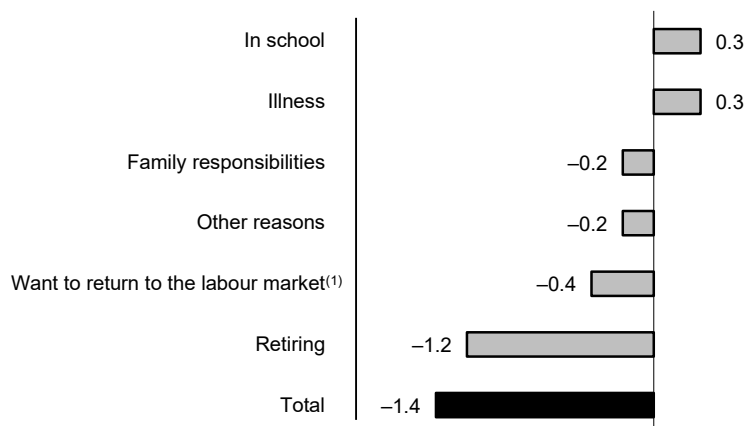
- This stems from the fact that several individuals left the labour force during the pandemic, resulting in a 1.5% decrease in the labour force during this period. Decreases were observed in all major age groups, with the largest decrease among individuals aged 55 and over (–2.0%).

Several factors help explain the decline in the available labour pool in the United States. According to the Federal Reserve Bank of Atlanta, the main reason is the accelerating pace of retirements.

- The Federal Reserve Bank of Atlanta estimates that in the fourth quarter of 2021, 1.8 million individuals had retired prematurely compared to the historical trend.

To a lesser extent, concerns about COVID-19, the fulfillment of family responsibilities, and rising household wealth are other factors that have contributed to the decline in the labour force participation rate relative to its pre-pandemic level.

Contribution to the change in the U.S. labour force participation rate (percentage points)



Note: Contribution to the decline in the labour force participation rate between the fourth quarter of 2019 and the fourth quarter of 2021.

(1) This category represents individuals who are not in the labour force, but who want to find a job.

Source: Federal Reserve Bank of Atlanta.

4. THE GLOBAL ECONOMIC SITUATION

□ Global growth continues at a moderate pace

The global economy experienced the largest post-recession recovery in 80 years in 2021, according to the World Bank. The recovery has been supported by, among other things, vaccination and the easing of public health measures, favorable financial conditions, and substantial fiscal support.

Global economic growth is expected to slow from 5.8% in 2021 to 3.9% in 2022 and 3.6% in 2023, remaining high despite some moderation.

— This is due to continued growth in the major advanced economies, including the United States and the euro area, as well as in emerging and developing economies, particularly China.

— The easing of restrictions on the mobility of people and of supply chain pressures will support growth.

However, some factors are expected to affect the global economic outlook.

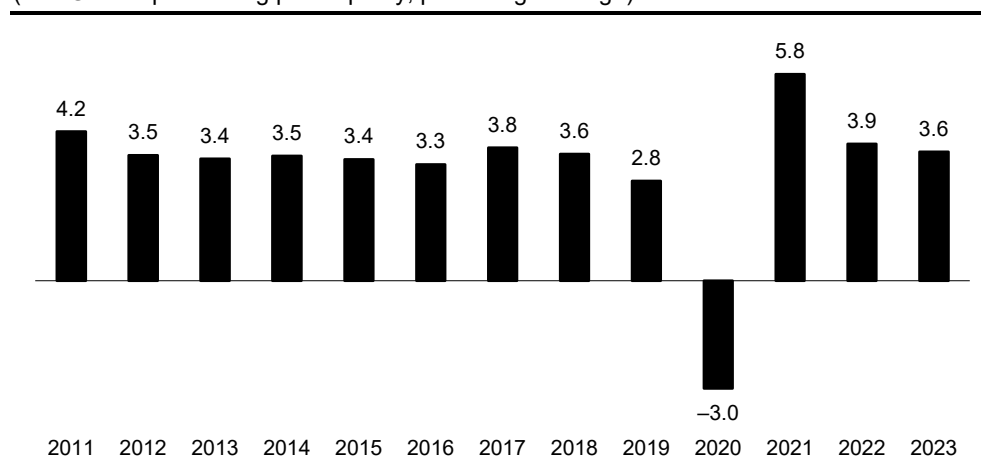
— These include the withdrawal of fiscal stimulus, the tightening of monetary policy in some countries to counter the sharp rise in inflation, as well as Ukraine's invasion by Russia.

— Other factors include a possible transition from the COVID-19 pandemic to the endemic phase of the disease and the transition to a low-carbon economy.

CHART H.32

Global economic growth

(real GDP in purchasing power parity, percentage change)



Sources: International Monetary Fund, IHS Markit, Datastream, Bloomberg, Eurostat and Ministère des Finances du Québec.

TABLE H.12

Outlook for global economic growth
(real GDP, percentage change)

| | Weight ⁽¹⁾ | 2021 | 2022 | 2023 |
|--|-----------------------|------------|------------|------------|
| World⁽²⁾ | 100.0 | 5.8 | 3.9 | 3.6 |
| Advanced economies⁽²⁾ | 42.4 | 5.1 | 3.4 | 2.3 |
| Québec | 0.3 | 6.3 | 2.7 | 2.0 |
| Canada | 1.4 | 4.6 | 3.8 | 2.6 |
| United States | 15.8 | 5.7 | 3.6 | 2.4 |
| Euro area | 12.1 | 5.4 | 3.0 | 2.3 |
| – Germany | 3.4 | 2.9 | 2.7 | 2.3 |
| – France | 2.3 | 7.0 | 3.2 | 1.9 |
| – Italy | 1.9 | 6.6 | 3.2 | 1.9 |
| United Kingdom | 2.3 | 7.5 | 3.9 | 1.8 |
| Japan | 4.0 | 1.6 | 3.0 | 1.4 |
| Emerging and developing economies⁽²⁾ | 57.6 | 6.3 | 4.2 | 4.6 |
| China | 18.3 | 8.1 | 5.0 | 5.1 |
| India ⁽³⁾ | 6.8 | 8.9 | 7.7 | 6.4 |

(1) Weight in global GDP in 2020.

(2) Data based on purchasing power parity.

(3) For the financial year (April 1 to March 31).

Sources: Institut de la statistique du Québec, Statistics Canada, International Monetary Fund, IHS Markit, Datastream, Bloomberg, Eurostat and Ministère des Finances du Québec.

❑ Russia's invasion of Ukraine and its effect on the global economy

Russia's decision to invade Ukraine on February 24 and the resulting economic sanctions have led to turbulence in international financial markets, which may continue. It could also limit the outlook for global economic growth.

However, the effect of this conflict is expected to be quite limited for global economic growth due to the fact that Russia and Ukraine represent a small share of the global economy (3.5% of global GDP).

■ An increase in inflation and commodity prices

The world economy, and especially the European economy, will be affected by the conflict fallout, in particular through an increase in inflation. This is because:

- Russia is the world's third largest producer of oil (about 12% of production) and the second largest producer of natural gas (about 17%);
- Almost 40% of the European Union's natural gas needs and 25% of its oil needs are met by Russia.

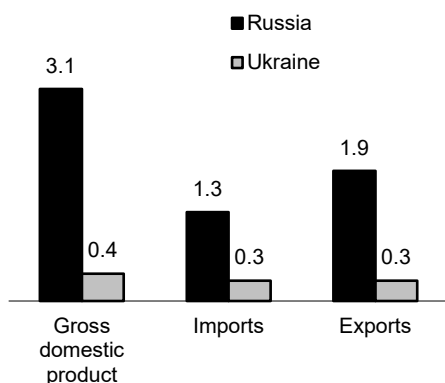
Moreover, the combined share of Russian and Ukrainian wheat exports is nearly 30% of the world's total wheat exports. Russia is also a major producer of fertilizers, including potash (second only to Canada, with approximatively 18% of global production).

- Russia also produces industrial metals, such as aluminum and nickel, which are important for the industrial sector, including the automobile industry.

Disruptions in the supply of these products could further increase food and commodity prices.

CHART H.33

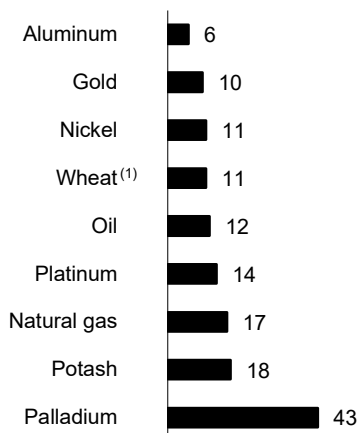
Weight of Russia and Ukraine in world GDP and merchandise trade (per cent, 2020)



Sources: International Monetary Fund, World Trade Organization and Ministère des Finances du Québec.

CHART H.34

Russia's share of world production of selected commodities (per cent, 2020)



(1) This is the period from July 2020 to June 2021.
Sources: USGS, U.S. Department of Agriculture and BP.

❑ **The pandemic remains an issue for a third year**

The pandemic is an issue for the global economy for a third consecutive year. The discovery of the Omicron variant in November 2021 was followed by a sharp increase in transmission cases of COVID-19, as this variant is more contagious than the Delta variant.

- By early January 2022, new weekly transmission cases reported worldwide had increased sharply from previous weeks, and the Omicron variant had quickly become dominant.

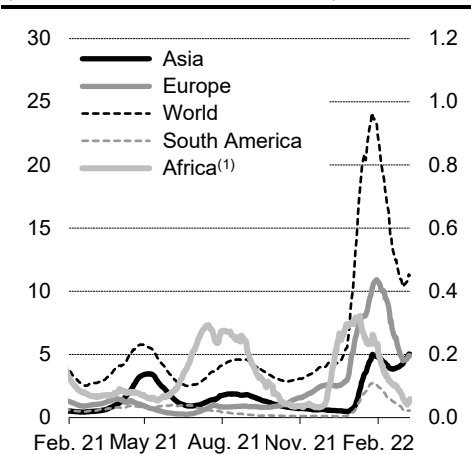
After the discovery of Omicron, some governments tightened their public health restrictions and closed their borders again.

- The measures impacted economic activity as well as consumers' and businesses' confidence in the last quarter of 2021 and early 2022, in an environment already characterized by a sharp rise in inflation and supply chain tensions.
- Among other things, in January 2022, the global composite purchasing managers' index hit a low since July 2020, signaling moderate growth in manufacturing activity, but especially in the services sector.
- In addition, the World Trade Organization's Goods Trade Barometer of December indicates a loss of momentum in trade, following a significant rebound last year.

However, the economic impacts have been more moderate than in 2020 and the continued lockdown lifting process that began in late January 2022 should help support economic activity.

CHART H.35

Confirmed new weekly cases (millions, as at March 10, 2022)

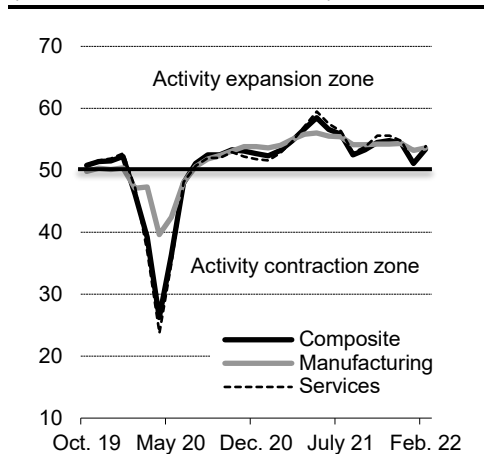


(1) Data are shown on the right axis.

Sources: Our World in Data and Ministère des Finances du Québec.

CHART H.36

Global purchasing managers' index (index, 50+ = expansion zone)



Source: Bloomberg.

A movement to ease public health restrictions

The Omicron variant, being more contagious, caused a very high number of COVID-19 transmission cases in late 2021 and early 2022 and led several countries to tighten their public health measures. Nevertheless, some governments announced in early 2022 an easing of public health restrictions. For example:

- England and Denmark lifted most public health measures such as face masks and vaccine passports as of January 27 and February 1, respectively;
- Germany, France, Belgium, Spain, Sweden and Norway, among others, announced in February the lifting of some measures;
- several countries, including Australia and Japan, have recently announced relaxations in the conditions of access to their borders.

These countries justify the lifting of measures by a high vaccination rate, a certain immunity due to a high number of COVID-19 cases in recent months, and the lesser degree of severity of the Omicron variant.

The acute phase of the pandemic could end in 2022, according to the WHO

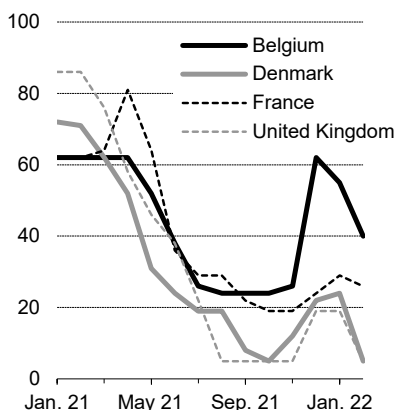
Dr. Tedros Adhanom Ghebreyesus, Director General of the World Health Organization (WHO), said in late January that if countries work together, it will be possible to end, in 2022, the acute phase of the pandemic as a global health emergency, the WHO's highest alert level.

- To achieve this, the goal of vaccinating 70% of each country's population by mid-2022 by accelerating vaccination in low-income countries remains important.

However, according to experts, the risk of a new variant remains very real given the wide circulation of the virus. Therefore, new public health measures may again be required at some point. However, these measures should be more targeted than at the beginning of the public health crisis.

Containment indexes

(index, 0 indicating no restrictions and 100 indicating tight restrictions)

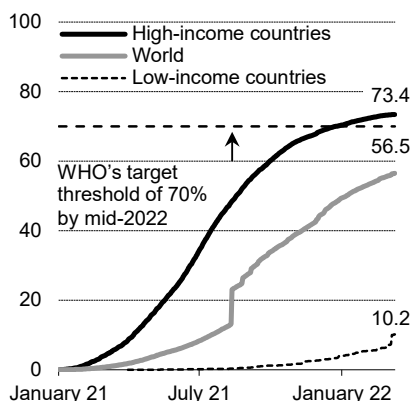


Note: Data cover the period January 2021 to March 2022.

Source: IHS Markit.

Vaccination rate

(percentage of population vaccinated according to the original vaccination protocol⁽¹⁾)



(1) This is two doses for most vaccines, and one or three doses for some manufacturers.

Source: Our World in Data.

❑ Widespread economic growth

In advanced economies, real GDP is expected to grow by 3.4% in 2022 and 2.3% in 2023, following an increase of 5.1% in 2021. Economic growth should be supported by the improved public health situation. However, in early 2022, the impact of the pandemic and the disruptions in supply chains, as well as the labour shortage and Russia's invasion of Ukraine, could have a dampening effect.

- As in the United States, growth should continue in the euro area. It will be supported, in particular, by favourable monetary conditions.
- Japan is one of the few countries where growth is expected to accelerate in 2022, after having experienced weak growth in 2021. This will be supported, in particular, by favourable fiscal and monetary measures.

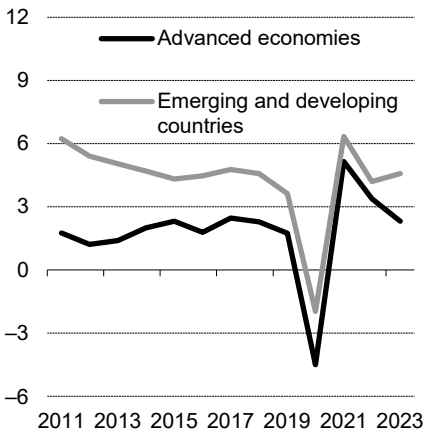
In emerging and developing economies, real GDP growth is expected to slow from 6.3% in 2021 to 4.2% in 2022 and to 4.6% in 2023.

- High inflation, owing among other things to high energy and food prices, rising policy rates, delayed vaccination, and limited fiscal support are expected to dampen expansion in several countries.
- In China, growth will be sustained by support measures, but will be constrained by the slowdown in real estate, weaker consumption due to the population's caution in the face of the pandemic, and a moderation in exports.

Growth is expected to move toward potential in several countries as monetary and fiscal policies are less expansionary than in 2020 and 2021 and the economic recovery period ends.

CHART H.37

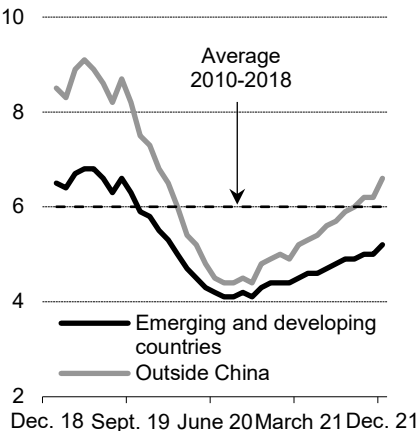
Growth in advanced and emerging economies (real GDP, percentage change)



Sources: International Monetary Fund, IHS Markit, Datastream, Bloomberg, Eurostat and Ministère des Finances du Québec.

CHART H.38

Policy rate for emerging and developing economies (per cent)



Note: Weighted policy rate for 22 countries.
Source: World Bank.

Changes in supply chain pressures

Global supply chains experienced significant disruptions in 2021. These were caused, in particular, by the effects of the pandemic on the supply of goods, including semiconductors, and by strong demand that was significantly boosted by economic stimulus packages.

The impact on the global economy caused by shortages and higher prices for imported goods was significant. The International Monetary Fund (IMF) estimates that in 2021, supply disruptions subtracted between 0.5 and 1.0 percentage point from global economic growth and raised global inflation excluding food and energy by 1.0 percentage point.

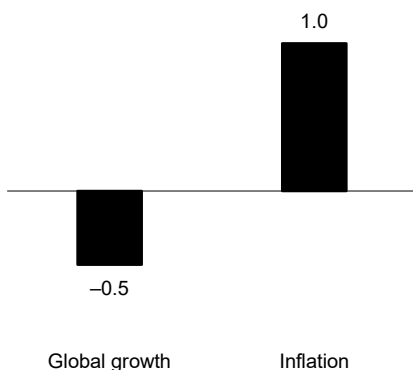
Signs of easing pressure on supply chains

Pressures on supply chains are still very high. In December, the New York Federal Reserve's new Global Supply Chain Pressure Index remained near its all-time high, reached in October.

- This indicator, based on 27 variables, measures global supply chain disruptions.
- Moreover, according to IHS Markit, average delivery times for manufacturing suppliers remained high for the 31st consecutive month in February, but the pace of increase has hit a low point since January 2021.
- In addition, the number of containers on the Los Angeles docks was down more than 50% in mid-February compared to the end of October, and global transportation costs have been declining since peaking at the end of the third quarter of 2021.

Impacts of supply chain pressures

(percentage points, in 2021)



Source: International Monetary Fund.

Global Supply Chain Pressure Index

(percentage points, last observation in December)



Note: Difference in standard deviations from the historical average.

Source: New York Federal Reserve.

Changes in supply chain pressures (cont.)

- In Europe, delivery times have decreased from their peak in early 2021, according to the European Commission, and the problem of semiconductor availability for the automobile sector is less severe.

Several measures have been adopted to ease pressures on supply chains. However, the effects of some of these measures may take time.

- In the United States, operating hours at the ports of Los Angeles and Long Beach have been extended to allow trucks to pick up and return containers. This is intended to improve the movement of goods and reduce delays at the ports.
- In addition, in October, U.S. businesses agreed to extend their hours of operation. Some have chartered ships for their exclusive use and sought to diversify their suppliers.
- Businesses in the automobile sector are looking to keep more parts in stock to avoid production shutdowns.
- In a more global effort, leaders from the European Union and 14 countries joined the United States at a summit in October to find solutions to address immediate and future supply chain issues.

The outlook is uncertain

An easing of supply chain tensions is expected by many experts in the coming quarters.

- Maersk, the world's second largest container carrier, expects the situation to normalize and transport prices to fall in the second half of 2022. The lifting of public health restrictions and the decline in cases should contribute to this situation.
- In addition, the European Commission assumes that bottlenecks in the transportation and metals sectors should gradually ease during 2022 in Europe.
- Also, weaker demand growth in the near term may help resolve supply bottlenecks somewhat sooner than expected.

However, a reversal of the situation is not excluded due to Russia's invasion of Ukraine, which could delay the reduction of tensions in the supply chains.

Also, the pandemic is still considered a significant risk to supply chain prospects.

- The IMF warns that the Omicron variant could further limit port efficiency, exacerbate transportation problems, and overall extend supply disruptions until 2023.

Inflation will remain high in 2022 before moderating

Global inflation had fallen sharply in the few decades prior to the pandemic, before showing an almost universal rebound in 2021. Many analysts expect it to remain high in 2022, but to begin to slow during the year.

Inflation at its highest in over 20 years

For 2021 as a whole, growth in the Consumer Price Index (CPI) reached 4.0% in the area of the Organisation for Economic Co-operation and Development (OECD), the highest annual inflation rate since 2000. Inflation is above the central bank target mainly in the United States, Canada and several European countries.

- This is also the case in large emerging economies such as Brazil, Mexico, Russia and Argentina, where central banks have raised their policy rates.

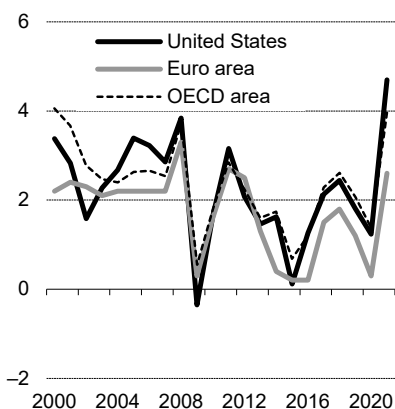
The factors explaining this phenomenon vary according to the reality of each country. Overall, the factors identified include the rebound in global demand and economic activity, disruptions in supply chains, labour shortages, rising commodity prices and higher transportation costs.

- The IMF attributes more than half of the rise in inflation to high energy prices which, according to the OECD, jumped 15.4% in the OECD area in 2021, the highest since 1981.

Gradual easing of price pressures in the coming quarters

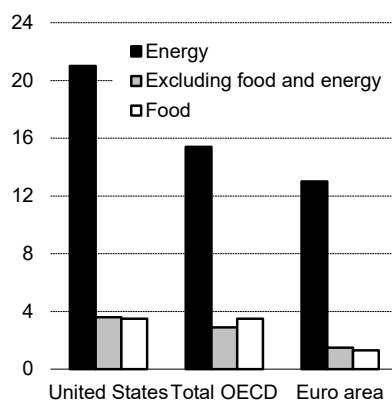
Many forecasters expect inflation to remain high in 2022 due, in particular, to the impacts of the Omicron variant on supply chains early in the year as well as high energy prices.

Consumer Price Index
(percentage change, 2000-2021)



Source: Organisation for Economic Co-operation and Development.

Food and energy prices
(annual change, in per cent, 2021)



Source: Organisation for Economic Co-operation and Development.

Inflation will remain high in 2022 before moderating (cont.)

Several forecasters expect price pressures to ease during the year and into 2023.

- According to IHS Markit, inflation will be limited, among other things, by rising interest rates, as well as by the slowdown in global demand and the Chinese real estate sector.
- In addition, the easing of supply chain disruptions and lower energy and food prices will limit overall inflation, according to the IMF.

However, there are several risks to the outlook for inflation, including labour shortages, which could lead to a sharp rise in wages.

- The IMF observes that it is possible that the persistent rise in the cost of living and the tightening of labour markets will force workers to demand higher wages, which businesses will accept. The resulting increase in labour costs would then raise prices.
- In addition, Russia's invasion of Ukraine and its effects on energy and food prices could delay the reduction of inflationary pressures.

5. DEVELOPMENTS IN FINANCIAL MARKETS

❑ Central banks' tone shift on inflation fuels volatility in financial markets

Several central banks hardened their tone at the end of 2021, saying that higher interest rates would soon be needed to counter high inflation. This change from last fall has caused turbulence in global financial markets in recent months.

- Market participants have significantly raised their expectations about the pace of monetary policy tightening, particularly in the United States. This has resulted in a sharp rise in bond yields.
- However, yields declined temporarily following the invasion of Ukraine due to increased demand for safe havens.
- In addition, the prices of certain risk assets have fallen as stock markets have generally posted negative returns since the beginning of the year, after an exceptional year in 2021.

Meanwhile, energy prices, particularly oil prices, have risen sharply in recent months, which may further fuel inflation and increase pressure on central banks, whose mandate is to keep inflation low and stable.

CHART H.39

Number of U.S. policy rate hikes priced by markets by December 2022

(25 basis points per increase)



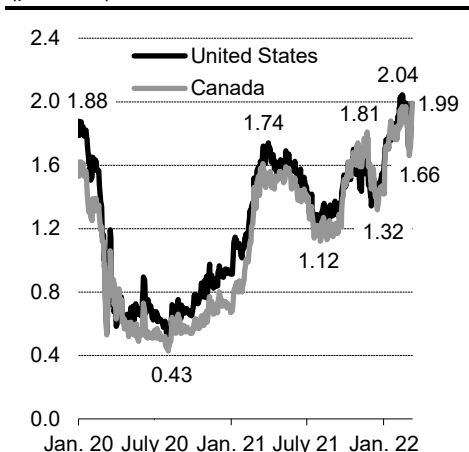
Note: Implied financial market expectations based on federal funds futures. Latest data as at March 11, 2022.

Source: Bloomberg.

CHART H.40

Yield on 10-year federal bonds

(per cent)



Note: Latest data as at March 11, 2022.

Sources: Statistics Canada and Bloomberg.

❑ Bank of Canada – Numerous policy rate hikes expected in 2022 and 2023

In late January, the Bank of Canada said that slack in the Canadian economy had now been absorbed and that it was therefore removing exceptional forward guidance on its policy interest rate. At that time, the Bank of Canada said it expected to have to raise interest rates.

As a result, on March 2, the Bank of Canada raised its policy rate by 25 basis points for the first time since October 2018, to 0.50%. It had been at the effective lower bound of 0.25% since the start of the pandemic.

— Against a backdrop of strong inflationary pressures, a total of four policy rate hikes are expected in Canada in 2022. In addition, the Bank of Canada will begin to reduce the size of its balance sheet in the coming months.

❑ U.S. Federal Reserve – A major shift that should lead to multiple rate hikes

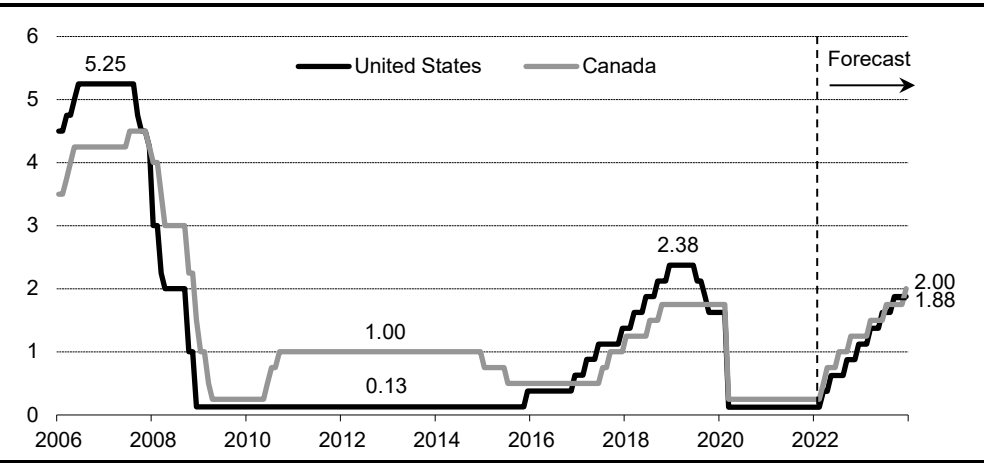
The U.S. Federal Reserve has had to make significant adjustments to its stance since the end of 2021 in response to the sharp acceleration in inflation in the United States.

— The Federal Reserve therefore ended its quantitative easing program in early March. It also signaled that it will raise its policy rate several times this year.

Continued tightness in the labour market and high inflation will result in faster monetary tightening than previously expected. As a result, four 25-basis-point increases in the policy rate are expected in 2022, in addition to the start of the Federal Reserve's balance sheet reduction.

CHART H.41

Policy interest rates in Canada and the United States
(overnight rate target and federal fund target rate,⁽¹⁾ per cent)



(1) The federal funds target rate is the midpoint of the target range.

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

Towards a reduction in the size of central banks' balance sheets

In addition to lowering their policy rates to the lower bound in March 2020, the Bank of Canada and the U.S. Federal Reserve have implemented asset purchase programs, including government bonds (quantitative easing).

- The main objective of this monetary instrument is to lower long-term interest rates in order to stimulate household and business demand for credit.

Strong growth in the size of the central banks' balance sheets

The size of the Bank of Canada's balance sheet has more than quadrupled since March 2020, to nearly \$500 billion, largely due to purchases of federal bonds. The growth in assets is equivalent to 15% of Canadian GDP.

- Various programs to support the functioning of the markets ended in the spring of 2021. The size of the balance sheet has been kept relatively stable since last fall, as the Bank only purchases bonds to replace maturing ones, which is the reinvestment phase.

In turn, the size of the U.S. Federal Reserve's balance sheet has more than doubled since March 2020 (an increase equivalent to 20% of U.S. GDP), to nearly US\$9 trillion. The Federal Reserve began slowing the pace of purchases last November and ended the bond-buying program in early March.

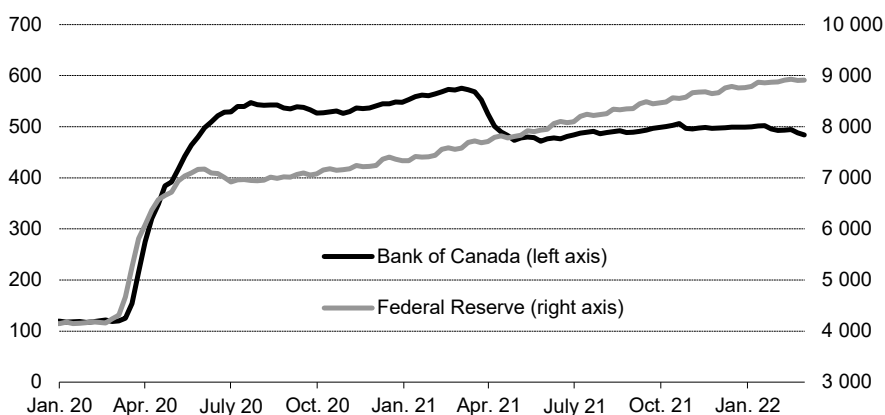
The impact of shrinking balance sheets will be in addition to rate hikes

The Bank of Canada and the Federal Reserve have indicated that they will begin to reduce the size of their balance sheets in the coming months. This process is expected to be gradual as they stop replacing maturing bonds.

- This form of monetary tightening will be in addition to the raising of policy rates and will put upward pressure on long-term interest rates. Central banks will therefore need to be cautious and properly assess the effects of tighter monetary policy on the real economy.

Bank of Canada and U.S. Federal Reserve balance sheet size

(billions of dollars and billions of U.S. dollars)



Source: Bloomberg.

❑ **Bond yields will continue to rise, but at a more gradual pace**

Bond yields have seen sharp increases in most advanced economies since late 2021. In Canada, the 10-year federal bond yield reached a more than three-year high in February, at nearly 2.0%, before temporarily declining due to the war in Ukraine.

- The recalibration of financial market expectations regarding the pace of policy rate hikes has supported bond yields in recent months.

Bond yields are expected to continue to rise in the coming quarters in the advanced economies, but at a more gradual pace.

- On the one hand, higher policy rates will support this increase. Shorter-term rates will rise more than longer-term rates, resulting in a flattening of the yield curves.
- On the other hand, the beginning of the reduction in the size of the balance sheet of some central banks, including the Bank of Canada and the U.S. Federal Reserve, will also put some upward pressure on long-term rates.

❑ **The Canadian dollar should continue to fluctuate near recent levels**

The Canadian dollar has generally fluctuated within a range of 78 to 80 U.S. cents since the beginning of 2022.

- The stimulative effect of rising commodity prices, particularly oil, has been offset by the tightening of Canadian and U.S. interest rate spreads and the general appreciation of the U.S. dollar.

The Canadian dollar is expected to continue to move near recent levels in the coming quarters. On the one hand, the expected rebound in Canadian growth after the fifth wave of the pandemic should support the Canadian currency. On the other hand, the expected decline in oil prices should limit its advance.

TABLE H.13

Canadian financial markets

(average annual percentage rate, unless otherwise indicated, end-of-year data in brackets)

| | 2021 | 2022 | 2023 |
|-----------------------------------|-------------|-------------|-------------|
| Overnight rate target | 0.3 (0.3) | 0.8 (1.3) | 1.6 (2.0) |
| 3-month Treasury bill | 0.1 (0.2) | 0.9 (1.4) | 1.7 (1.9) |
| 10-year bond | 1.4 (1.5) | 2.0 (2.2) | 2.3 (2.3) |
| Canadian dollar (in U.S. cents) | 79.7 (78.5) | 80.0 (80.3) | 80.1 (80.0) |
| U.S. dollar (in Canadian dollars) | 1.25 (1.27) | 1.25 (1.25) | 1.25 (1.25) |

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

❑ A sharp rise in energy prices

Oil prices have risen sharply since the end of 2021, as the price of WTI rose from US\$71 per barrel in December to US\$112 on average in early March, an increase of nearly 60%. This rise was driven by:

- the easing of concerns about the effect of the Omicron variant on global oil demand and low global inventory levels;
- the Organization of the Petroleum Exporting Countries (OPEC) and its partners maintaining their strategy of moderate production increases;
- the invasion of Ukraine by Russia and the related tensions, with prices currently carrying a significant geopolitical risk premium.

Despite strong global demand, oil prices are expected to begin to decline in the coming quarters, due mainly to the expected increase in non-OPEC production. This will contribute to a surplus in global oil supply this year.

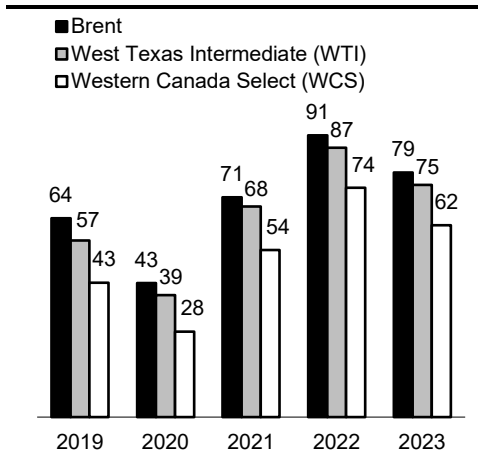
- Stronger-than-expected growth in global demand, worsening geopolitical tensions or a stronger increase in supply are factors that could lead to a different price development.

Also, natural gas prices have remained high in recent months, particularly in Europe, where prices reached record levels in March 2022. Prices continue to be supported by strong demand and supply concerns due to the war in Ukraine.

CHART H.42

Change in oil prices

(U.S. dollars per barrel)

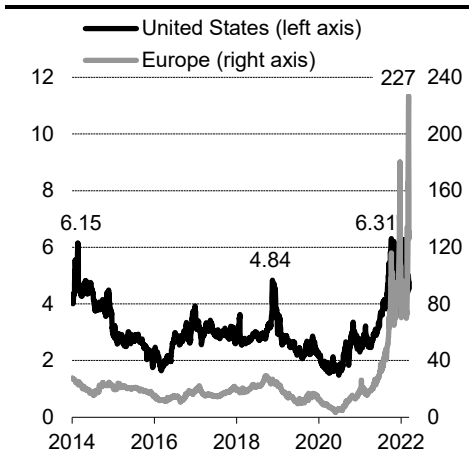


Sources: Bloomberg and Ministère des Finances du Québec.

CHART H.43

Change in natural gas prices

(U.S. dollars per MMBtu in the United States and euros per MWh in Europe)



Note: The U.S. price is for delivery to the Henry Hub in Louisiana and the European price is for delivery to the Netherlands Title Transfer Facility (TTF).

Source: Bloomberg.

A decline in investment in the oil and gas sector

After peaking in 2014 at US\$779 billion, global upstream oil and gas investment has been on a downward trend in recent years. This decline is primarily due to lower oil and natural gas prices in the last few years, and strong growth in clean and renewable energy investments.

- In 2020, oil and gas investments were down 32% from 2019 levels, to US\$330 billion. However, they are expected to recover slightly in 2021.

The sharp rise in prices as well as the recent energy crisis in Europe has fueled concerns about the global supply outlook for these fuels and the supply risks for the next few years.

- This raises the question of the need to maintain an adequate level of investment in fossil fuel production in the coming years to support energy markets and mitigate price volatility.

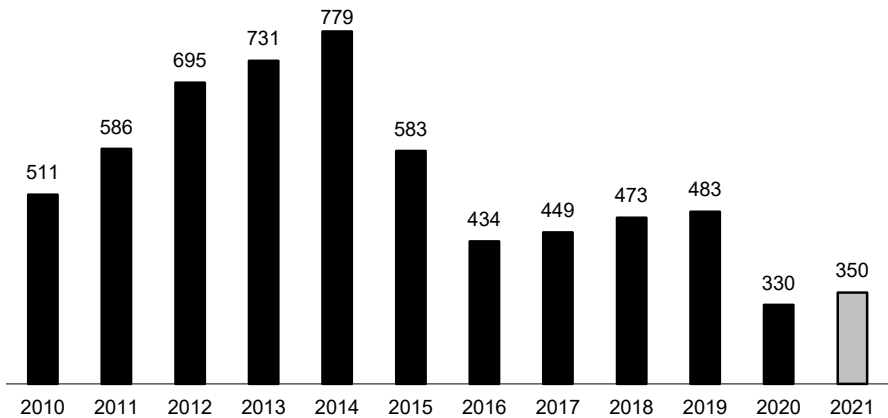
Besides, a joint report by the International Energy Forum and IHS Markit argues that upstream oil and gas investments are expected to grow in the coming years to near pre-pandemic levels. They are expected to reach approximately \$525 billion in 2030 to ensure balance in the markets despite the slowdown in global demand.

- In addition, the Organization of the Petroleum Exporting Countries (OPEC) has estimated the cumulative investment needs for the oil sector between 2021 and 2045 at \$11.8 trillion to avoid the emergence of a supply deficit and energy security risks.

Moreover, oil and gas investment decisions will continue to be influenced in the coming years by increased uncertainty related to the outlook for global demand growth, price trends, and the speed of the energy transition.

Global oil and gas investment

(billions of U.S. dollars, in nominal terms)



Source: International Energy Agency.

6. MAIN RISKS THAT MAY INFLUENCE THE FORECAST SCENARIO

The economic and financial forecasts in Québec's *Budget Plan – March 2022* are based on several assumptions. Some of them are associated with risks that could affect the global economic and financial scenario and the anticipated developments in the Québec economy.

- The pandemic continues to represent a big source of uncertainty for economic and financial forecasts.
- Moreover, other risks have become more important and could simultaneously disrupt the evolution of the economy.

☐ The war in Ukraine

The global context is currently characterized by the presence of geopolitical tensions. Among these, the evolution of the war in Ukraine will certainly have repercussions on the evolution of the global economy.

- Energy prices, financial markets, economic growth and supply chains are likely to be impacted.
- However, the extent of these potential impacts remains difficult to quantify.

The economic and financial scenario is based on the premise that the current tensions will continue but without major spillover effects.

However, should the war spread and intensify further, the global economy could be significantly affected by its consequences.

☐ The evolution of the pandemic on a global scale and the progress of the vaccination campaign

The global outlook could be revised upward or downward as the pandemic evolves and in relation to progress with the vaccination campaign.

- The emergence of new vaccine-resistant variants could slow economic recovery, forcing the reintroduction of restrictive public health measures both in Québec and globally.
- Greater difficulty in controlling the pandemic could trigger greater caution on the part of households and businesses. They could decide to postpone their consumption and investment expenditures.

- Global economic growth could also be weaker in the case of slower progress than forecast with the vaccination campaign.
- According to the WHO, it will be necessary to vaccinate 70% of the population in each country worldwide to control the pandemic, a threshold that is far from being reached at present in developing countries.
- On the other hand, the development of new treatments, the efficient and widespread rollout of the vaccines as well as increased confidence in the economic outlook represent positive developments for global growth.

❑ High inflation that persists longer than expected

The rise in inflation is due, among other things, to higher energy and food prices and should gradually subside in the coming quarters.

- However, persistent inflationary pressures for a longer period than expected, due in part to a sharp rise in inflation expectations and wages, could weigh on the economic outlook.

❑ Monetary tightening at a different pace than expected

More-persistent-than-expected high inflation is leading several central banks to tighten monetary policy earlier and at a faster pace than previously expected. For example, a total of seven interest rate hikes are expected in Canada and the United States by the end of 2023, with the start of balance sheet reduction during 2022.

- This pace of monetary tightening has not been seen in Canada for over 15 years and, in an environment of high household debt, could have significant negative effects on those sectors of the economy that are sensitive to interest rates.
- As such, central banks, including the Bank of Canada, will need to be cautious in the process of tightening monetary policy, and carefully assess its effects on economic growth.

A faster-than-expected slowdown in inflation or economic growth in 2022 could cause central banks to slow the pace of tightening.

Conversely, more persistent inflationary pressures than expected could cause central banks to accelerate the pace of interest rate hikes or balance sheet reductions, which could have a significant negative impact on economic growth globally as well as in Québec and Canada.

❑ Continued supply chain disruptions

Increased demand in a context of limited supply due, in particular, to production stoppages has led to significant disruptions in global supply chains in 2021. Shortages have been experienced in several inputs, including semiconductors. In addition, logistics problems in the global maritime shipping industry have caused significant delivery delays.

— These pressures have resulted in significant increases in material and transportation costs.

Pressures on production lines are expected to gradually ease in the coming quarters and delivery times are expected to decrease. Continued pressure, however, could limit the pace of the global economic recovery and put upward pressure on prices.

❑ Labour shortage

Like many developed economies, Québec is faced with an aging population, which is resulting in a shrinking pool of potential workers. For some years now, the labour market has had to deal with the problem of labour availability.

The labour shortage may affect economic growth more than anticipated. In this context, the participation of all workers is needed to meet labour needs.

❑ A different evolution of oil prices

Oil prices have risen sharply since the end of 2021 against a backdrop of geopolitical tensions and a global oil supply that is insufficient to meet demand. The latter has increased with the easing of public health measures around the world.

- Oil prices are expected to begin to decline over the next few quarters, as the expected increase in production should gradually bring the market back into surplus.
- However, there remains a high level of uncertainty regarding the outlook for global oil demand and supply growth, which could result in a different price development than previously anticipated.
- In particular, oil prices could remain at higher-than-expected levels, which would have mixed effects on the Québec and Canadian economies.
- Moreover, geopolitical tensions could have a positive or negative impact on the situation, depending on how they develop. These include the Iranian nuclear negotiations and the war in Ukraine.

❑ **A faster and more pronounced adjustment in the real estate sector in Québec and Canada**

The real estate market boom in Québec and Canada has increased the risk of an overvaluation of housing prices in some cities.

- The supply of available properties has proven to be insufficient to meet the surge in demand. This imbalance has put upward pressure on prices, which are reaching record highs.
- However, the deterioration in affordability in the last few months appears to have tempered demand.
- There could be a correction in real estate prices in reaction to an increase in mortgage rates or a demand that is running out of steam. That could spur a faster slowdown than forecast in residential investment and curb economic growth as a result.

❑ **A sharper-than-expected slowdown in the Chinese economy**

The Chinese economy may grow less than expected. China's growth has been held back by the pandemic, power outages, supply chain disruptions and anti-pollution measures, among other factors. These factors limited industrial activity, among other things, while public health measures contributed to curbing consumer spending.

- In addition, activity in the real estate sector moderated as new regulations were put in place.

Given China's weight in the global economy, weaker-than-expected growth in 2022 or a sharper-than-expected slowdown thereafter would have significant implications for both its major trading partners and the global economy.

Section I

QUÉBEC'S FINANCIAL SITUATION

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SUMMARY

In Budget 2022-2023, the government reiterates its policy directions and presents Québec's budgetary situation. This section reports on recent developments in Québec's financial situation for 2021-2022 and provides a picture of the budgetary outlook up to 2026-2027.

Since the publication of Budget 2021-2022, Québec's financial situation has significantly improved, reflecting stronger growth in economic activity and initiatives that have been implemented to help Québec control the pandemic better and return to growth.

The financial framework of Budget 2022-2023 shows favourable adjustments of \$12.3 billion in 2021-2022, \$9.6 billion in 2022-2023 and \$9.5 billion in 2023-2024.

- These adjustments are mainly due to an increase in own-source revenue of \$9.5 billion on average, driven by a stronger-than-expected rebound in the economy, and an increase in federal transfers of \$2.7 billion on average.

These improvements allow:

- funding for initiatives totalling \$6.3 billion in 2022-2023,¹ including \$3.8 billion announced in Budget 2022-2023 for:
 - coping with the rising cost of living,
 - restoring the health care system,
 - investing in education and higher education,
 - stimulating economic growth,
 - continuing efforts relating to the environment,
 - strengthening community action and supporting communities;
- stable funding for the government's main priorities:
 - spending on health and social services will grow by 6.3% in 2022-2023 and 4.5% in 2023-2024,
 - spending on education will grow by 5.4% in 2022-2023 and 4.0% in 2023-2024,
 - spending on higher education will grow by 13.1% in 2022-2023 and 3.7% in 2023-2024;
- a budgetary deficit of \$7.4 billion in 2021-2022, an improvement of \$4.9 billion in the current year compared to March 2021, as well as a deficit of \$6.5 billion in 2022-2023;
- a reduction of the structural deficit to \$2.8 billion in 2026-2027, representing a reduction of \$3.8 billion since Budget 2021-2022.

¹ The initiatives include those announced in the fall 2021 update totalling \$2.5 billion in 2022-2023.

❑ Multi-year financial framework

Budget 2022-2023 presents the revenue and expenditure outlook for the Québec government until 2026-2027.

Revenue amounts to \$138.5 billion in 2022-2023, with growth of 2.2%. It will reach 2.9% in 2023-2024.

— From 2022-2023 to 2026-2027, the annual growth in revenue will reach 2.9% on average.

Expenditure² amounts to \$136.6 billion in 2022-2023, with growth of 4.8%. It will reach 2.9% in 2023-2024.

— From 2022-2023 to 2026-2027, the annual growth in expenditure will be 3.2% on average.

COVID-19 support and recovery measures total \$2.4 billion in 2022-2023.

— The cost of these temporary pandemic measures fades as of 2023-2024.

The financial framework includes provisions for economic risks and other support and recovery measures totalling \$2.5 billion in 2022-2023 and \$1.5 billion per year as of 2023-2024. These provisions are necessary to protect against risks related to the evolution of the pandemic, which could still impact the economic outlook, as well as the emergence of geopolitical tensions related to the Russian invasion of Ukraine.

The budgetary balance, within the meaning of public accounts, shows a deficit of \$3.0 billion in 2022-2023 and a surplus as of 2023-2024.

Considering the requirements of the *Balanced Budget Act*, the budgetary balance presents a deficit of \$6.5 billion in 2022-2023 and a structural deficit of \$2.8 billion in 2026-2027.

² COVID-19 support and recovery measures are not included in these expenditures.

TABLE I.1

Multi-year financial framework

(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | AAGR ⁽¹⁾ |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------------|
| Revenue | | | | | | | |
| Personal income tax | 39 094 | 41 147 | 42 197 | 43 673 | 45 332 | 46 973 | |
| Contributions for health services | 7 017 | 7 299 | 7 456 | 7 649 | 7 838 | 8 029 | |
| Corporate taxes ⁽²⁾ | 11 984 | 10 882 | 10 910 | 11 776 | 12 341 | 12 891 | |
| School property tax | 1 080 | 1 178 | 1 279 | 1 360 | 1 424 | 1 472 | |
| Consumption taxes | 24 536 | 26 706 | 27 441 | 28 244 | 29 060 | 29 899 | |
| Duties and permits | 5 685 | 5 171 | 5 209 | 5 244 | 5 357 | 5 467 | |
| Miscellaneous revenue | 11 024 | 11 680 | 12 349 | 12 936 | 13 350 | 13 904 | |
| Government enterprises | 5 494 | 5 628 | 5 933 | 6 160 | 6 383 | 6 516 | |
| Own-source revenue | 105 914 | 109 691 | 112 774 | 117 042 | 121 085 | 125 151 | |
| % change | 15.3 | 3.6 | 2.8 | 3.8 | 3.5 | 3.4 | 3.4 |
| Federal transfers | 29 547 | 28 790 | 29 748 | 29 118 | 30 968 | 31 434 | |
| % change | -3.8 | -2.6 | 3.3 | -2.1 | 6.4 | 1.5 | 1.2 |
| Total revenue | 135 461 | 138 481 | 142 522 | 146 160 | 152 053 | 156 585 | |
| % change | 10.5 | 2.2 | 2.9 | 2.6 | 4.0 | 3.0 | 2.9 |
| Expenditure | | | | | | | |
| Portfolio expenditures | -121 874 | -127 789 | -131 800 | -135 219 | -140 343 | -144 053 | |
| % change | 14.8 | 4.9 | 3.1 | 2.6 | 3.8 | 2.6 | 3.4 |
| Debt service | -8 441 | -8 842 | -8 725 | -8 793 | -8 588 | -8 828 | |
| % change | 9.8 | 4.8 | -1.3 | 0.8 | -2.3 | 2.8 | 0.9 |
| Total expenditure | -130 315 | -136 631 | -140 525 | -144 012 | -148 931 | -152 881 | |
| % change | 14.5 | 4.8 | 2.9 | 2.5 | 3.4 | 2.7 | 3.2 |
| COVID-19 support and recovery measures | -9 043 | -2 355 | -462 | -18 | — | — | |
| Provision for economic risks and other support and recovery measures | — | -2 500 | -1 500 | -1 500 | -1 500 | -1 500 | |
| SURPLUS (DEFICIT) | -3 897 | -3 005 | 35 | 630 | 1 622 | 2 204 | |

Note: Totals may not add due to rounding.

(1) Average annual growth rate, corresponding to the geometric mean over five years, from 2022-2023 to 2026-2027.

(2) Information on the change in corporate tax revenue is presented on page I.32.

■ Requirements of the *Balanced Budget Act*

Under the *Balanced Budget Act*, the budgetary balance corresponds essentially to the surplus or the deficit presented in the public accounts (book balance) reduced by the amount of revenues dedicated to the Generations Fund and adjusted to take certain accounting changes into consideration, if applicable.

For the purpose of calculating the attainment of fiscal balance, the balance must also take into account the use of the stabilization reserve, of which the sums available depend on the budgetary surpluses of previous years.³

For 2022-2023, dedicated revenues to the Generations Fund total \$3.4 billion, resulting in a budgetary deficit of \$6.5 billion.

By 2026-2027, the structural deficit will stand at \$2.8 billion.

TABLE I.2

Budgetary balance within the meaning of the *Balanced Budget Act* (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| SURPLUS (DEFICIT) | -3 897 | -3 005 | 35 | 630 | 1 622 | 2 204 |
| Deposits of dedicated revenues in the Generations Fund | -3 457 | -3 445 | -3 935 | -4 380 | -4 622 | -4 954 |
| BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE | -7 354 | -6 450 | -3 900 | -3 750 | -3 000 | -2 750 |
| Use of the stabilization reserve | 1 221 | — | — | — | — | — |
| BUDGETARY BALANCE WITHIN THE MEANING OF THE <i>BALANCED BUDGET ACT</i> | -6 133 | -6 450 | -3 900 | -3 750 | -3 000 | -2 750 |

³ For more information on the stabilization reserve, see page I.16.

1. QUÉBEC'S BUDGETARY SITUATION

In 2022-2023, the budgetary balance shows a deficit of \$6.5 billion.

- Revenue stands at \$138.5 billion.
- Portfolio expenditures, or expenditures tied to the delivery of public services, stand at \$127.8 billion.⁴
- Debt service amounts to \$8.8 billion.
- The support and recovery measures implemented to fight COVID-19 amount to \$2.4 billion in additional spending.
- A provision for economic risks and other support and recovery measures of \$2.5 billion is included in the financial framework to guard against the continuing health risk and the emergence of geopolitical tensions with the Russian invasion of Ukraine.
- Deposits of dedicated revenues in the Generations Fund total \$3.4 billion.

⁴ COVID-19 support and recovery measures are not included in portfolio expenditures.

TABLE I.3

Québec's budget – March 2022
(millions of dollars)

| | 2022-2023 |
|--|-----------------|
| Revenue | |
| Own-source revenue | 109 691 |
| % change | 3.6 |
| Federal transfers | 28 790 |
| % change | -2.6 |
| Total revenue | 138 481 |
| % change | 2.2 |
| Expenditure | |
| Portfolio expenditures ⁽¹⁾ | -127 789 |
| % change | 4.9 |
| Debt service | -8 842 |
| % change | 4.8 |
| Total expenditure | -136 631 |
| % change | 4.8 |
| COVID-19 support and recovery measures | -2 355 |
| Provision for economic risks and other support and recovery measures | -2 500 |
| SURPLUS (DEFICIT) | -3 005 |
| BALANCED BUDGET ACT | |
| Deposits of dedicated revenues in the Generations Fund | -3 445 |
| BUDGETARY BALANCE | -6 450 |

(1) COVID-19 support and recovery measures are not included in portfolio expenditures.

1.1 Recent developments in the budgetary situation

The economic situation has improved significantly in recent months and the current outlook is brighter than the forecasts of Budget 2021-2022.

This good performance has led to upward revenue adjustments for the period covered by the financial framework, making it possible, in particular, to implement additional initiatives and to reduce the efforts necessary to restore a balanced budget in 2027-2028.

In addition, the uncertainty surrounding the pandemic and Russia's invasion of Ukraine could influence the economic outlook and financial market developments.

□ Main adjustments from 2021-2022 to 2023-2024

Growth in economic activity has resulted in significant upward adjustments to the government's financial situation, totalling \$12.3 billion in 2021-2022, \$9.6 billion in 2022-2023 and \$9.5 billion in 2023-2024.

Over this period, the government is planning more than \$3 billion in new initiatives annually, particularly for coping with the rising cost of living, restoring the health care system and stimulating economic growth.

These initiatives are in addition to those announced in the fall 2021 *Update on Québec's Economic and Financial Situation*.

Overall, the government's sound management of public finances enables it to present downward adjustments to the budgetary deficits of about \$3 billion per year from 2021-2022 to 2023-2024 since Budget 2021-2022.

Additional revenues of \$9.4 billion reflect strong economic recovery in Québec

Since the publication of Budget 2021-2022, the main economic indicators affecting own-source revenue¹ have been adjusted favourably for 2021.

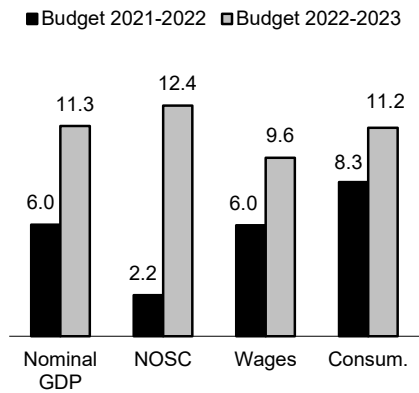
- Nominal GDP has been adjusted upward by 5.3 percentage points to stand at 11.3%, compared to 6.0% in March 2021.
- Net operating surplus of corporations has been adjusted upward by 10.2 percentage points, rising from 2.2% to 12.4%.
- Wages and salaries have been adjusted upward by 3.6 percentage points, rising from 6.0% to 9.6%.
- Consumption, excluding food expenditures and shelter, has been adjusted upward by 2.9 percentage points, rising from 8.3% to 11.2%.

The sound economic performance in 2021 has had a positive effect on government own-source revenue, which is adjusted upward by \$9.4 billion in 2021-2022. In particular:

- corporate taxes are adjusted upward by \$4.0 billion;
- personal income tax is adjusted upward by \$3.2 billion;
- consumption taxes are adjusted upward by \$1.2 billion.

Nominal GDP and other economic indicators – 2021

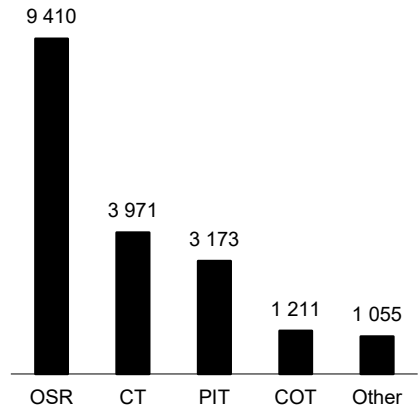
(percentage change)



Notes: NOSC: net operating surplus of corporations.
Wages: wages and salaries.
Consum.: household consumption excluding food expenditures and shelter.

Adjustment in 2021-2022 to own-source revenue since March 2021

(millions of dollars)



Notes: OSR: own-source revenue excluding revenue from government enterprises.
CT: corporate taxes.
PIT: personal income tax.
COT: consumption taxes.

¹ Own-source revenue excluding revenue from government enterprises.

TABLE I.4

Adjustments to the financial framework since March 2021 (millions of dollars)

| | 2021-2022 | 2022-2023 | 2023-2024 |
|--|----------------|---------------|---------------|
| BUDGETARY BALANCE⁽¹⁾ – MARCH 2021 | -12 250 | -8 500 | -7 000 |
| ECONOMIC AND BUDGETARY SITUATION | | | |
| Own-source revenue excluding revenue from government enterprises | | | |
| – Tax revenue | 8 543 | 8 514 | 8 000 |
| – Other revenue | 867 | 662 | 548 |
| Subtotal | 9 410 | 9 176 | 8 548 |
| Revenue from government enterprises | 836 | 227 | 170 |
| Subtotal – Own-source revenue | 10 246 | 9 403 | 8 718 |
| Federal transfers | 2 648 | 2 632 | 2 959 |
| Subtotal – Revenue | 12 894 | 12 035 | 11 677 |
| Portfolio expenditures ⁽²⁾ | 672 | -1 836 | -1 994 |
| Debt service | 122 | 68 | 123 |
| Subtotal – Expenditure | 794 | -1 768 | -1 871 |
| COVID-19 support and recovery measures | -1 016 | -417 | -166 |
| Deposits of dedicated revenues in the Generations Fund | -377 | -237 | -158 |
| TOTAL ADJUSTMENTS TO THE ECONOMIC AND BUDGETARY SITUATION | 12 294 | 9 613 | 9 482 |
| NOVEMBER 2021 INITIATIVES | -5 231 | -2 554 | -1 871 |
| MARCH 2022 INITIATIVES | | | |
| Coping with the rising cost of living | -3 245 | -296 | -89 |
| Restoring the health care system | — | -1 299 | -1 566 |
| Investing in education and higher education | — | -522 | -545 |
| Stimulating economic growth | -73 | -1 099 | -1 134 |
| Continuing efforts relating to the environment | -3 | -63 | -84 |
| Strengthening community action and supporting communities | -97 | -481 | -342 |
| Subtotal | -3 418 | -3 759 | -3 760 |
| TOTAL INITIATIVES | -8 648 | -6 313 | -5 632 |
| Provision for economic risks and other support and recovery measures | 1 250 | -1 250 | -750 |
| BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE | -7 354 | -6 450 | -3 900 |
| Use of the stabilization reserve | 1 221 | — | — |
| BUDGETARY BALANCE⁽¹⁾ – MARCH 2022 | -6 133 | -6 450 | -3 900 |

Note: Totals may not add due to rounding. The table showing adjustments to the financial framework excludes those that can be attributed to the reclassification of the impact of the accounting standard respecting transfer payments, that were presented separately from the expenditures in Budget 2021-2022.

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

(2) COVID-19 support and recovery measures are not included in portfolio expenditures.

■ Adjustments related to the economic and budgetary situation

Upward adjustments of \$12.3 billion in 2021-2022, \$9.6 billion in 2022-2023 and \$9.5 billion in 2023-2024 are provided for in the financial framework compared to March 2021. These adjustments are explained, in particular, by:

- an increase in own-source revenue, excluding revenue from government enterprises, of \$9.4 billion in 2021-2022, \$9.2 billion in 2022-2023 and \$8.5 billion in 2023-2024, derived mainly from personal income tax, corporate taxes and consumption taxes;
- The increase in economic activity in 2021 resulted in an upward adjustment in wages and salaries, the net operating surplus of corporations and household consumption.⁵
- an upward adjustment in revenue from government enterprises of \$836 million in 2021-2022, \$227 million in 2022-2023 and \$170 million in 2023-2024, explained primarily:
 - for 2021-2022, by the \$600-million increase in the results of Hydro-Québec and \$226-million increase in the results of Investissement Québec,
 - for 2022-2023 and 2023-2024, by respective increases of \$160 million and \$157 million in Investissement Québec's results;
- an increase in revenues from federal transfers of \$2.6 billion in 2021-2022 and in 2022-2023 and \$3.0 billion in 2023-2024, due to:
 - a one-time payment of \$1.1 billion in 2021-2022 to support the health care system and vaccination,
 - an unconditional Asymmetrical Childcare Agreement of \$6.0 billion over five years, from 2021-2022 to 2025-2026,
 - an increase in equalization revenue starting in 2022-2023, due to an increase in the equalization envelope for Canada, which grows at the same pace as Canada's nominal GDP, as well as an increase in the prices of oil, which drives the growth in disparities in fiscal capacity between the provinces;

⁵ Household consumption excluding food expenditures and shelter.

- adjustments to portfolio expenditures, which are:
 - a \$672-million decrease in 2021-2022 due to a more gradual resumption of government activities than anticipated during the pandemic,
 - a \$1.8-billion increase in 2022-2023 due in part to an acceleration in the pace of completion of certain infrastructure projects and an upward adjustment to the forecast for municipal and housing infrastructure spending,
 - a \$2.0-billion increase in 2023-2024 due to increased spending on health and social services and an acceleration in the pace of completion of certain infrastructure projects;
- an upward adjustment in the cost of the support and recovery measures introduced to combat COVID-19 of \$1.0 billion in 2021-2022, \$417 million in 2022-2023, and \$166 million in 2023-2024, essentially explained by the increased spending in the health and social services sector to overcome the public health crisis;
- a decrease in debt service of \$122 million in 2021-2022, \$68 million in 2022-2023, and \$123 million in 2023-2024 due to the reduction in the anticipated deficits and increase in the investment income from the Retirement Plans Sinking Fund (RPSF);
- an increase in deposits in the Generations Fund of \$377 million in 2021-2022, \$237 million in 2022-2023 and \$158 million in 2023-2024, partly due to an increase in mining revenues.

■ Budget 2022-2023 initiatives

In this budget, the government is providing initiatives of nearly \$3.8 billion for 2022-2023, that is:

- \$296 million for coping with the rising cost of living, to which is added the funding of \$3.2 billion provided for in 2021-2022, primarily to fund the one-time cost of living amount;
- \$1.3 billion to restore the health care system;
- \$522 million to invest in education and higher education;
- \$1.1 billion to stimulate economic growth;
- \$63 million to continue efforts relating to the environment;
- \$481 million to strengthen community action and support communities.

The total cost of the initiatives since Budget 2021-2022 is \$8.6 billion in 2021-2022, \$6.3 billion in 2022-2023 and \$5.6 billion in 2023-2024.

| Recap of November 2021 initiatives | | | |
|--|---------------|---------------|---------------|
| <p>In the November 2021 <i>Update on Québec's Economic and Financial Situation</i>, the government announced investments of \$5.2 billion in 2021-2022, \$2.6 billion in 2022-2023 and \$1.9 billion in 2023-2024. These investments have made it possible to introduce initiatives for:</p> <ul style="list-style-type: none"> — coping with the cost of living; — taking action to combat the labour shortage and stimulate economic growth; — supporting families and helping communities; — continuing efforts to strengthen the health care system. | | | |
| <p>November 2021 initiatives (millions of dollars)</p> | | | |
| | 2021- 2022 | 2022- 2023 | 2023- 2024 |
| Coping with the cost of living | -946 | -313 | -254 |
| Taking action to combat the labour shortage and stimulate economic growth | -248 | -877 | -845 |
| Supporting families and helping communities | -444 | -749 | -589 |
| Continuing efforts to strengthen the health care system | -3 593 | -614 | -184 |
| TOTAL | -5 231 | -2 554 | -1 871 |

■ Other adjustments

The financial framework includes a provision of \$2.5 billion in 2022-2023 to mitigate potential economic risks and to fund additional support and recovery measures that may be needed. The inclusion of such a provision is necessary due to the current public health, economic and geopolitical risks.

- Indeed, the geopolitical tensions arising from Russia's invasion of Ukraine represent one factor that could influence global economic developments, particularly with regard to energy prices and economic growth in Europe.
- Moreover, the evolving pandemic could still impact the economic outlook and developments in the financial markets. In addition, the labour shortage and imbalances seen worldwide, such as supply chain disruptions, will exert inflationary pressures and could weigh on economic growth.

Lastly, the use of the entire stabilization reserve in 2021-2022 reduces the budgetary deficit, within the meaning of the *Balanced Budget Act*, to \$6.1 billion this year.

Stabilization reserve

Under the *Balanced Budget Act*, a recorded surplus, that is, a budgetary balance that is greater than zero, must be allocated to the stabilization reserve.

- From 2015-2016 to 2019-2020, surpluses of \$12.0 billion were allocated to the stabilization reserve. In 2020-2021, part of the reserve was used to maintain budgetary balance.
- In 2021-2022, the full balance of the reserve is being used to reduce the deficit.

TABLE I.5

Stabilization reserve (millions of dollars)

| Fiscal year | Balance, beginning of year | Allocations | Uses | Balance, end of year |
|-------------|-------------------------------|-------------|---------|-------------------------|
| 2015-2016 | — | 2 191 | — | 2 191 |
| 2016-2017 | 2 191 | 2 361 | — | 4 552 |
| 2017-2018 | 4 552 | 2 622 | — | 7 174 |
| 2018-2019 | 7 174 | 4 803 | — | 11 977 |
| 2019-2020 | 11 977 | 4 | — | 11 981 |
| 2020-2021 | 11 981 | — | −10 760 | 1 221 |
| 2021-2022 | 1 221 | — | −1 221 | — |
| 2022-2023 | — | — | — | — |

| Stabilization reserve |
|--|
| <p>The stabilization reserve facilitates the government’s multi-year budget planning since it can be used if the budgetary balance is less than zero. It thus helps to keep the budget balanced under the <i>Balanced Budget Act</i>.</p> <p>The reserve acts like a counter made up of surpluses achieved, but it does not consist of surplus cash, as generated surpluses are used to reduce the debt. In other words, the stabilization reserve is not money in the bank.</p> <p>Within the meaning of the Act, the government is using the stabilization reserve in 2021-2022 to reduce the deficit.</p> |

Adjustments since November 2021

Relative to the November 2021 *Update on Québec's Economic and Financial Situation*, the financial framework presents adjustments explained by:

- the overall improvement in the economic and budgetary situation, resulting in an adjustment of \$2.9 billion in 2021-2022, \$4.1 billion in 2022-2023 and \$4.4 billion in 2023-2024;
- the cost of the new initiatives announced, representing \$3.4 billion in 2021-2022, and \$3.8 billion in 2022-2023 and 2023-2024;
- the increase in the provision for economic risks and other support and recovery measures, totalling \$1 250 million in 2022-2023 and \$500 million in 2023-2024.

Adjustments to the financial framework since November 2021

(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 |
|--|---------------|---------------|---------------|
| BUDGETARY BALANCE⁽¹⁾ – NOVEMBER 2021 | -6 847 | -5 547 | -4 043 |
| ECONOMIC AND BUDGETARY SITUATION | | | |
| Own-source revenue excluding revenue from government enterprises | 4 301 | 4 773 | 4 408 |
| Revenue from government enterprises | 5 | 64 | 122 |
| Federal transfers | 83 | 273 | -150 |
| Portfolio expenditures | -128 | -120 | 370 |
| Debt service | 102 | -72 | -126 |
| Other | -169 | -194 | -36 |
| Subtotal | 4 194 | 4 724 | 4 587 |
| COVID-19 support and recovery measures | -1 283 | -618 | -184 |
| TOTAL ADJUSTMENTS RELATED TO THE ECONOMIC AND BUDGETARY SITUATION | 2 911 | 4 106 | 4 403 |
| INITIATIVES | | | |
| Coping with the rising cost of living | -3 245 | -296 | -89 |
| Restoring the health care system | — | -1 299 | -1 566 |
| Investing in education and higher education | — | -522 | -545 |
| Stimulating economic growth | -73 | -1 099 | -1 134 |
| Continuing efforts relating to the environment | -3 | -63 | -84 |
| Strengthening community action and supporting communities | -97 | -481 | -342 |
| TOTAL MARCH 2022 INITIATIVES | -3 418 | -3 759 | -3 760 |
| Provision for economic risks and other support and recovery measures | — | -1 250 | -500 |
| BUDGETARY BALANCE⁽¹⁾ – MARCH 2022 | -7 354 | -6 450 | -3 900 |

Note: Totals may not add due to rounding. The table showing adjustments to the financial framework excludes those that can be attributed to the reclassification of the impact of the accounting standard respecting transfer payments, that were presented separately from the expenditures in the November 2021 *Update on Québec's Economic and Financial Situation*.

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

1.2 Detailed adjustments in 2021-2022

Budget 2022-2023 presents detailed adjustments in revenue and expenditure for 2021-2022 since the March 2021 budget.

Overall, the budgetary adjustments result in a \$4.9-billion decrease in the deficit before use of the stabilization reserve in 2021-2022, bringing it to \$7.4 billion.

These adjustments are explained by:

- a \$12.9-billion increase in revenue, including an increase of \$10.2 billion in own-source revenue and of \$2.6 billion from federal transfers;
- a \$4.1-billion increase in expenditures, primarily due to the cost of new initiatives, including the extraordinary cost of living allowance and the one-time cost of living amount;
- a \$4.8-billion increase in the cost of COVID-19 support and recovery measures resulting from the increase in health care costs and implementation of additional support measures;
- elimination of the provision for economic risks and other support and recovery measures, which amounted to \$1.3 billion.

TABLE I.6

Adjustments to the 2021-2022 financial framework since March 2021 (millions of dollars)

| | 2021-2022 | | | | March 2022 |
|--|-----------------|----------------------------------|-----------------------------------|---------------|-----------------|
| | March 2021 | Adjustments | | Total | |
| | | Economic and budgetary situation | Initiatives and other adjustments | | |
| Own-source revenue | | | | | |
| Tax revenue | 75 168 | 8 543 | — | 8 543 | 83 711 |
| Other revenue | 15 842 | 867 | — | 867 | 16 709 |
| Subtotal | 91 010 | 9 410 | — | 9 410 | 100 420 |
| Revenue from government enterprises | 4 658 | 836 | — | 836 | 5 494 |
| Total own-source revenue | 95 668 | 10 246 | — | 10 246 | 105 914 |
| Federal transfers | 26 899 | 2 648 | — | 2 648 | 29 547 |
| Revenue | 122 567 | 12 894 | — | 12 894 | 135 461 |
| Portfolio expenditures | -117 640 | 672 | -4 906 | -4 234 | -121 874 |
| Debt service | -8 563 | 122 | — | 122 | -8 441 |
| Expenditure | -126 203 | 794 | -4 906 | -4 112 | -130 315 |
| COVID-19 support and recovery measures | -4 284 | -1 016 | -3 743 | -4 759 | -9 043 |
| Provision for economic risks and other support and recovery measures | -1 250 | — | 1 250 | 1 250 | — |
| SURPLUS (DEFICIT) | -9 170 | 12 671 | -7 398 | 5 273 | -3 897 |
| BALANCED BUDGET ACT | | | | | |
| Deposits of dedicated revenues in the Generations Fund | -3 080 | -377 | — | -377 | -3 457 |
| BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE | -12 250 | 12 294 | -7 398 | 4 896 | -7 354 |
| Use of the stabilization reserve | — | — | 1 221 | 1 221 | 1 221 |
| BUDGETARY BALANCE⁽¹⁾ | -12 250 | 12 294 | -6 177 | 6 117 | -6 133 |

Note: Totals may not add due to rounding.

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

❑ Own-source revenue excluding revenue from government enterprises

For 2021-2022, own-source revenue excluding revenue from government enterprises shows an upward adjustment of \$9.4 billion compared to the March 2021 forecast and totals \$100.4 billion.

— Tax revenue are adjusted upward by \$8.5 billion, consistent with the 5.3-percentage-point upward adjustment to nominal GDP in 2021 since last March.

— Other revenue is adjusted upward by \$867 million.

TABLE I.7

Adjustments in own-source revenue excluding revenue from government enterprises (millions of dollars)

| | 2021-2022 |
|--|----------------|
| OWN-SOURCE REVENUE⁽¹⁾ – MARCH 2021 | 91 010 |
| Tax revenue | |
| Personal income tax | 3 173 |
| Contributions for health services | 221 |
| Corporate taxes | 3 971 |
| School property tax | -33 |
| Consumption taxes | 1 211 |
| Subtotal | 8 543 |
| Other revenue | |
| Duties and permits | 832 |
| Miscellaneous revenue | 35 |
| Subtotal | 867 |
| Total adjustments | 9 410 |
| OWN-SOURCE REVENUE⁽¹⁾ – MARCH 2022 | 100 420 |

(1) Own-source revenue excluding revenue from government enterprises.

■ Tax revenue

For 2021-2022, revenue from personal income tax is adjusted upward by \$3.2 billion compared to the March 2021 forecast, while contributions for health services are adjusted upward by \$221 million.

These favourable adjustments can be attributed to wages and salaries, whose growth was adjusted by 3.6 percentage points in 2021, rising from 6.0% to 9.6%, and by 4.6 percentage points in 2022, rising from 3.5% to 8.1%.

In 2021-2022, revenue from corporate taxes is adjusted upward by \$4.0 billion compared to the March 2021 forecast.

- This favourable adjustment can primarily be attributed to the net operating surplus of corporations, whose growth was adjusted by 19.8 percentage points in 2020, rising from -5.3% to 14.5%, and by 10.2 percentage points in 2021, rising from 2.2% to 12.4%.

Revenue from the school property tax is adjusted downward by \$33 million in 2021-2022 compared to the March 2021 forecast.

- This adjustment is primarily due to a decrease in the projected student population growth and in the growth of the cost of services funded by the school property tax.

Consumption tax revenue, which is derived mainly from the Québec sales tax, is adjusted upward by \$1.2 billion in 2021-2022 compared to the March 2021 forecast.

- This adjustment is explained, in particular, by household consumption,⁶ whose growth was adjusted by 2.9 percentage points in 2021, rising from 8.3% to 11.2%, and by residential construction, whose growth was adjusted by 19.4 percentage points in 2021, rising from 10.6% to 30.0%.

■ Other revenue

In 2021-2022, revenue from duties and permits is adjusted upward by \$832 million compared to the March 2021 forecast.

- This adjustment is mainly due to the increase in mining revenues resulting from sustained market prices for metals since 2020⁷ and an increase in revenue from the auction of GHG emission allowances.

Miscellaneous revenue⁸ is adjusted upward by \$35 million in 2021-2022.

⁶ Household consumption excluding food expenditures and shelter.

⁷ Mining revenues are deposited in the Generations Fund.

⁸ Miscellaneous revenue includes interest, the sale of goods and services, as well as fines, forfeitures and recoveries.

❑ Revenue from government enterprises

For 2021-2022, revenue from government enterprises is adjusted upward by \$836 million, to \$5.5 billion.

This increase is mainly due to the results from:

- Hydro-Québec, due, in particular, to the increase in the value of exports and in the demand for electricity in Québec;
- Investissement Québec, essentially due to good performance in its venture capital portfolio and the performance of its investment funds.

TABLE I.8

Revenue from government enterprises (millions of dollars)

| | 2021-2022 |
|---|--------------|
| REVENUE FROM GOVERNMENT ENTERPRISES – MARCH 2021 | 4 658 |
| Hydro-Québec | 600 |
| Loto-Québec | -32 |
| Société des alcools du Québec | 44 |
| Investissement Québec | 226 |
| Société québécoise du cannabis ⁽¹⁾ | -7 |
| Other ⁽²⁾ | 5 |
| Total adjustments | 836 |
| REVENUE FROM GOVERNMENT ENTERPRISES – MARCH 2022 | 5 494 |

(1) Revenue is allocated to the Fund to Combat Addiction.

(2) The other government enterprises are the Société ferroviaire et portuaire de Pointe-Noire, Capital Financière agricole and the Société du parc industriel et portuaire de Bécancour.

❑ Federal transfers

In 2021-2022, revenues from federal transfers stand at \$29.5 billion, an upward adjustment of \$2.6 billion compared to Budget 2021-2022.

This upward adjustment is primarily due to:

- a one-time payment of \$1.1 billion to support the health care system and vaccination;
- an unconditional Asymmetrical Childcare Agreement of \$6.0 billion over five years, including \$660 million in 2021-2022.

It is also due to the vaccines received from the federal government and changes made to the Canada Student Loans Program, for which Québec has the right to opt out with full compensation.

TABLE I.9

Adjustments to federal transfer revenues (millions of dollars)

| | 2021-2022 |
|--|---------------|
| FEDERAL TRANSFERS – MARCH 2021 | 26 899 |
| Equalization | — |
| Health transfers | 1 245 |
| Transfers for post-secondary education and other social programs | -62 |
| Other programs, including: | 1 465 |
| – <i>The Asymmetrical Childcare Agreement</i> | 660 |
| Total adjustments | 2 648 |
| FEDERAL TRANSFERS – MARCH 2022 | 29 547 |

□ Portfolio expenditures

For 2021-2022, portfolio expenditures, before taking into account COVID-19 support and recovery measures, amount to \$121.9 billion, an upward adjustment of \$4.2 billion compared to the March 2021 forecast.

The adjustment is primarily due to:

- new initiatives in the fall 2021 update and Budget 2022-2023 not related to COVID-19, which are:
 - nearly \$4.2 billion for measures to cope with the increase in the cost of living, including the implementation of the extraordinary cost of living allowance in November 2021 and the one-time cost of living amount provided in March 2022,
 - \$268 million to take action to combat the labour shortage and stimulate economic growth,
 - \$447 million to support families and help communities;
- a more gradual resumption of government activities than anticipated, resulting in a \$672-million downward adjustment in spending.

With the addition of COVID-19 support and recovery measures totalling \$9 billion,⁹ portfolio expenditures in 2021-2022 amount to \$130.9 billion.

TABLE I.10

Adjustments to portfolio expenditures (millions of dollars)

| | 2021-2022 |
|---|----------------|
| RESTATED PORTFOLIO EXPENDITURES – MARCH 2021⁽¹⁾ | 117 640 |
| Measures to cope with the increase in the cost of living | 4 191 |
| Taking action to combat the labour shortage and stimulate economic growth | 268 |
| Supporting families and helping communities | 447 |
| More-gradual-than-expected resumption of government activities ⁽²⁾ | -672 |
| Total adjustments | 4 234 |
| PORTFOLIO EXPENDITURES – BEFORE COVID-19 SUPPORT AND RECOVERY MEASURES | 121 874 |
| COVID-19 support and recovery measures | 9 043 |
| PORTFOLIO EXPENDITURES – MARCH 2022 | 130 917 |

(1) The March 2021 expenditure level is restated to include the change in application of the accounting standard respecting transfer payments.

(2) A more gradual resumption of government activity than expected made it possible to anticipate \$1.1 billion in payments for public transit projects.

⁹ COVID-19 support and recovery measures primarily include health funding to overcome the public health crisis.

❑ Debt service

For 2021-2022, debt service is adjusted downward by \$122 million to \$8.4 billion due to:

- the \$61-million downward adjustment in interest on the direct debt, which stems from lower budgetary deficits;
- the higher return of the Retirement Plans Sinking Fund (RPSF).¹⁰ The investment income of the RPSF¹¹ is applied against debt service.

TABLE I.11

Adjustments to debt service

(millions of dollars)

| | 2021-2022 |
|--|--------------|
| DEBT SERVICE – MARCH 2021 | 8 563 |
| Interest on direct debt ⁽¹⁾ | -61 |
| Interest on the liability for retirement plans and other employee future benefits ⁽²⁾ | -61 |
| Total adjustments | -122 |
| DEBT SERVICE – MARCH 2022 | 8 441 |

(1) Interest on the direct debt includes the income of the Sinking Fund for Government Borrowing. This income, which is deducted from debt service, consists of interest generated on investments as well as gains and losses on disposal. The forecast for this income may be adjusted upward or downward since it is closely tied to the change in interest rates and market behaviour.

(2) This interest corresponds to the interest on obligations relating to the retirement plans and other future benefits of public and parapublic sector employees, minus mainly the investment income of the RPSF.

¹⁰ In 2020-2021, the RPSF yielded a return of 16.5%, whereas a return of 15.0% was forecast in the March 2021 budget.

¹¹ See page J.33 of the section entitled “The Québec Government’s Debt” for further details on the net liability for retirement plans and the value of the RPSF as at March 31, 2021.

1.3 Sound management of public finances

Fiscal consolidation is essential to Québec's prosperity. Establishing a prudent financial framework is responsible given the ongoing economic uncertainty, while sound management of public finances provides the leeway needed to:

- gradually reduce the structural deficit and plan a return to a balanced budget by 2027-2028;
- continue debt reduction efforts.

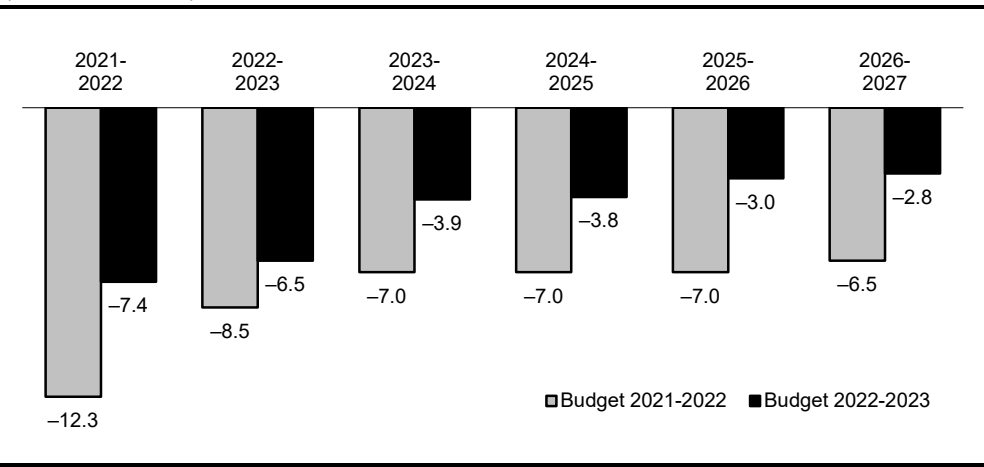
A gradual reduction in the structural deficit

A balanced approach combining sound management of public finances with additional support and recovery measures, as well as ongoing investments in the government's chief missions fosters a higher-than-forecast economic growth, making it possible to reduce the structural deficit by more than half in one year.

Changes in the economic and budgetary situation make it possible to reduce the structural deficit from \$6.5 billion to \$2.8 billion.

CHART I.1

Change in the budgetary balance
(billions of dollars)



❑ Returning to a balanced budget

The return to a balanced budget is still forecast by 2027-2028. The government is reiterating that the return to a balanced budget will continue to be based on the following principles:

- the government's commitment not to increase the tax burden;
- the acceleration of economic growth;
- the adequate funding of the government's chief missions;
- an expenditure growth in line with revenue growth;
- an increase in federal contributions for health expenditures.¹²

¹² The Council of the Federation is asking the federal government to increase the Canada Health Transfer to 35% of provincial and territorial health expenditures. No revenue associated with this request was built into the financial framework.

❑ Ensuring a gradual reduction of the debt burden

Despite an increase in the debt-to-GDP ratio in 2020-2021 due to the effects of the pandemic, the debt burden is decreasing again. In the coming years, the debt burden will decline gradually thanks to economic growth, an improved financial situation and deposits in the Generations Fund.

The *Act to reduce the debt and establish the Generations Fund* stipulates that for fiscal 2025-2026, gross debt must not exceed 45% of GDP, while the debt representing accumulated deficits must not exceed 17% of GDP.

- The objective regarding gross debt will be met. The gross debt burden will stand at 41.9% of GDP as at March 31, 2026.
- On the other hand, the objective for the ratio of debt representing accumulated deficits to GDP will not be met. The ratio is currently expected to be 19.2% as at March 31, 2026, a gap of 2.2 percentage points or \$13.2 billion compared with the 17% objective.

The government intends to ensure a gradual reduction of the debt burden and to propose changes to the *Act to reduce the debt and establish the Generations Fund* in Budget 2023-2024. A new debt reduction objective covering the next 10 or 15 years will then be set.

| The benefits of reducing the debt burden |
|--|
| <p>Reducing the debt burden will bring substantial benefits in the form of a positive contribution to economic growth through the creation of a climate of confidence conducive to private investment and higher productivity.</p> <p>In addition to contributing to collective prosperity, reducing the debt burden will allow Québec to:</p> <ul style="list-style-type: none">— contribute to intergenerational fairness;— ensure stable funding for the government’s main missions, including health and education;— cope with the costs associated with an aging population;— implement measures to fight climate change;— fund investment in public infrastructure;— ease the tax burden on Quebecers;— counter a potential future economic downturn;— increase its financial autonomy within the federation. |

2. REVENUE AND EXPENDITURE FORECASTS

Budget 2022-2023 presents the detailed change in revenue and expenditure, that is, the three-year outlook for 2021-2022 to 2023-2024.

TABLE I.12

Change in revenue and expenditure (millions of dollars)

| | 2021-2022 | 2022-2023 | 2023-2024 | AAGR ⁽¹⁾ |
|--|-----------------|-----------------|-----------------|---------------------|
| Revenue | | | | |
| Own-source revenue excluding revenue from government enterprises | 100 420 | 104 063 | 106 841 | |
| % change | 14.9 | 3.6 | 2.7 | 6.9 |
| Revenue from government enterprises | 5 494 | 5 628 | 5 933 | |
| % change | 22.3 | 2.4 | 5.4 | 9.7 |
| Federal transfers | 29 547 | 28 790 | 29 748 | |
| % change | -3.8 | -2.6 | 3.3 | -1.1 |
| Total revenue | 135 461 | 138 481 | 142 522 | |
| % change | 10.5 | 2.2 | 2.9 | 5.2 |
| Expenditure | | | | |
| Portfolio expenditures | -121 874 | -127 789 | -131 800 | |
| % change | 14.8 | 4.9 | 3.1 | 7.5 |
| Debt service | -8 441 | -8 842 | -8 725 | |
| % change | 9.8 | 4.8 | -1.3 | 4.3 |
| Total expenditure | -130 315 | -136 631 | -140 525 | |
| % change | 14.5 | 4.8 | 2.9 | 7.3 |
| COVID-19 support and recovery measures | -9 043 | -2 355 | -462 | |
| Provision for economic risks and other support and recovery measures | — | -2 500 | -1 500 | |
| SURPLUS (DEFICIT) | -3 897 | -3 005 | 35 | |
| Deposits of dedicated revenues in the Generations Fund | -3 457 | -3 445 | -3 935 | |
| BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE | -7 354 | -6 450 | -3 900 | |
| Use of the stabilization reserve | 1 221 | — | — | |
| BUDGETARY BALANCE⁽²⁾ | -6 133 | -6 450 | -3 900 | |

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2021-2022 to 2023-2024.

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

2.1 Change in revenue

Government revenue encompasses own-source revenue, including revenue from government enterprises, as well as federal transfers.

Government revenue totals \$135.5 billion in 2021-2022, or \$105.9 billion in own-source revenue and \$29.5 billion from federal transfers.

Government revenue will stand at \$138.5 billion in 2022-2023 and \$142.5 billion in 2023-2024, representing growth of 2.2% and 2.9%, respectively.

TABLE I.13

Change in revenue (millions of dollars)

| | 2021-2022 | 2022-2023 | 2023-2024 | AAGR ⁽¹⁾ |
|--|----------------|----------------|----------------|---------------------|
| Own-source revenue | | | | |
| Own-source revenue excluding revenue from government enterprises | 100 420 | 104 063 | 106 841 | |
| <i>% change</i> | 14.9 | 3.6 | 2.7 | 6.9 |
| Revenue from government enterprises | 5 494 | 5 628 | 5 933 | |
| <i>% change</i> | 22.3 | 2.4 | 5.4 | 9.7 |
| Subtotal | 105 914 | 109 691 | 112 774 | |
| <i>% change</i> | 15.3 | 3.6 | 2.8 | 7.1 |
| Federal transfers | 29 547 | 28 790 | 29 748 | |
| <i>% change</i> | -3.8 | -2.6 | 3.3 | -1.1 |
| TOTAL | 135 461 | 138 481 | 142 522 | |
| <i>% change</i> | 10.5 | 2.2 | 2.9 | 5.2 |

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2021-2022 to 2023-2024.

2.1.1 Own-source revenue excluding revenue from government enterprises

Own-source revenue excluding revenue from government enterprises consists mainly of tax revenue, including personal income tax, contributions for health services, corporate taxes, school property tax and consumption taxes.

— How it changes generally reflects change in economic activity in Québec and changes in the tax system.

Own-source revenue also includes other revenue sources, that is, duties and permits, in particular, revenue from the carbon market, and miscellaneous revenue, such as interest, the sale of goods and services, as well as fines, forfeitures and recoveries.

Own-source revenue stands at \$100.4 billion in 2021-2022, an increase of 14.9% compared to 2020-2021. It will reach \$104.1 billion in 2022-2023 and \$106.8 billion in 2023-2024, representing growth of 3.6% and 2.7%, respectively.

TABLE I.14

Change in own-source revenue excluding revenue from government enterprises – Summary (millions of dollars)

| | 2021-2022 | 2022-2023 | 2023-2024 | AAGR ⁽¹⁾ |
|---------------|----------------|----------------|----------------|---------------------|
| Tax revenue | 83 711 | 87 212 | 89 283 | |
| % change | 14.9 | 4.2 | 2.4 | 7.0 |
| Other revenue | 16 709 | 16 851 | 17 558 | |
| % change | 15.3 | 0.8 | 4.2 | 6.6 |
| TOTAL | 100 420 | 104 063 | 106 841 | |
| % change | 14.9 | 3.6 | 2.7 | 6.9 |

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2021-2022 to 2023-2024.

❑ Tax revenue

Revenue from personal income tax, the government's largest revenue source, stands at \$39.1 billion in 2021-2022, up 11.7% compared to 2020-2021. It will reach \$41.1 billion in 2022-2023 and \$42.2 billion in 2023-2024, representing growth of 5.3% and 2.6%, respectively.

- This growth reflects such factors as the increase in household income, including wages and salaries, which, due to the recovery in employment, will grow by 9.6% in 2021, 8.1% in 2022 and 3.3% in 2023.
- It also takes into account all the parameters of the personal income tax system, such as indexation and the progressive nature of the tax system.

Contributions for health services stand at \$7.0 billion in 2021-2022, which will then increase to \$7.3 billion in 2022-2023 and \$7.5 billion in 2023-2024, an increase of 9.7%, 4.0% and 2.2%, respectively.

- This change reflects the expected growth in wages and salaries.

Corporate tax revenue will reach \$12.0 billion in 2021-2022, an increase of 33.9%. It will stand at \$10.9 billion in 2022-2023 and 2023-2024, representing a change of -9.2% and 0.3%, respectively.

- This change is influenced by the projected change in the net operating surplus of corporations, supported in part by one-off government support measures, which stands at 12.4% in 2021, -6.4% in 2022 and -3.1% in 2023.
- It also reflects the measures implemented in recent years to ease the tax burden, particularly the reduced corporate tax rate for SMBs announced in Budget 2021-2022.

Revenue from the school property tax stands at \$1.1 billion in 2021-2022, down 6.6% compared to 2020-2021. It will reach \$1.2 billion in 2022-2023 and \$1.3 billion in 2023-2024, an increase of 9.1% and 8.6%, respectively.

- The decrease in 2021-2022 can be attributed to the impact of the tax rate reduction resulting from the implementation of a single school tax rate since July 1, 2020.
- The change in revenue from the school property tax also takes into account the increase in the number of students and the projected increase in the cost of services funded by the school property tax.

Consumption tax revenue totals \$24.5 billion in 2021-2022, up 14.8% compared to 2020-2021. It will stand at \$26.7 billion in 2022-2023 and \$27.4 billion in 2023-2024, growth of 8.8% and 2.8%, respectively.

— This change reflects the projected growth of household consumption¹³ in particular, of 11.2% in 2021, 12.0% in 2022 and 3.9% in 2023.

— It also reflects the projected change in residential construction of 30.0% in 2021, 0.6% in 2022 and -0.1% in 2023.

TABLE I.15

Change in own-source revenue excluding revenue from government enterprises

(millions of dollars)

| | 2021-2022 | 2022-2023 | 2023-2024 | AAGR ⁽¹⁾ |
|-----------------------------------|----------------|----------------|----------------|---------------------|
| Tax revenue | | | | |
| Personal income tax | 39 094 | 41 147 | 42 197 | |
| % change | 11.7 | 5.3 | 2.6 | 6.4 |
| Contributions for health services | 7 017 | 7 299 | 7 456 | |
| % change | 9.7 | 4.0 | 2.2 | 5.2 |
| Corporate taxes | 11 984 | 10 882 | 10 910 | |
| % change | 33.9 | -9.2 | 0.3 | 6.8 |
| School property tax | 1 080 | 1 178 | 1 279 | |
| % change | -6.6 | 9.1 | 8.6 | 3.4 |
| Consumption taxes | 24 536 | 26 706 | 27 441 | |
| % change | 14.8 | 8.8 | 2.8 | 8.7 |
| Subtotal | 83 711 | 87 212 | 89 283 | |
| % change | 14.9 | 4.2 | 2.4 | 7.0 |
| Other revenue | | | | |
| Duties and permits | 5 685 | 5 171 | 5 209 | |
| % change ⁽²⁾ | 23.2 | -9.0 | 0.7 | 4.1 |
| Miscellaneous revenue | 11 024 | 11 680 | 12 349 | |
| % change | 11.5 | 6.0 | 5.7 | 7.7 |
| Subtotal | 16 709 | 16 851 | 17 558 | |
| % change | 15.3 | 0.8 | 4.2 | 6.6 |
| TOTAL | 100 420 | 104 063 | 106 841 | |
| % change | 14.9 | 3.6 | 2.7 | 6.9 |

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2021-2022 to 2023-2024.

(2) The 9.0% decrease in revenue from duties and permits in 2022-2023 can be explained by the decrease in revenue from natural resources and the non-recurrence of revenues from the auction of GHG emission allowances, when units unsold during auctions in May and August 2020 were put back up for sale in 2021-2022.

¹³ Household consumption excluding food expenditures and shelter.

❑ Other revenue

Revenue from duties and permits amounts to \$5.7 billion in 2021-2022, an increase of 23.2% compared to 2020-2021. It will stand at \$5.2 billion in 2022-2023 and 2023-2024, changes of -9.0% and 0.7%, respectively.

- The 23.2% increase in revenue from duties and permits in 2021-2022 is explained primarily by an increase in revenues from the auction of GHG emission allowances,¹⁴ when units unsold in the auctions in May and August 2020 were put back up for sale in 2021.
- Due to the non-recurrence of these amounts and the decrease in revenue from natural resources, as a result of lower iron prices, a 9.0% decrease in revenue from duties and permits is expected in 2022-2023.

Miscellaneous revenue stands at \$11.0 billion in 2021-2022, an increase of 11.5% compared to 2020-2021. It will reach \$11.7 billion in 2022-2023 and \$12.3 billion in 2023-2024, representing increases of 6.0% and 5.7%, respectively.

- This change stems mainly from the anticipated revenue of special funds, non-budget-funded bodies and bodies in the health and social services and education networks.
 - For example, the change in the revenue of the education network is influenced by, among other things, tuition fee revenues, the change in clienteles, and user revenues.

¹⁴ In 2021-2022, the average auction price is \$30.92 per unit, a 38.3% increase over the average sales price observed in 2020-2021.

A favourable adjustment of own-source revenue in Québec and other Canadian provinces in 2021-2022

In Budget 2022-2023, own-source revenue¹ is adjusted by \$9.4 billion in 2021-2022, or 10.3% of revenue forecast in Budget 2021-2022.

- The recurrence of revenue observed in 2020-2021 and the upward adjustment of nominal GDP by 5.3 percentage points in 2021 reflect, in particular, a strong improvement in revenue from personal income tax and corporate taxes in 2021-2022.

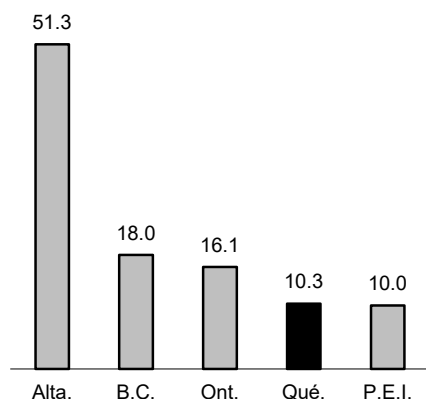
Like Québec, British Columbia and Ontario adjusted their own-source revenues by 18.0% and 16.1%, respectively, due to a positive trend in personal income tax and corporate taxes. Also, Alberta adjusted its revenue by 51.3%, due to an increase in revenue from natural resources.

Despite the favourable adjustments observed in Québec, several risks are currently weighing on own-source revenue forecasts. For example:

- the invasion of Ukraine, ongoing bottlenecks in supply chains and upward pressure on wages could reduce activity in certain sectors and affect corporate profits, posing a risk to corporate tax revenue forecasts;
- interest rate hikes and the gradual withdrawal of government assistance could affect household disposable income and purchasing power, which poses a risk to consumption tax revenue forecasts.

Adjustment to own-source revenue – 2021-2022

(percentage of revenue)

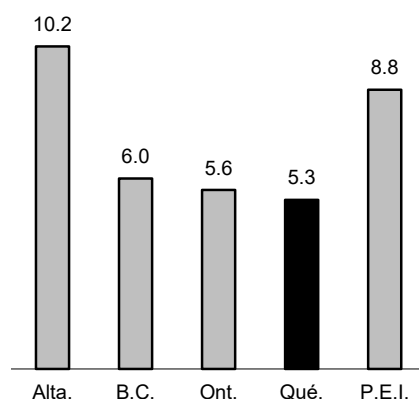


Note: This is the revenue adjustment, as a percentage of own-source revenue excluding revenue from government enterprises forecast in the 2021-2022 budgets.

Sources: 2022-2023 provincial budgets. Ontario's data come from the financial report for the third quarter of 2021-2022.

Nominal GDP growth adjustment – 2021

(percentage points)



Sources: 2022-2023 provincial budgets. Ontario's data come from the financial report for the third quarter of 2021-2022.

¹ Own-source revenue excluding revenue from government enterprises.

2.1.2 Revenue from government enterprises

Government enterprises consist of public corporations that play a commercial role, have managerial autonomy and are financially self-sufficient. The revenue from government enterprises corresponds in large part to the net earnings of these enterprises.

Revenue from government enterprises will amount to \$5.5 billion in 2021-2022, an increase of 22.3%, \$5.6 billion in 2022-2023, an increase of 2.4%, and \$5.9 billion in 2023-2024, an increase of 5.4%.

TABLE I.16

Change in revenue from government enterprises (millions of dollars)

| | 2021-2022 | 2022-2023 | 2023-2024 | AAGR ⁽¹⁾ |
|---|--------------|--------------|--------------|---------------------|
| Hydro-Québec | 2 725 | 2 525 | 2 700 | |
| Loto-Québec | 1 029 | 1 383 | 1 461 | |
| Société des alcools du Québec | 1 326 | 1 360 | 1 410 | |
| Investissement Québec | 318 | 256 | 246 | |
| Société québécoise du cannabis ⁽²⁾ | 81 | 94 | 105 | |
| Other ⁽³⁾ | 15 | 10 | 11 | |
| TOTAL | 5 494 | 5 628 | 5 933 | |
| % change | 22.3 | 2.4 | 5.4 | 9.7 |

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2021-2022 to 2023-2024.

(2) Revenue is allocated to the Fund to Combat Addiction.

(3) The government's other enterprises are the Société ferroviaire et portuaire de Pointe-Noire, Capital Financière agricole and the Société du parc industriel et portuaire de Bécancour.

The 22.3% growth in 2021-2022 primarily reflects a gradual return to normal by the expected results following exceptional declines caused by COVID-19 in 2020-2021. It includes an increase in the anticipated results of:

- Hydro-Québec, following the increase in electricity sales in Québec and in the value of its electricity exports;
- Loto-Québec, attributable to a gradual reopening of its facilities with the required physical distancing measures.

Growth of 2.4% in 2022-2023:

- is mainly explained by the increase in the expected results of Loto-Québec, due to the gradual return to full operation;
- is partly offset by a decrease in the expected results of Hydro-Québec, stemming particularly from the expected decrease in the value of electricity exports.

The 5.4% growth in 2023-2024 stems in particular from the increase in the anticipated results of:

- Hydro-Québec, due to the increase in electricity sales in Québec;
- Loto-Québec, following an increase in the profits across all its activity sectors after the return to normal of its activities due to the scheduled lifting of public health measures.

2.1.3 Federal transfers

Revenues from federal transfers consist of federal government revenues paid to Québec under the *Federal-Provincial Fiscal Arrangements Act*, to which are added revenues from other programs under bilateral agreements.

They include mainly equalization and revenue from the Canada Health Transfer (CHT)¹⁵ and the Canada Social Transfer (CST).

The federal transfer revenues decrease by 3.8% in 2021-2022 due to the one-time payment, the previous year, of amounts stemming from agreements concluded with the federal government in the context of the pandemic. They will decline by 2.6% in 2022-2023 for the same reason.

Revenues from federal transfers will increase by 3.3% in 2023-2024, in part because the CHT envelope will experience growth equivalent to that of Canada's nominal GDP.¹⁶

TABLE I.17

Change in federal transfers (millions of dollars)

| | 2021-2022 | 2022-2023 | 2023-2024 | AAGR ⁽¹⁾ |
|--|---------------|---------------|---------------|---------------------|
| Equalization | 13 119 | 13 666 | 14 294 | |
| % change | -1.0 | 4.2 | 4.6 | 2.6 |
| Health transfers | 8 270 | 7 078 | 7 787 | |
| % change | 21.6 | -14.4 | 10.0 | 4.6 |
| Transfers for post-secondary education and other social programs | 1 570 | 1 531 | 1 585 | |
| % change | -1.3 | -2.5 | 3.5 | -0.1 |
| Other programs | 6 588 | 6 515 | 6 082 | |
| % change | -27.4 | -1.1 | -6.6 | -12.5 |
| TOTAL | 29 547 | 28 790 | 29 748 | |
| % change | -3.8 | -2.6 | 3.3 | -1.1 |

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2021-2022 to 2023-2024.

¹⁵ The Council of the Federation is asking the federal government to increase the CHT to 35% of provincial and territorial health expenditures. No revenue associated with this request was built into the financial framework.

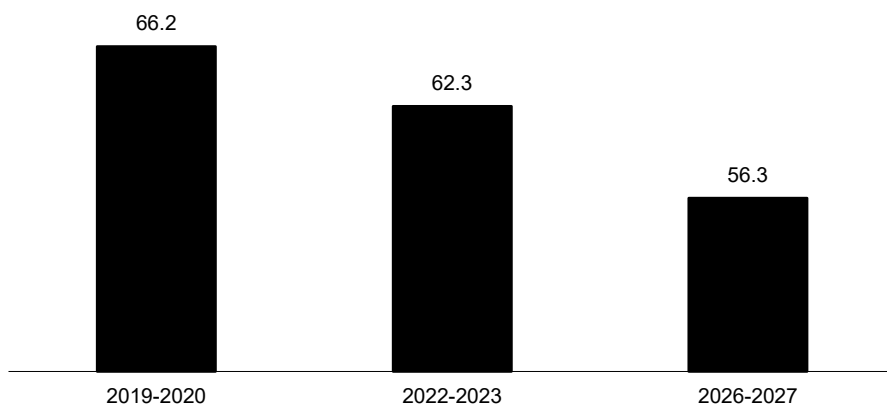
¹⁶ In 2023-2024, the increase in the CHT envelope and the equalization envelope is based on the average annual growth in Canada's nominal GDP for 2021 (1/3), 2022 (1/3) and 2023 (1/3).

Ongoing decline in Québec's share of the equalization envelope

Québec's share of the equalization envelope has been declining since 2020-2021. This trend will continue in the years ahead due to the expected improvement in Québec's economic situation in comparison with the rest of Canada.

Québec's share in the equalization envelope, which was 66.2% in 2019-2020, will decline to 56.3% in 2026-2027.

Anticipated change in Québec's share of the equalization envelope (per cent)



Note: A smoothing mechanism with lag is applied to determine equalization payments. For example, the equalization payments for the provinces for 2022-2023 are based on data for the years 2018-2019 (25%), 2019-2020 (25%) and 2020-2021 (50%).

Sources: Department of Finance Canada and Ministère des Finances du Québec.

❑ Québec is the equalization recipient that receives the least per capita

The provinces do not all have the same fiscal capacity; in other words, they do not all have the same ability to generate revenue.

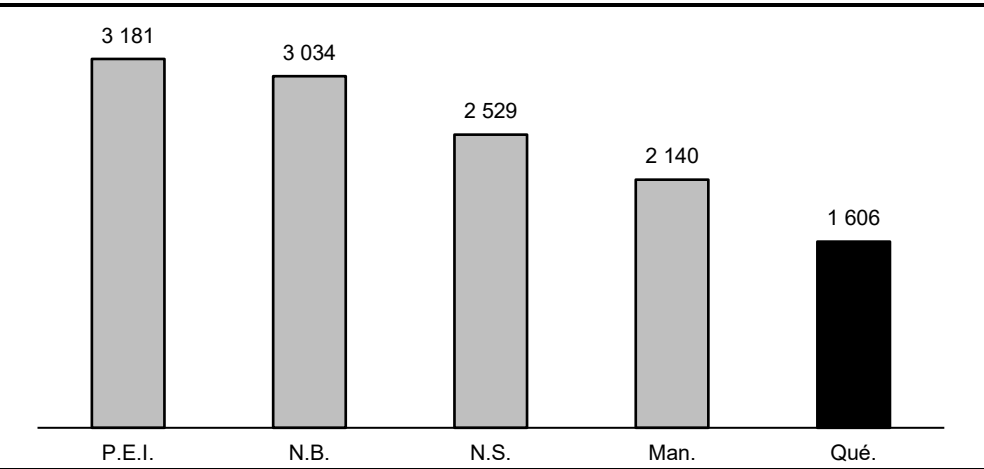
Provinces whose fiscal capacity, in dollars per capita, is below the average of the 10 provinces receive equalization payments. They therefore have, after equalization, a fiscal capacity equivalent to the average of the 10 provinces so that they can provide public services.¹⁷

In 2022-2023, five provinces will receive equalization payments: Manitoba, Québec, New Brunswick, Nova Scotia and Prince Edward Island.

Québec is the recipient that receives the least equalization per capita (\$1 606 per capita).

CHART I.2

Provincial equalization payments – 2022-2023
(dollars per capita)



Source: Department of Finance Canada.

¹⁷ The provinces' fiscal capacity is assessed on the basis of five tax bases (personal income tax, corporate income tax, consumption taxes, property taxes and natural resources).

2.2 Change in expenditure

Expenditure consists of portfolio expenditures, which are tied to the delivery of public services, and debt service.

Expenditure¹⁸ totals \$130.3 billion in 2021-2022, or \$121.9 billion in portfolio expenditures and \$8.4 billion in debt service.

— Expenditure will stand at \$136.6 billion in 2022-2023 and \$140.5 billion in 2023-2024.

Expenditure will grow by 14.5% in 2021-2022, 4.8% in 2022-2023 and 2.9% in 2023-2024.

— The 14.5% growth in 2021-2022 is due to the 14.8% increase in portfolio expenditures, which stems from the one-time cost of living amount as well as the resumption of government activities.

— It can also be explained by the 9.8% increase in debt service, caused by the increase in the debt and the rise in interest rates.

From 2021-2022 to 2023-2024, expenditure will grow by an average of 7.3% per year.

TABLE I.18

Change in expenditure (millions of dollars)

| | 2021-2022 | 2022-2023 | 2023-2024 | AAGR ⁽¹⁾ |
|------------------------|----------------|----------------|----------------|---------------------|
| Portfolio expenditures | 121 874 | 127 789 | 131 800 | |
| <i>% change</i> | 14.8 | 4.9 | 3.1 | 7.5 |
| Debt service | 8 441 | 8 842 | 8 725 | |
| <i>% change</i> | 9.8 | 4.8 | -1.3 | 4.3 |
| TOTAL | 130 315 | 136 631 | 140 525 | |
| <i>% change</i> | 14.5 | 4.8 | 2.9 | 7.3 |

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2021-2022 to 2023-2024.

¹⁸ COVID-19 support and recovery measures are not included in total expenditure. Portfolio expenditures before and after COVID-19 support and recovery measures are presented on pages I.43 and I.45.

Increase in portfolio expenditures in 2021-2022 higher than projected in Budget 2021-2022

In Budget 2021-2022, portfolio expenditures were expected to reach \$117.6 billion in 2021-2022, which represented an increase of 5.6%.

Since Budget 2021-2022, the portfolio expenditures expected for 2020-2021 and 2021-2022 have been adjusted.

- For 2020-2021, the recorded level of portfolio expenditures was \$5.3 billion lower.
 - This adjustment is due in particular to the slowdown in some regular government activities stemming from the pandemic, the deferral of infrastructure projects and the decrease in the allowance for doubtful accounts.
- For 2021-2022, portfolio expenditures were adjusted upward by \$4.2 billion, due to:
 - new initiatives from the fall 2021 update and the March 2022 budget totalling \$4.9 billion, including the impact of \$3.0 billion for the one-time cost of living allowance of \$500;
 - a more gradual resumption of government activities than anticipated during the pandemic period, resulting in a \$672-million downward adjustment in spending.

It is now expected that portfolio expenditures will amount to \$121.9 billion in 2021-2022, which represents an increase of 14.8%.

Portfolio expenditures

(millions of dollars)

| | March 2021 | Adjustment | March 2022 |
|-----------------|------------|------------|-------------|
| 2020-2021 | 111 453 | -5 327 | 106 126 |
| 2021-2022 | 117 640 | 4 234 | 121 874 |
| % change | 5.6 | | 14.8 |

Note: The data exclude COVID-19 support and recovery measures. The March 2021 levels are restated to incorporate the application of the accounting standard respecting transfer payments.

2.2.1 Portfolio expenditures

To achieve its objectives and carry out its activities, the government sets up programs that are administered by government entities, including departments and bodies. The set of entities under the responsibility of a minister constitutes a portfolio.

Before taking into account COVID-19 support and recovery measures, portfolio expenditures will amount to \$121.9 billion in 2021-2022, \$127.8 billion in 2022-2023 and \$131.8 billion in 2023-2024.

— From 2021-2022 to 2023-2024, portfolio expenditures will grow by an average of 7.5% per year.

COVID-19 support and recovery measures will amount to \$9.0 billion in 2021-2022, \$2.4 billion in 2022-2023 and \$0.5 billion in 2023-2024.

TABLE I.19

Change in expenditure by departmental portfolio (millions of dollars)

| | 2021-2022 | 2022-2023 | 2023-2024 | AAGR ⁽¹⁾ |
|--|----------------|----------------|----------------|---------------------|
| Santé et Services sociaux | 51 041 | 54 247 | 56 683 | |
| % change | 10.0 | 6.3 | 4.5 | 6.9 |
| Éducation | 18 084 | 19 060 | 19 819 | |
| % change | 8.6 | 5.4 | 4.0 | 6.0 |
| Enseignement supérieur | 8 903 | 10 069 | 10 447 | |
| % change ⁽²⁾ | 10.0 | 13.1 | 3.7 | 8.9 |
| Other portfolios ⁽³⁾ | 43 847 | 44 413 | 44 851 | |
| % change | 25.3 | 1.3 | 1.0 | 8.6 |
| Subtotal | 121 874 | 127 789 | 131 800 | |
| % change | 14.8 | 4.9 | 3.1 | 7.5 |
| COVID-19 support and recovery measures | 9 043 | 2 355 | 462 | |
| TOTAL | 130 917 | 130 144 | 132 262 | |
| % change | 9.9 | -0.6 | 1.6 | 3.5 |

Note: Totals may not add due to rounding.

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2021-2022 to 2023-2024.

(2) Excluding the Québec Perspective scholarships that will become available in September 2022, the 2022-2023 growth rate of the Enseignement supérieur portfolio will be 8.8%.

(3) Other portfolios include inter-portfolio eliminations resulting from the elimination of reciprocal transactions between entities in different portfolios.

COVID-19 support and recovery measures

Even though the majority of the support and recovery measures in response to the public health crisis were implemented in 2020-2021, the government will continue to support Quebecers and the economy in the coming years.

The support and recovery measures total \$9.0 billion in 2021-2022, \$2.4 billion in 2022-2023 and \$0.5 billion in 2023-2024.

COVID-19 support and recovery measures

(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | Total |
|---|---------------|---------------|---------------|---------------|---------------|
| Santé et Services sociaux | | | | | |
| Financing of temporary actions to overcome the public health crisis, taking into account postponed activities | 5 991 | 339 | — | — | 6 330 |
| New incentives to strengthen employee attendance in the face of the 5 th wave | 338 | 39 | — | — | 377 |
| Antivirals against COVID-19 (including federal government contribution) | 29 | 234 | — | — | 263 |
| Added patient-care attendants and managers in CHSLDs, as well as public health resources | 750 | 750 | — | — | 1 500 |
| Non-recurring investments in mental health in the face of the pandemic | 77 | — | — | — | 77 |
| Other measures ⁽¹⁾ | — | 232 | 368 | — | 600 |
| Subtotal | 7 185 | 1 595 | 368 | — | 9 148 |
| Éducation | | | | | |
| Fostering educational success | 110 | 60 | — | — | 170 |
| Helping Quebecers get back into the labour market | 65 | — | — | — | 65 |
| Supporting volunteering | 10 | — | — | — | 10 |
| Subtotal | 185 | 60 | — | — | 245 |
| Enseignement supérieur | | | | | |
| Easing the financial burden on students in the context of the pandemic | 155 | 72 | — | — | 227 |
| Enhancing student financial assistance and improving student support services | 50 | — | — | — | 50 |
| Helping Quebecers get back into the labour market | 26 | — | — | — | 26 |
| Subtotal | 230 | 72 | — | — | 302 |
| Other portfolios | | | | | |
| Supporting Quebecers ⁽²⁾ | 143 | 224 | — | — | 367 |
| Supporting the requalification of workers and getting them back into the labour market | 217 | 174 | 5 | — | 396 |
| Stimulating economic growth | 503 | 90 | 76 | 18 | 687 |
| Promoting economic development in all regions of Québec | 215 | 102 | 11 | — | 328 |
| Continuing to support businesses affected by the pandemic | 296 | 12 | — | — | 305 |
| Creating wealth through innovation | 69 | 26 | 2 | — | 97 |
| Subtotal | 1 443 | 628 | 94 | 18 | 2 180 |
| TOTAL | 9 043 | 2 355 | 462 | 18 | 11 874 |

Note: Totals may not add due to rounding.

(1) Other measures mainly include sums provided in the plan to reduce the waiting lists for surgery, which will be the subject of new planning.

(2) This includes initiatives to ensure safe subsidized childcare and support for certain community organizations.

Portfolio expenditures including support and recovery measures

COVID-19's arrival in Québec called for extraordinary measures to reinforce the health care system, accelerate growth, speed up the transition to the new economy and support Quebecers. In 2021-2022, there was a high level of spending due to initiatives that were implemented to deal with the public health crisis.

With the COVID-19 support and recovery measures included, portfolio expenditures will amount to \$130.9 billion in 2021-2022, \$130.1 billion in 2022-2023 and \$132.3 billion in 2023-2024.

- From 2021-2022 to 2023-2024, portfolio expenditures will grow by an average of 3.5% per year.

Detailed expenditure forecasts by portfolio are presented on page I.59.

Change in expenditure by departmental portfolio – After COVID-19 support and recovery measures (millions of dollars)

| | 2021-2022 | 2022-2023 | 2023-2024 | AAGR ⁽¹⁾ |
|---------------------------|----------------|----------------|----------------|---------------------|
| Santé et Services sociaux | 58 226 | 55 842 | 57 051 | |
| % change | 6.4 | -4.1 | 2.2 | 1.4 |
| Éducation | 18 268 | 19 120 | 19 819 | |
| % change | 7.9 | 4.7 | 3.7 | 5.4 |
| Enseignement supérieur | 9 133 | 10 141 | 10 447 | |
| % change | 9.6 | 11.0 | 3.0 | 7.8 |
| Other portfolios | 45 290 | 45 041 | 44 945 | |
| % change | 15.8 | -0.6 | -0.2 | 4.7 |
| TOTAL | 130 917 | 130 144 | 132 262 | |
| % change | 9.9 | -0.6 | 1.6 | 3.5 |

Note: Totals may not add due to rounding.

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2021-2022 to 2023-2024.

❑ Santé et Services sociaux

The expenditures of the Santé et Services sociaux portfolio consist primarily of the activities of the bodies in the health and social services network and programs administered by the Régie de l'assurance maladie du Québec. This portfolio also includes the expenditures of other health-related government bodies, such as Héma-Québec.

Before taking into account COVID-19 support and recovery measures, Santé et Services sociaux portfolio expenditures will amount to \$51.0 billion in 2021-2022, \$54.2 billion in 2022-2023 and \$56.7 billion in 2023-2024. They represent roughly 42% of total portfolio expenditures.

— The 10.0% growth in expenditures in 2021-2022 is due in particular to the improvement in working conditions and implementation of initiatives to increase the supply of public home-support services by hiring additional resources, and strengthen care and accommodation services by adding more beds and spaces while awaiting the opening of seniors' homes.

— Expenditure will grow by 6.3% in 2022-2023 and 4.5% in 2023-2024.

From 2021-2022 to 2023-2024, the Santé et Services sociaux portfolio will grow by an average of 6.9% per year.

Support and recovery measures for the Santé et Services sociaux portfolio will amount to \$7.2 billion in 2021-2022, \$1.6 billion in 2022-2023 and \$368 million in 2023-2024. They consist mainly of measures to overcome the health crisis.

TABLE I.20

Expenditures of the Santé et Services sociaux portfolio (millions of dollars)

| | 2021-2022 | 2022-2023 | 2023-2024 | AAGR ⁽¹⁾ |
|--|---------------|---------------|---------------|---------------------|
| Regular expenditures in Santé et Services sociaux | 51 041 | 54 247 | 56 683 | |
| % change | 10.0 | 6.3 | 4.5 | 6.9 |
| COVID-19 support and recovery measures | 7 185 | 1 595 | 368 | |
| TOTAL EXPENDITURES IN SANTÉ ET SERVICES SOCIAUX | 58 226 | 55 842 | 57 051 | |
| % change | 6.4 | -4.1 | 2.2 | 1.4 |

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2021-2022 to 2023-2024.

□ Éducation

The expenditures of the Éducation portfolio are primarily devoted to the activities of preschool, primary and secondary education institutions. This portfolio also includes programs to promote recreation and sports, and programs associated with the status of women.

Before taking into account COVID-19 support and recovery measures, Éducation portfolio expenditures will amount to \$18.1 billion in 2021-2022, \$19.1 billion in 2022-2023 and \$19.8 billion in 2023-2024. Spending for this portfolio represents roughly 15% of total portfolio expenditures.

- The 8.6% growth in expenditures in 2021-2022 is mainly due to the resumption of certain activities in school service centres and school boards that were limited or cancelled in 2020-2021, and Budget 2021-2022 investments, in particular to provide better support for the school network.
- The 5.4% growth in expenditures in 2022-2023 is mainly due to the initiatives in March 2022, particularly the initiative to enhance the tutoring program.
- In 2023-2024, Éducation portfolio spending will grow by 4.0%.

From 2021-2022 to 2023-2024, average annual growth of the Éducation portfolio will reach 6.0%.

Support and recovery measures for the Éducation portfolio will total \$185 million in 2021-2022 and \$60 million in 2022-2023. They consist mainly of measures aimed at increasing support for students and helping get Quebecers back into the labour market.

TABLE I.21

Expenditures of the Éducation portfolio (millions of dollars)

| | 2021-2022 | 2022-2023 | 2023-2024 | AAGR ⁽¹⁾ |
|--|---------------|---------------|---------------|---------------------|
| Regular expenditures in Éducation | 18 084 | 19 060 | 19 819 | |
| % change | 8.6 | 5.4 | 4.0 | 6.0 |
| COVID-19 support and recovery measures | 185 | 60 | — | |
| TOTAL EXPENDITURES IN ÉDUCATION | 18 268 | 19 120 | 19 819 | |
| % change | 7.9 | 4.7 | 3.7 | 5.4 |

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2021-2022 to 2023-2024.

❑ Enseignement supérieur

The expenditures of the Enseignement supérieur portfolio are primarily devoted to the activities of educational institutions at the college or university level. This portfolio also includes student financial assistance.

Before taking into account COVID-19 support and recovery measures, Enseignement supérieur portfolio expenditures will amount to \$8.9 billion in 2021-2022, \$10.1 billion in 2022-2023 and \$10.4 billion in 2023-2024. Spending for this portfolio represents roughly 8% of total portfolio expenditures.

- The 10.0% growth in expenditures in 2021-2022 is mainly due to the resumption of certain activities in higher education institutions that were limited or cancelled in 2020-2021, an increase in infrastructure projects in 2021-2022, and Budget 2021-2022 investments, particularly to support student retention and graduation in higher education.
- The 13.1% growth in expenditures in 2022-2023 is mainly due to the introduction of Québec Perspective scholarships, Budget 2022-2023 initiatives and the enhancement of the student financial assistance program.
- In 2023-2024, Enseignement supérieur portfolio spending will grow by 3.7%.

From 2021-2022 to 2023-2024, the Enseignement supérieur portfolio will grow by an average of 8.9% per year.

Pandemic-related support and recovery measures for the Enseignement supérieur portfolio will amount to \$230 million in 2021-2022 and \$72 million in 2022-2023. They mainly consist of measures aimed at alleviating the financial burden on students during the pandemic.

TABLE I.22

Expenditures of the Enseignement supérieur portfolio (millions of dollars)

| | 2021-2022 | 2022-2023 | 2023-2024 | AAGR ⁽¹⁾ |
|---|--------------|---------------|---------------|---------------------|
| Regular expenditures in Enseignement supérieur | 8 903 | 10 069 | 10 447 | |
| % change⁽²⁾ | 10.0 | 13.1 | 3.7 | 8.9 |
| COVID-19 support and recovery measures | 230 | 72 | — | |
| TOTAL EXPENDITURES IN ENSEIGNEMENT SUPÉRIEUR | 9 133 | 10 141 | 10 447 | |
| % change | 9.6 | 11.0 | 3.0 | 7.8 |

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2021-2022 to 2023-2024.

(2) Excluding the Québec Perspective scholarships that will become available in September 2022, the 2022-2023 growth rate of the Enseignement supérieur portfolio will be 8.8%.

❑ Other portfolios

The expenditures of other portfolios include the expenditures of all the portfolios other than the Santé et Services sociaux, Éducation and Enseignement supérieur portfolios. They provide government funding for, in particular, the cultural sector, the transportation and childcare services sectors, as well as support for individuals, municipalities and businesses.

Before taking into account COVID-19 support and recovery measures, other portfolio expenditures will amount to \$43.8 billion in 2021-2022, \$44.4 billion in 2022-2023 and \$44.9 billion in 2023-2024. These expenditures represent roughly 35% of total portfolio expenditures, including more than 1% for the Culture et Communications portfolio.

- The strong growth in expenditures of 25.3% in 2021-2022 is mainly due to:
 - the gradual resumption of government activities, which were slowed in 2020-2021;
 - the initiatives from the fall 2021 update and Budget 2022-2023, particularly the implementation of the extraordinary cost of living allowance and one-time cost of living amount, and the development of childcare services;
 - the deployment of the Plan for a Green Economy and the implementation of social housing projects.
- Low growth in 2022-2023 is primarily due to the non-recurrence of the extraordinary cost of living allowance and the one-time cost of living amount.
- Low growth in 2023-2024 is mainly due to the end of the second agreement with the federal government on the Rapid Housing Initiative, non-recurrence of support for improving the local road network and public transit, and the end of the funding to connect all Quebecers to high-speed Internet.
 - Excluding the primary exceptional factors, growth in expenditures in 2023-2024 would be 2.7%.¹⁹

From 2021-2022 to 2023-2024, other portfolios will grow by an average of 8.6% per year.

Pandemic-related support and recovery measures for other portfolios will stand at \$1.4 billion in 2021-2022, \$628 million in 2022-2023 and \$94 million in 2023-2024. They mainly consist of measures aimed at stimulating economic growth and supporting workers and businesses.

¹⁹ Forecasts for other portfolios excluding the effect of exceptional factors are presented on page I.51.

TABLE I.23

Expenditures of other portfolios
(millions of dollars)

| | 2021-2022 | 2022-2023 | 2023-2024 | AAGR ⁽¹⁾ |
|---|---------------|---------------|---------------|---------------------|
| Regular expenditures of other portfolios | 43 847 | 44 413 | 44 851 | |
| % change | 25.3 | 1.3 | 1.0 | 8.6 |
| Support and recovery measures | 1 443 | 628 | 94 | |
| EXPENDITURES OF OTHER PORTFOLIOS | 45 290 | 45 041 | 44 945 | |
| % change | 15.8 | -0.6 | -0.2 | 4.7 |

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2021-2022 to 2023-2024.

The effect of exceptional factors on growth in portfolio expenditures

Growth in expenditures for other portfolios amounts to 1.3% for 2022-2023 and 1.0% for 2023-2024. This low growth is due to a variety of items generating one-time variances, including the extraordinary cost of living allowance and one-time cost of living amount in 2021-2022, as well as increased federal government funding for housing infrastructure and support for local road improvements and public transit in 2022-2023.

Excluding the primary exceptional factors in other portfolios, growth amounts to 6.3% in 2022-2023 and 2.7% in 2023-2024.

Exceptional factors in other portfolios

(millions of dollars)

| | 2021-2022 | 2022-2023 | 2023-2024 |
|---|---------------|---------------|---------------|
| Other portfolios | 43 847 | 44 413 | 44 851 |
| % change | 25.3 | 1.3 | 1.0 |
| LESS: | | | |
| Change in application of the accounting standard respecting transfer payments | 372 | 1 306 | 1 409 |
| One-time cost of living amount – Budget 2022-2023 | 2 998 | 195 | — |
| Extraordinary cost of living allowance – November 2021 | 740 | — | — |
| Housing infrastructure funded by the federal government ⁽¹⁾ | 460 | 658 | 442 |
| Municipal infrastructure funded by the federal government | 765 | 984 | 1 065 |
| Support for local road and public transit improvements – November 2021 | — | 220 | — |
| Investments to set up high-speed Internet in all regions | 100 | 228 | — |
| Subtotal – Primary exceptional factors | 5 435 | 3 591 | 2 917 |
| OTHER PORTFOLIOS AFTER SUBTRACTING THE PRIMARY EXCEPTIONAL FACTORS | 38 412 | 40 822 | 41 935 |
| % change | | 6.3 | 2.7 |

(1) Includes, in particular, the Rapid Housing Initiative.

2.2.2 Debt service

Debt service consists of interest on the direct debt as well as interest on the liability for the retirement plans and other future benefits of public and parapublic sector employees.

Debt service changes primarily according to the level of debt, interest rates and the return on the Retirement Plans Sinking Fund (RPSF).²⁰ It will stand at \$8.4 billion in 2021-2022, \$8.8 billion in 2022-2023 and \$8.7 billion in 2023-2024, which represents changes of 9.8%, 4.8% and -1.3%, respectively.

In 2021-2022, interest rates began to rise. Together with the increase in debt, this accounts for the 16.0% increase in interest on the direct debt. Note that interest rates had fallen to a historic low in 2020-2021.

In 2022-2023 and 2023-2024, interest on the direct debt will increase by 8.0% and 3.2%, respectively, owing in particular to the anticipated change in interest rates.

However, interest on the liability for the retirement plans and other employee future benefits is decreasing due to the increase in the investment income of the RPSF. The income of the RPSF is applied against debt service.

Over the two-year period from 2021 to 2023, Canadian long-term interest rates are expected to increase by 0.9 percentage point. The debt service forecast incorporates this increase. A greater-than-anticipated rise in interest rates of 1 percentage point over a full year would increase interest expenditure by \$553 million in the first year and by more than \$1.8 billion in the fifth year.²¹

²⁰ See page J.33 of the section entitled “The Québec Government’s Debt” for further details on the net liability for the retirement plans and the value of the RPSF as at March 31, 2021.

²¹ The sensitivity of debt service to a greater-than-expected increase in interest rates is presented on page J.8 of the section entitled “The Québec Government’s Debt”.

TABLE I.24

Change in debt service (millions of dollars)

| | 2021-2022 | 2022-2023 | 2023-2024 | AAGR ⁽¹⁾ |
|---|--------------|--------------|--------------|---------------------|
| Interest on the direct debt ⁽²⁾ | 7 895 | 8 524 | 8 795 | |
| <i>% change</i> | <i>16.0</i> | <i>8.0</i> | <i>3.2</i> | |
| Interest on the liability for retirement plans and other employee future benefits ⁽³⁾ | 546 | 318 | -70 | |
| TOTAL | 8 441 | 8 842 | 8 725 | |
| <i>% change</i> | <i>9.8</i> | <i>4.8</i> | <i>-1.3</i> | <i>4.3</i> |

(1) Average annual growth rate, corresponding to the geometric mean over three years, from 2021-2022 to 2023-2024.

(2) Interest on the direct debt includes the income of the Sinking Fund for Government Borrowing. This income, which is applied against debt service, consists of interest generated on investments as well as gains and losses on disposal. The forecast for this income may be adjusted upward or downward since it is closely tied to the change in interest rates and market behaviour.

(3) This interest corresponds to the interest on obligations relating to the retirement plans and other future benefits of public and parapublic sector employees, minus mainly the investment income of the RPSF.

3. PUBLIC INFRASTRUCTURE INVESTMENTS

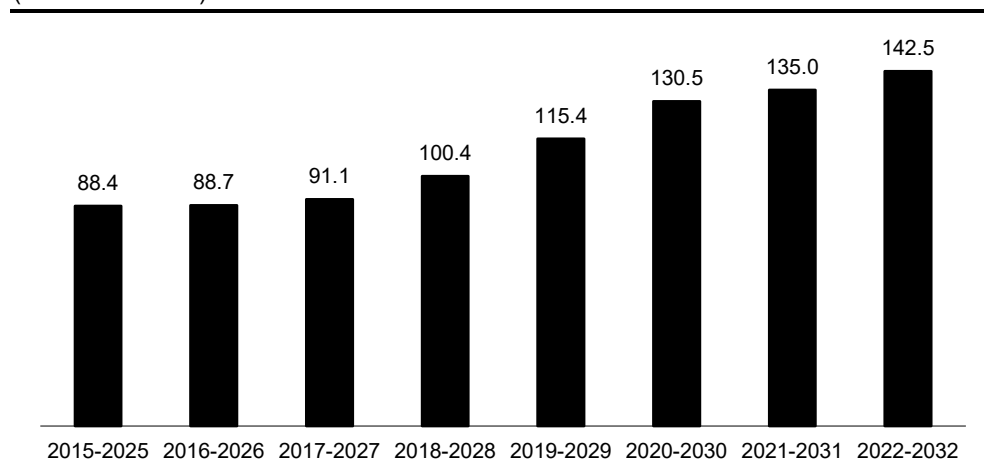
Québec has significant public infrastructure needs. To meet them, the government is announcing an increase of \$7.5 billion over 10 years under the 2022-2032 Québec Infrastructure Plan (QIP).

- The 2022-2032 QIP therefore amounts to \$142.5 billion, or a little over \$14 billion per year on average.
- Over the past four years, the QIP has been increased each year, going from \$100.4 billion in March 2018 to \$142.5 billion in March 2022.

The 2022-2032 QIP allocates considerable sums to health and social services (\$22.8 billion), education and higher education (\$28.3 billion), public transit (\$14.7 billion)²² and road maintenance (\$30.7 billion).²³

CHART I.3

Changes in the Québec Infrastructure Plan (billions of dollars)



²² These investments include those forecast in the central envelope.

²³ The Secrétariat du Conseil du trésor's 2022-2023 *Expenditure Budget* provides detailed information on planned investments by sector.

■ Annual investments of over \$14 billion on average

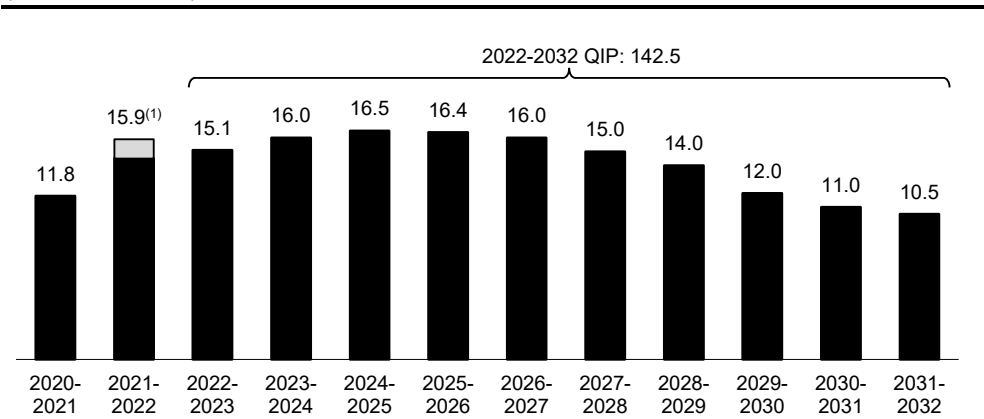
Annual investments in public infrastructure will stand at an average of a little over \$14 billion per year over the next 10 years.

Investments of \$80 billion are planned over the next five years, representing 56% of the 2022-2032 QIP.

These record investments will contribute to increasing Québec's economic potential in the long term.

CHART I.4

Annual investments in the 2022-2032 Québec Infrastructure Plan
(billions of dollars)



(1) The investments for 2021-2022 include \$1.4 billion in financial assistance advance payments for infrastructure.
Source: Secrétariat du Conseil du trésor.

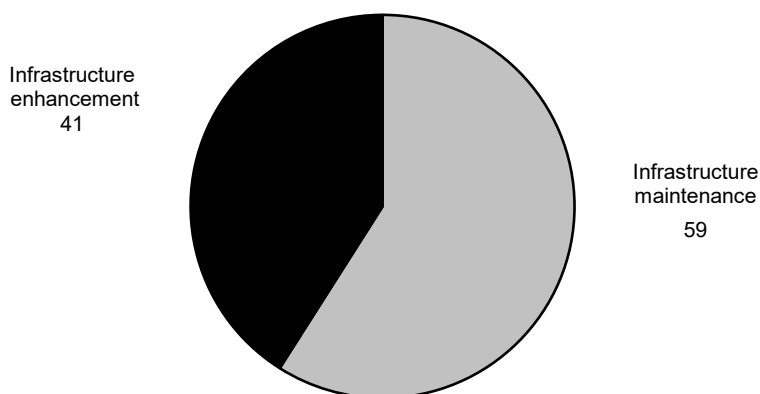
❑ A significant share of the QIP allocated to public infrastructure maintenance

Continued significant investments are necessary to maintain public infrastructure in good condition. Many public infrastructures are aging and require renovation.

A share of the 2022-2032 QIP investments, representing 59%,²⁴ will be used for asset maintenance, addressing the asset maintenance deficit and asset replacement. New infrastructure will account for 41% of the investments.

CHART I.5

2022-2032 Québec Infrastructure Plan by type of investment (per cent)



Source: Secrétariat du Conseil du trésor.

²⁴ This share excludes the central envelope.

❑ **Federal investments must be complementary to Québec's investments**

The development and sustainability of public infrastructure hinges on long-term planning. In this context, the government updates the QIP on an annual basis to respond to Quebecers' needs and specific characteristics.

To be fully effective, federal funding must be aligned with this logic and must complement Québec's investments as provided for in the QIP. It must also be increased and be more stable and predictable. In addition, it is essential that Québec retain full control over planning and prioritizing infrastructure projects in its territory.

Québec is asking the federal government to be a true partner in terms of funding infrastructure. Therefore, Québec is requesting its fair share of federal funds and that they be transferred as a block to respect its autonomy and jurisdiction. Québec could then distribute these funds according to its priorities.

APPENDIX 1: FORECAST EXPENDITURE BY PORTFOLIO

Portfolio expenditures stand at \$130.9 billion in 2021-2022 and \$130.1 billion in 2022-2023.

TABLE I.25

Expenditure by departmental portfolio including COVID-19 support and recovery measures (millions of dollars)

| | 2021-2022 | 2022-2023 |
|---|----------------|----------------|
| National Assembly | 144 | 167 |
| Persons appointed by the National Assembly | 123 | 238 |
| Affaires municipales et Habitation | 3 848 | 3 884 |
| Agriculture, Pêcheries et Alimentation | 1 260 | 1 358 |
| Conseil du trésor et Administration gouvernementale | 3 449 | 4 752 |
| Conseil exécutif | 785 | 953 |
| Culture et Communications | 1 705 | 1 773 |
| Cybersécurité et Numérique | 189 | 663 |
| Économie et Innovation | 3 636 | 3 617 |
| Éducation | 18 268 | 19 120 |
| Énergie et Ressources naturelles | 671 | 830 |
| Enseignement supérieur | 9 133 | 10 141 |
| Environnement et Lutte contre les changements climatiques | 1 976 | 1 935 |
| Famille | 7 430 | 7 909 |
| Finances | 6 649 | 4 415 |
| Forêts, Faune et Parcs | 1 191 | 1 115 |
| Immigration, Francisation et Intégration | 381 | 666 |
| Justice | 1 432 | 1 501 |
| Relations internationales et Francophonie | 161 | 137 |
| Santé et Services sociaux | 58 226 | 55 842 |
| Sécurité publique | 2 275 | 2 305 |
| Tourisme | 427 | 487 |
| Transports | 6 961 | 6 481 |
| Travail, Emploi et Solidarité sociale | 6 249 | 5 535 |
| Inter-portfolio eliminations | -5 652 | -5 680 |
| TOTAL | 130 917 | 130 144 |

Note: Totals may not add due to rounding.

❑ Expenditure by portfolio after inter-portfolio eliminations

Starting in 2022-2023, accountability for expenditures will no longer be carried out by mission but by portfolio.

The forecasts by portfolio presented in the budget correspond to government investments in various activity sectors. The expenditure level presented also provides an additional budget management tool that helps hold public decision-makers accountable for their entire departmental portfolio.

However, in order to ensure that the presentation of budget forecasts is consistent with that of the Public Accounts, which is governed by accounting standards, the following table presents portfolio expenditures after inter-portfolio eliminations have been allocated.

— Inter-portfolio eliminations result from the elimination of reciprocal transactions between entities in different portfolios.

Expenditures after the distribution of inter-portfolio eliminations will be used as a baseline when preparing the 2022-2023 and subsequent public accounts.

TABLE I.26

Expenditures by departmental portfolio after inter-portfolio eliminations – 2022-2023
(millions of dollars)

| | Expenditures before distribution of inter-portfolio eliminations | Inter-portfolio eliminations | Expenditures after distribution of inter-portfolio eliminations |
|---|---|---------------------------------|--|
| National Assembly | 167 | -11 | 156 |
| Persons appointed by the National Assembly | 238 | -6 | 232 |
| Affaires municipales et Habitation | 3 884 | -51 | 3 833 |
| Agriculture, Pêcheries et Alimentation | 1 358 | -51 | 1 307 |
| Conseil du trésor et Administration gouvernementale | 4 752 | -131 | 4 621 |
| Conseil exécutif | 953 | -28 | 925 |
| Culture et Communications | 1 773 | -57 | 1 716 |
| Cybersécurité et Numérique | 663 | -11 | 652 |
| Économie et Innovation | 3 617 | -233 | 3 384 |
| Éducation | 19 120 | -676 | 18 444 |
| Énergie et Ressources naturelles | 830 | -466 | 364 |
| Enseignement supérieur | 10 141 | -170 | 9 971 |
| Environnement et Lutte contre les changements climatiques | 1 935 | -324 | 1 611 |
| Famille | 7 909 | -40 | 7 869 |
| Finances | 4 415 | -426 | 3 989 |
| Forêts, Faune et Parcs | 1 115 | -62 | 1 053 |
| Immigration, Francisation et Intégration | 666 | -51 | 615 |
| Justice | 1 501 | -187 | 1 314 |
| Relations internationales et Francophonie | 137 | -11 | 126 |
| Santé et Services sociaux | 55 842 | -1 710 | 54 132 |
| Sécurité publique | 2 305 | -432 | 1 873 |
| Tourisme | 487 | -11 | 476 |
| Transports | 6 481 | -170 | 6 311 |
| Travail, Emploi et Solidarité sociale | 5 535 | -364 | 5 171 |
| Inter-portfolio eliminations | -5 680 | 5 680 | — |
| TOTAL | 130 144 | — | 130 144 |

Note: Totals may not add due to rounding.

APPENDIX 2: SUPPLEMENTARY INFORMATION

The digital dissemination of content reflects the department's desire to improve messages addressed to the public by using electronic documents that can be viewed on a smartphone, tablet or computer.

The Ministère des Finances is promoting the transition to digital documents. Therefore, certain supplementary budgetary information is presented only on the department's website, including:

- *Budget by the Numbers*, which presents the main budgetary and economic data in tables and interactive charts;
- sensitivity analyses, the main risks to Québec's financial position and prudence factors;
- the government's net financial surpluses or requirements.

This supplementary information is available on the Ministère des Finances website. To consult it, visit the Budget 2022-2023 documents page at:

www.budget.finances.gouv.qc.ca/budget/2022-2023

Section J

THE QUÉBEC GOVERNMENT'S DEBT

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SUMMARY

As at March 31, 2022, the gross debt will stand at \$215.3 billion, or 43.1% of GDP. Thanks to the strong economic recovery, the debt burden is again declining and is equivalent to its pre-pandemic level.

— This is a 3.7-percentage-point decrease, as against 46.8% of GDP a year previously.

Deposits in the Generations Fund help to reduce the debt and thus to improve intergenerational fairness. Therefore, the government will maintain its deposits in the Generations Fund.

— In 2022-2023, deposits in the Generations Fund will stand at \$3.4 billion, including nearly \$800 million in investment income.

The *Act to reduce the debt and establish the Generations Fund* stipulates that, for fiscal 2025-2026, gross debt must not exceed 45% of GDP, while the debt representing accumulated deficits must not exceed 17% of GDP.

— The objective for the gross debt-to-GDP ratio will be met. This ratio will stand at 41.9% of GDP as at March 31, 2026, which is below the 45% objective.

— The objective for debt representing accumulated deficits to GDP will not be met. It is expected to stand at 19.2% as at March 31, 2026, a gap of 2.2 percentage points compared to the 17% objective.

The government intends to propose changes to the *Act to reduce the debt and establish the Generations Fund* in Budget 2023-2024. A new debt reduction objective covering the next 10 or 15 years will then be set. The target will need to consider the challenges facing Québec now and those it will face in the coming years. Like Ontario and other provinces, Québec could focus its reporting on net debt, which is also a concept used by the OECD and IMF. Reducing the debt burden remains a priority for the government.

Reducing the debt will bring substantial benefits in the form of a positive contribution to economic growth through the creation of a climate of confidence conducive to private investment and higher productivity. It will allow Québec to ensure stable funding for the government's main missions, such as health and education.

Thus, pending the setting of a new debt target, the government intends to pursue a gradual reduction of the debt burden beyond 2025-2026.

1. QUÉBEC'S DEBT

1.1 Different concepts of debt

A number of different concepts of debt are used to measure a government's indebtedness.

- **Gross debt** corresponds to the debt on financial markets, plus the commitments made with regard to the retirement plans of government employees. The balance of the Generations Fund is subtracted from gross debt.
- **Net debt** corresponds to the government's liabilities as a whole, minus its financial assets. A number of other provinces use this concept to present the change in their debt.¹
 - As at March 31, 2022, Québec's net debt will stand at \$199.0 billion, or 39.8% of GDP.
- **Debt representing accumulated deficits** corresponds to the difference between the government's assets and liabilities. It is the debt that does not correspond to any assets. This is the concept that the federal government uses to present the change in its debt.

TABLE J.1

Québec government debt as at March 31 according to various concepts (millions of dollars)

| | 2021 | 2022 | 2023 |
|---|----------------|----------------|----------------|
| GROSS DEBT⁽¹⁾ | 210 072 | 215 273 | 228 319 |
| <i>% of GDP</i> | 46.8 | 43.1 | 42.9 |
| Less: Financial assets, net of other liabilities ⁽²⁾ | -19 827 | -16 285 | -21 647 |
| NET DEBT | 190 245 | 198 988 | 206 672 |
| <i>% of GDP</i> | 42.4 | 39.8 | 38.8 |
| Less: Non-financial assets | -81 517 | -86 363 | -91 042 |
| DEBT REPRESENTING ACCUMULATED DEFICITS | 108 728 | 112 625 | 115 630 |
| <i>% of GDP</i> | 24.2 | 22.5 | 21.7 |

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

(2) Financial assets include, in particular, investments in government enterprises (e.g., Hydro-Québec) and accounts receivable, minus other liabilities (e.g., accounts payable).

¹ The OECD and the IMF compare countries' debt using, in particular, their net debt.

1.2 Gross debt

Gross debt corresponds to the amount of debt contracted on financial markets (consolidated direct debt) plus the net liability for the pension plans and other future benefits of public and parapublic sector employees, minus the balance of the Generations Fund.

The gross debt burden will stand at 43.1% of GDP as at March 31, 2022, which is below the 45% objective set out in the *Act to reduce the debt and establish the Generations Fund*. The gross debt-to-GDP ratio is expected to continue to decline gradually over the coming years, to 41.2% as at March 31, 2027.

Furthermore, as of 2025-2026, sums accumulated in the Retirement Plans Sinking Fund (RPSF) to cover the retirement benefits of government employees are projected to exceed the government's liability in that regard.

- Thus, the government will be in a net asset position with regard to retirement plans and other employee future benefits.
- In the coming years, the government will be able to use the assets of the RPSF to pay the retirement benefits of its employees, which will reduce its borrowing requirements.

TABLE J.2

Gross debt as at March 31

(millions of dollars)

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Consolidated direct debt | 209 916 | 221 531 | 241 062 | 255 203 | 268 097 | 280 682 | 291 626 |
| Plus: Retirement plans and other employee future benefits ⁽¹⁾ | 12 368 | 9 411 | 6 371 | 2 755 | 167 | -2 038 | -3 619 |
| Less: Generations Fund | -12 212 | -15 669 | -19 114 | -23 049 | -27 429 | -32 051 | -37 005 |
| GROSS DEBT | 210 072 | 215 273 | 228 319 | 234 909 | 240 835 | 246 593 | 251 002 |
| % of GDP | 46.8 | 43.1 | 42.9 | 42.7 | 42.3 | 41.9 | 41.2 |

(1) A positive entry represents a net liability while a negative entry represents a net asset.

❑ A reduction in the debt burden as of 2021-2022

During the five years leading up to the pandemic, strong economic performance, fiscal consolidation and deposits in the Generations Fund contributed to a gradual reduction of the debt as a proportion of GDP.

Despite the substantial increase in debt in 2020-2021 due to the pandemic, the gross debt-to-GDP ratio will decrease as of 2021-2022, thanks to the strong economic recovery.

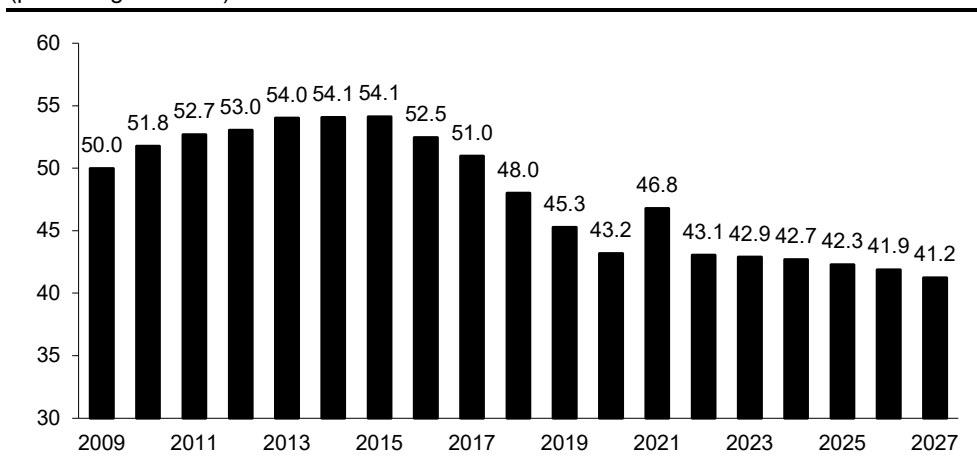
- As at March 31, 2022, the gross debt burden will stand at 43.1% of GDP, as against 46.8% a year previously, that is, a 3.7-percentage-point decrease.
- The gross debt ratio will be equivalent to its pre-pandemic level of 43.2% of GDP as at March 31, 2020.

In the coming years, the debt burden will decline gradually thanks to economic growth, an improved financial situation and deposits in the Generations Fund.

- The gross debt burden will stand at 41.2% of GDP as at March 31, 2027.

CHART J.1

Change in gross debt as at March 31 (percentage of GDP)

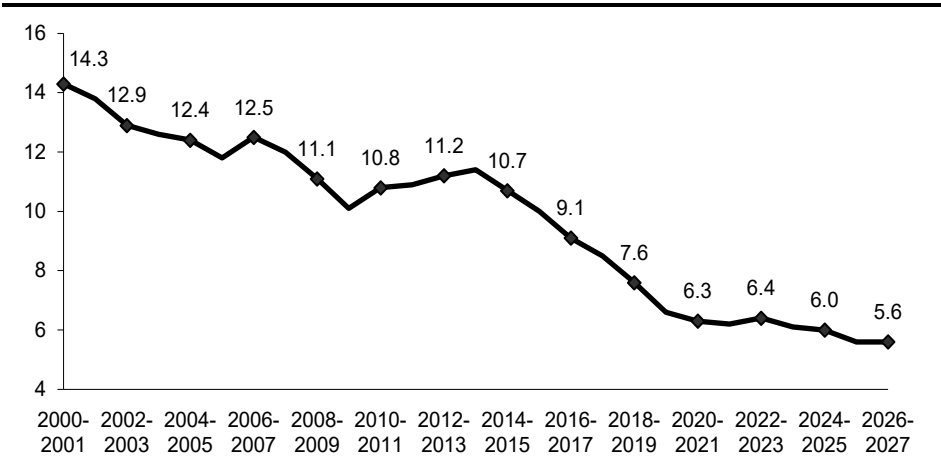


The proportion of revenue devoted to debt service will remain at historically low levels

The proportion of revenue devoted to debt service will remain at historically low levels. This is due to the decrease in the debt burden and the fact that the debt has been refinanced at a lower cost in recent years as a result of low interest rates. In 2022-2023, this proportion will stand at 6.4%. It will decrease in subsequent years, to 5.6% in 2026-2027. Debt service is thus growing more slowly than government revenue.

Debt service

(percentage of revenue)



Sensitivity of debt service to a rise in interest rates

The high level of debt requires prudence and sound management of public finances, because a greater-than-anticipated rise in long-term interest rates would have a substantial impact on the financial framework.

A greater-than-anticipated rise in interest rates of 1 percentage point over a full year would increase interest expenditure by \$553 million in the first year and by more than \$1.8 billion in the fifth year.

The impact will increase, since only part of the debt needs to be refinanced every year. The average maturity of the debt is approximately 11 years.

Such a rise in interest rates as of 2022-2023 would increase the proportion of revenue devoted to debt service to 6.8% in 2026-2027, as against the currently anticipated ratio of 5.6%.

Impact on interest expenditure of a 100-basis-point-rise in interest rates (millions of dollars)

| | 1st year | 2nd year | 3rd year | 4th year | 5th year |
|--------|----------|----------|----------|----------|----------|
| Impact | 553 | 956 | 1 281 | 1 546 | 1 844 |

❑ Downward adjustments to gross debt compared with the March 2021 budget

Gross debt as at March 31, 2026, has been adjusted downward by \$11.8 billion compared with the March 2021 budget, falling from \$258.4 billion to \$246.6 billion. This downward adjustment is mainly due to lower deficits as a result of the strong economic recovery.

As a percentage of GDP, the gross debt burden as at March 31, 2026, has been adjusted downward by 5.1 percentage points, falling from 47.0% to 41.9%. This downward adjustment is mainly due to stronger-than-anticipated economic growth.

TABLE J.3

Adjustments to gross debt as at March 31 since the March 2021 budget (millions of dollars)

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|--------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| March 2022 | 210 072 | 215 273 | 228 319 | 234 909 | 240 835 | 246 593 |
| <i>% of GDP</i> | <i>46.8</i> | <i>43.1</i> | <i>42.9</i> | <i>42.7</i> | <i>42.3</i> | <i>41.9</i> |
| March 2021 | 218 957 | 230 314 | 242 041 | 250 756 | 254 884 | 258 424 |
| <i>% of GDP</i> | <i>49.5</i> | <i>49.2</i> | <i>48.8</i> | <i>48.7</i> | <i>47.9</i> | <i>47.0</i> |
| Adjustments | -8 885 | -15 041 | -13 722 | -15 847 | -14 049 | -11 831 |
| <i>% of GDP</i> | <i>-2.7</i> | <i>-6.1</i> | <i>-5.9</i> | <i>-6.0</i> | <i>-5.6</i> | <i>-5.1</i> |

TABLE J.4

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

| | Debt, beginning of year | Budgetary deficit (surplus) | Investments, loans and advances | Net capital investments ⁽¹⁾ | Other factors ⁽²⁾ | Deposits in the Generations Fund | Total change | Debt, end of year | % of GDP |
|-----------|-------------------------------|-----------------------------------|---------------------------------------|---|---------------------------------|--|--------------|----------------------|----------|
| 2017-2018 | 203 490 | -721 | 431 | 2 173 | -2 009 | -2 293 | -2 419 | 201 071 | 48.0 |
| 2018-2019 | 201 071 | -4 413 | -250 | 3 002 | 3 165 | -3 477 | -1 973 | 199 098 | 45.3 |
| 2019-2020 | 199 098 | 523 | 402 | 3 737 | -2 362 | -2 606 | -306 | 198 792 | 43.2 |
| 2020-2021 | 198 792 | 7 539 | 6 352 | 4 351 | -3 649 | -3 313 | 11 280 | 210 072 | 46.8 |
| 2021-2022 | 210 072 | 7 354 | -491 | 4 846 | -3 051 | -3 457 | 5 201 | 215 273 | 43.1 |
| 2022-2023 | 215 273 | 6 450 | 3 721 | 4 679 | 1 641 | -3 445 | 13 046 | 228 319 | 42.9 |
| 2023-2024 | 228 319 | 3 900 | 2 538 | 4 878 | -791 | -3 935 | 6 590 | 234 909 | 42.7 |
| 2024-2025 | 234 909 | 3 750 | 2 623 | 5 229 | -1 296 | -4 380 | 5 926 | 240 835 | 42.3 |
| 2025-2026 | 240 835 | 3 000 | 2 002 | 5 424 | -46 | -4 622 | 5 758 | 246 593 | 41.9 |
| 2026-2027 | 246 593 | 2 750 | 1 345 | 4 933 | 335 | -4 954 | 4 409 | 251 002 | 41.2 |

(1) Investments made under public-private partnership agreements are included in net capital investments.

(2) Other factors include, in particular, the change in other accounts, such as accounts receivable and accounts payable.

Net capital investments

Net capital investments consist of the government's gross investments minus depreciation expenses.

Even though gross investments have an impact on gross debt, net capital investments are presented in the factors responsible for the change in the gross debt due to the fact that depreciation expenses are included in the budgetary balance.

From 2022-2023 to 2026-2027, net capital investments will increase gross debt by \$5.0 billion per year on average.

Net capital investments

(millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Gross investments ⁽¹⁾ | 9 470 | 9 511 | 9 921 | 10 559 | 11 030 | 10 931 |
| Less: Depreciation | -4 624 | -4 832 | -5 043 | -5 330 | -5 606 | -5 998 |
| Net capital investments | 4 846 | 4 679 | 4 878 | 5 229 | 5 424 | 4 933 |

(1) These investments exclude the Québec government's contribution to the projects of partners (e.g., municipalities), whereas this contribution is included in the annual investments of the Québec Infrastructure Plan and portfolio expenditures.

Investments, loans and advances

Investments, loans and advances refer to investments made by the government in enterprises, mainly government enterprises.

A government enterprise may also be authorized to keep part of its net earnings.

- For example, every year, Hydro-Québec pays the government a dividend corresponding to 75% of its net earnings. Hydro-Québec uses the portion of net earnings not paid to the government (25%) to finance its investments, in hydroelectric dams in particular.
- For the government, this constitutes an investment that creates a financial requirement and thus an increase in gross debt.

Note that investments, loans and advances may vary from one year to another, particularly because of temporary investments made and redeemed.

1.3 Net debt

Net debt corresponds to the government's liabilities minus its financial assets. A number of other provinces use this concept to present the change in their debt. As at March 31, 2022, Québec's net debt will stand at \$199.0 billion, or 39.8% of GDP.

TABLE J.5

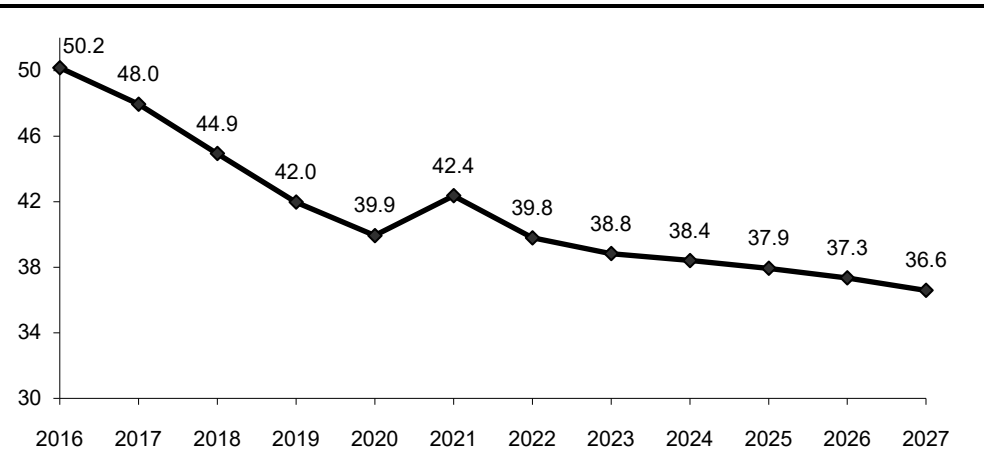
Factors responsible for the change in net debt (millions of dollars)

| | Debt, beginning of year | Budgetary deficit (surplus) | Net capital investments | Deposits in the Generations Fund | Total change | Debt, end of year | % of GDP |
|-----------|-------------------------------|-----------------------------------|----------------------------|---|-----------------|----------------------|-------------|
| 2021-2022 | 190 245 | 7 354 | 4 846 | -3 457 | 8 743 | 198 988 | 39.8 |
| 2022-2023 | 198 988 | 6 450 | 4 679 | -3 445 | 7 684 | 206 672 | 38.8 |
| 2023-2024 | 206 672 | 3 900 | 4 878 | -3 935 | 4 843 | 211 515 | 38.4 |
| 2024-2025 | 211 515 | 3 750 | 5 229 | -4 380 | 4 599 | 216 114 | 37.9 |
| 2025-2026 | 216 114 | 3 000 | 5 424 | -4 622 | 3 802 | 219 916 | 37.3 |
| 2026-2027 | 219 916 | 2 750 | 4 933 | -4 954 | 2 729 | 222 645 | 36.6 |

After declining gradually over several years, net debt rose to 42.4% of GDP as at March 31, 2021, due to the impact of the public health crisis. The net debt-to-GDP ratio will decrease as of 2021-2022 due to the strong economic recovery. This trend will continue over the coming years. Net debt as a proportion of GDP will reach 36.6% as at March 31, 2027.

CHART J.2

Net debt as at March 31 (percentage of GDP)



❑ Downward adjustments to net debt compared with the March 2021 budget

Net debt as at March 31, 2026, has been adjusted downward by \$18.7 billion compared with the March 2021 budget, falling from \$238.7 billion to \$219.9 billion. This downward adjustment is mainly due to lower deficits as a result of the strong economic recovery.

As a percentage of GDP, the net debt burden as at March 31, 2026, has been adjusted downward by 6.1 percentage points, falling from 43.4% to 37.3%. This downward adjustment is mainly due to stronger-than-anticipated economic growth.

TABLE J.6

Adjustments to net debt as at March 31 since the March 2021 budget (millions of dollars)

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|--------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| March 2022 | 190 245 | 198 988 | 206 672 | 211 515 | 216 114 | 219 916 |
| <i>% of GDP</i> | <i>42.4</i> | <i>39.8</i> | <i>38.8</i> | <i>38.4</i> | <i>37.9</i> | <i>37.3</i> |
| March 2021 | 199 060 | 213 020 | 223 583 | 230 785 | 235 428 | 238 665 |
| <i>% of GDP</i> | <i>45.0</i> | <i>45.5</i> | <i>45.1</i> | <i>44.9</i> | <i>44.3</i> | <i>43.4</i> |
| Adjustments | -8 815 | -14 032 | -16 911 | -19 270 | -19 314 | -18 749 |
| <i>% of GDP</i> | <i>-2.6</i> | <i>-5.7</i> | <i>-6.3</i> | <i>-6.5</i> | <i>-6.4</i> | <i>-6.1</i> |

❑ **Comparison of the net debt of governments in Canada**

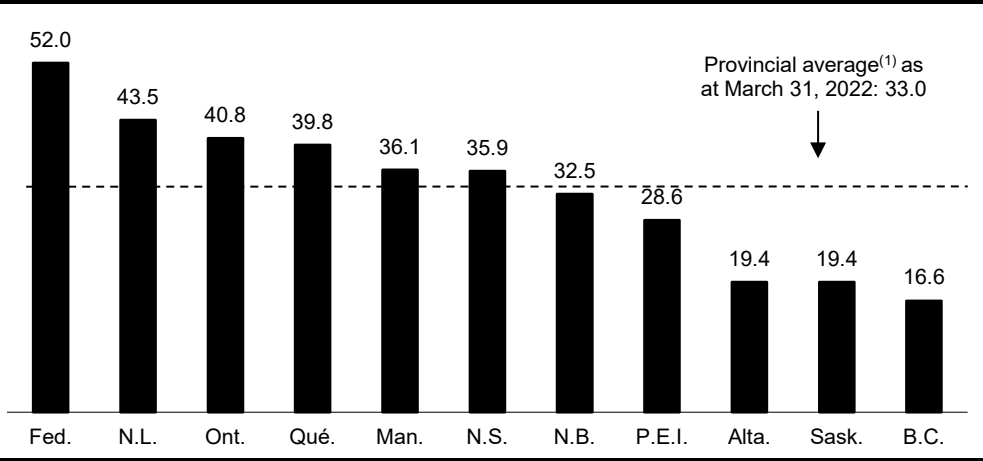
As at March 31, 2022, Québec's net debt burden will be 39.8% of GDP, compared with the provincial average of 33.0%.

The change in application of the accounting standard respecting transfer payments, announced in March 2021, triggered a \$13.0-billion increase in net debt as at March 31, 2021.

— This change now makes it possible to adequately compare Québec's net debt burden with that of other provinces.

CHART J.3

Net debt of governments in Canada as at March 31, 2022
(percentage of GDP)



(1) Average obtained by dividing the sum of provincial debts by the sum of provincial GDPs.
Sources: Statistics Canada, governments' budgets and updates.

1.4 Debt representing accumulated deficits

Debt representing accumulated deficits consists of accumulated deficits figuring in the government's financial statements. It is the debt that does not correspond to any assets. The federal government uses this concept to present the change in its debt.

As at March 31, 2022, debt representing Québec's accumulated deficits will stand at \$112.6 billion, or 22.5% of GDP.

The debt burden representing accumulated deficits will resume its downward trend as of 2021-2022, reaching 18.3% of GDP as at March 31, 2027.

TABLE J.7

Factors responsible for the change in debt representing accumulated deficits

(millions of dollars)

| | Debt, beginning of year | Budgetary deficit (surplus) | Deposits in the Generations Fund | Total change | Debt, end of year | % of GDP |
|-----------|-------------------------------|-----------------------------------|---|-----------------|----------------------|-------------|
| 2021-2022 | 108 728 | 7 354 | -3 457 | 3 897 | 112 625 | 22.5 |
| 2022-2023 | 112 625 | 6 450 | -3 445 | 3 005 | 115 630 | 21.7 |
| 2023-2024 | 115 630 | 3 900 | -3 935 | -35 | 115 595 | 21.0 |
| 2024-2025 | 115 595 | 3 750 | -4 380 | -630 | 114 965 | 20.2 |
| 2025-2026 | 114 965 | 3 000 | -4 622 | -1 622 | 113 343 | 19.2 |
| 2026-2027 | 113 343 | 2 750 | -4 954 | -2 204 | 111 139 | 18.3 |

□ **Downward adjustments to debt representing accumulated deficits compared to the March 2021 budget**

Debt representing accumulated deficits as at March 31, 2026, has been adjusted downward by \$21.8 billion compared with the March 2021 budget, falling from \$135.2 billion to \$113.3 billion. This downward adjustment is mainly due to lower deficits as a result of the strong economic recovery.

As a percentage of GDP, the debt burden representing accumulated deficits as at March 31, 2026, has been adjusted downward by 5.4 percentage points, falling from 24.6% to 19.2%. This downward adjustment is mainly due to stronger-than-anticipated economic growth.

TABLE J.8

Adjustments to debt representing accumulated deficits as at March 31 since the March 2021 budget (millions of dollars)

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|--------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| March 2022 | 108 728 | 112 625 | 115 630 | 115 595 | 114 965 | 113 343 |
| <i>% of GDP</i> | <i>24.2</i> | <i>22.5</i> | <i>21.7</i> | <i>21.0</i> | <i>20.2</i> | <i>19.2</i> |
| March 2021 | 119 605 | 128 775 | 134 067 | 135 990 | 136 281 | 135 156 |
| <i>% of GDP</i> | <i>27.1</i> | <i>27.5</i> | <i>27.0</i> | <i>26.4</i> | <i>25.6</i> | <i>24.6</i> |
| Adjustments | -10 877 | -16 150 | -18 437 | -20 395 | -21 316 | -21 813 |
| <i>% of GDP</i> | <i>-2.9</i> | <i>-5.0</i> | <i>-5.3</i> | <i>-5.4</i> | <i>-5.4</i> | <i>-5.4</i> |

Québec's public sector debt

Public sector debt includes the government's gross debt as well as the debt of Hydro-Québec, 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, 2022, Québec's public sector debt will stand at \$294.0 billion, or 58.8% of GDP. These figures must, however, be put into 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.

Public sector debt as at March 31

(millions of dollars)

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|----------------|----------------|----------------|----------------|----------------|
| Government's gross debt | 201 071 | 199 098 | 198 792 | 210 072 | 215 273 |
| Hydro-Québec | 43 160 | 43 054 | 43 839 | 44 955 | 46 442 |
| Municipalities | 27 490 | 28 103 | 29 424 | 30 020 | 30 859 |
| Universities other than the Université du Québec and its constituents | 1 321 | 1 458 | 1 639 | 1 452 | 1 452 |
| Other government enterprises ⁽¹⁾ | 218 | 210 | — | — | — |
| PUBLIC SECTOR DEBT | 273 260 | 271 923 | 273 694 | 286 499 | 294 026 |
| % of GDP | 65.3 | 61.8 | 59.5 | 63.8 | 58.8 |

(1) The amounts correspond to the debt of the Financing Fund to finance government enterprises and entities not included in the reporting entity. As of 2020, this debt is included in gross debt.

1.5 Generations Fund

❑ Deposits in the Generations Fund

Deposits in the Generations Fund help to reduce the debt² and thus to improve intergenerational fairness. Therefore, the government will maintain its deposits in the Generations Fund.

- In 2022-2023, dedicated revenues in the Generations Fund will stand at \$3.4 billion, including nearly \$800 million in investment income.
- As at March 31, 2023, the Generations Fund will stand at \$19.1 billion. Pursuant to the *Act to reduce the debt and establish the Generations Fund*, this amount can only be used to repay debt on the financial markets.

TABLE J.9

Generations Fund (millions of dollars)

| | 2021- 2022 | 2022- 2023 | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Book value, beginning of year⁽¹⁾ | 12 212 | 15 669 | 19 114 | 23 049 | 27 429 | 32 051 |
| Dedicated revenues | | | | | | |
| Water-power royalties | | | | | | |
| Hydro-Québec | 755 | 763 | 801 | 830 | 849 | 882 |
| Private producers | 100 | 107 | 109 | 111 | 113 | 116 |
| Subtotal | 855 | 870 | 910 | 941 | 962 | 998 |
| Indexation of the price of heritage electricity | 488 | 535 | 775 | 970 | 1 105 | 1 215 |
| Additional contribution from Hydro-Québec | 215 | 215 | 215 | 215 | 215 | 215 |
| Mining revenues | 812 | 484 | 409 | 358 | 375 | 340 |
| Specific tax on alcoholic beverages | 500 | 500 | 500 | 500 | 500 | 500 |
| Unclaimed property | 27 | 55 | 171 | 249 | 111 | 109 |
| Investment income ⁽²⁾ | 560 | 786 | 955 | 1 147 | 1 354 | 1 577 |
| Total dedicated revenues | 3 457 | 3 445 | 3 935 | 4 380 | 4 622 | 4 954 |
| BOOK VALUE, END OF YEAR | 15 669 | 19 114 | 23 049 | 27 429 | 32 051 | 37 005 |

(1) For information purposes, as at December 31, 2021, the fair value of the Generations Fund was \$16.0 billion, \$1.3 billion more than its book value.

(2) The investment income of the Generations Fund corresponds to realized investment income (interest income, dividends, gains on the disposal of assets, etc.). Therefore, the forecast may be adjusted upward or downward according to when the gains or losses are actually realized. An annual return of 4.8% is expected, a rate based on five historic years.

² For example, the debt on financial markets is net of the book value of the Generations Fund.

Returns of the Generations Fund

Since the first deposit was made in the Generations Fund in January 2007, the return has been higher than the cost of new borrowings by the government 14 years out of 15.

- From 2007 to 2021, the average return was 6.3%, while the average cost of new borrowings was 3.1%, which represents a difference of 3.2 percentage points.

These returns contribute to reducing the debt burden.

Comparison of the Generations Fund's annual return and the Québec government's borrowing costs

(per cent, on a calendar-year basis)

| | Rate of return of the Generations Fund | Cost of new borrowings ⁽¹⁾ | Difference (percentage points) |
|------|---|--|-----------------------------------|
| 2007 | 5.6 | 4.7 | 0.9 |
| 2008 | -22.4 | 4.5 | -26.9 |
| 2009 | 11.3 | 4.4 | 6.9 |
| 2010 | 12.3 | 4.1 | 8.2 |
| 2011 | 4.0 | 3.7 | 0.3 |
| 2012 | 8.4 | 3.0 | 5.4 |
| 2013 | 12.0 | 3.3 | 8.7 |
| 2014 | 11.7 | 3.2 | 8.5 |
| 2015 | 8.1 | 2.4 | 5.7 |
| 2016 | 7.3 | 2.2 | 5.1 |
| 2017 | 8.5 | 2.5 | 6.0 |
| 2018 | 4.4 | 2.9 | 1.5 |
| 2019 | 9.5 | 2.3 | 7.2 |
| 2020 | 7.0 | 1.5 | 5.5 |
| 2021 | 11.4 | 1.9 | 9.5 |

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

1.6 Debt reduction targets

The *Act to reduce the debt and establish the Generations Fund* was adopted in 2006. By reducing the debt burden, it aims to ensure a prosperous future for next generations.

Under the Act, for fiscal 2025-2026, the gross debt must not exceed 45% of GDP, while the debt representing accumulated deficits must not exceed 17% of GDP. These objectives were established in 2010, because the 2008 financial crisis and changes to government accounting made it impossible to reach the targets set in 2006.

Despite the increase in debt caused by the pandemic, the government expects the objective regarding gross debt to be attained. The gross debt-to-GDP ratio will stand at 41.9% as at March 31, 2026, which is below the 45% objective.

However, the objective for debt representing accumulated deficits will not be met. Currently, the accumulated deficit debt-to-GDP ratio is expected to reach 19.2% as at March 31, 2026, a gap of 2.2 percentage points of GDP or \$13.2 billion over the 17% objective.

The difference is due to:

- budget deficits caused by the pandemic;
- the government's decision to comply with the Auditor General of Québec's recommendation regarding application of the standard respecting transfer payments, which triggered an increase in debt representing accumulated deficits of \$13.0 billion as at March 31, 2021.

CHART J.4

Gross debt as at March 31

(percentage of GDP)

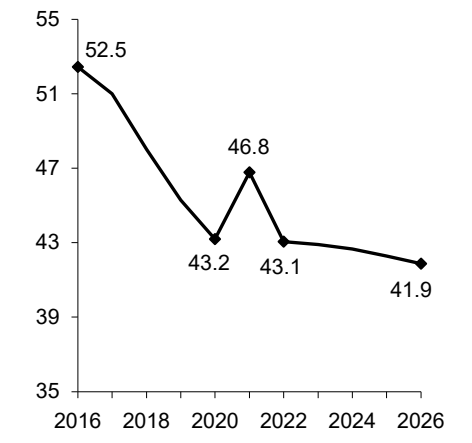
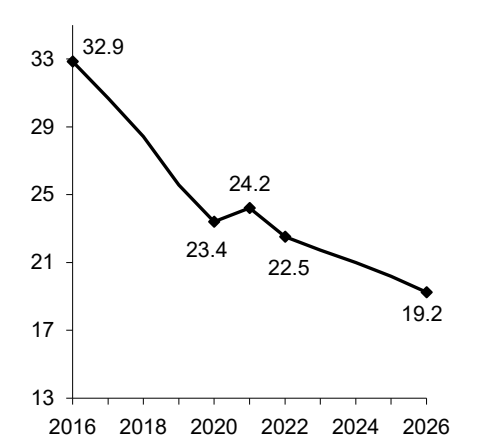


CHART J.5

Debt representing accumulated deficits as at March 31

(percentage of GDP)



□ Setting a new objective

The government intends to propose changes to the *Act to reduce the debt and establish the Generations Fund* in Budget 2023-2024. A new debt reduction objective covering the next 10 or 15 years will then be set.

The target will need to consider the challenges facing Québec now and those it will face in the coming years. Among these are population aging, GHG reduction and Québec's needs in terms of public infrastructure. When the Generations Fund was created in 2006, the government set itself the objective of catching up with the Canadian average. As at March 31, 2022, Québec's net debt burden will be 39.8% of GDP, compared with the provincial average of 33.0%.

Like Ontario and certain other provinces, Québec could focus its reporting on the net debt, which:

- takes into account government borrowings arising from substantial capital investments;
- subtracts financial assets that will ultimately be used to reduce the debt on financial markets;
- is readily comparable from one province to another.

TABLE J.10

Change factors that affect each debt concept

| | Gross debt | Net debt | Debt representing accumulated deficits |
|--|------------|----------|--|
| The budgetary balance (including deposits in the Generations Fund) has an impact on all three concepts of debt (a surplus reduces the debt, while a deficit increases it) | ✓ | ✓ | ✓ |
| Capital investments lead to an increase in gross debt and net debt | ✓ | ✓ | |
| The government's investments, loans and advances affect only the gross debt (they have no impact on the net debt because the government owns financial assets in exchange; these assets will ultimately be used to reduce the debt on financial markets) | ✓ | | |

Reducing the debt burden remains a priority for the government. Pending the setting of a new debt target, the government intends to pursue a gradual reduction of the debt burden beyond 2025-2026.

❑ The benefits of reducing the debt burden

Reducing the debt burden contributes to economic growth by creating a climate of confidence conducive to private investment and higher productivity.

In addition to contributing to collective prosperity, reducing the debt burden will allow Québec to:

- contribute to intergenerational fairness;
- ensure stable funding for the government's main missions, including health and education;
- cope with the costs associated with an aging population;
- implement measures to fight climate change;
- fund investment in public infrastructure;
- ease the tax burden on Quebecers;
- counter a potential future economic downturn;
- increase its financial autonomy within the federation.

The importance of setting a long-term objective

Setting a long-term debt reduction objective is an excellent way to ensure sound management of public finances. Since the government is accountable for reporting to parliamentarians and citizens year after year, it makes government action more transparent and efficient.

This long-term orientation reduces uncertainty and contributes to economic growth. Citizens and businesses can better anticipate the government's budgetary and fiscal policies, allowing them to make better decisions.

- For example, thanks to debt reduction objectives, the government can plan its annual public infrastructure investments over a long period, that is, 10 years.

It also makes it possible to work towards achieving a common objective, which, in this case, is to not leave future generations with the heavy burden of repaying the debt, thereby contributing to social cohesion.

Lastly, this orientation sends a positive signal to investors and credit rating agencies.

2. FINANCING

2.1 Financing program

The financing program corresponds to long-term borrowings contracted, in particular, to repay maturing borrowings and to fund the government's capital investments and the budgetary deficit.

For 2021-2022, the program stands at \$22.9 billion, which is \$5.6 billion less than projected in the March 2021 budget.

The decrease is mainly due to a reduction in net financial requirements arising from a lower budgetary deficit and to an increase in the use of pre-financing, which reduces the financing program.

TABLE J.11

Government's financing program in 2021-2022

(millions of dollars)

| | March 2021 | Adjustments | March 2022 |
|---|---------------|---------------|-----------------------------|
| Net financial requirements ⁽¹⁾ | 20 065 | -9 028 | 11 037 |
| Repayments of borrowings | 12 688 | 429 | 13 117 |
| Use of the Generations Fund to repay borrowings | — | — | — |
| Withdrawal from the Accumulated Sick Leave Fund | — | -170 | -170 |
| Use of pre-financing ⁽²⁾ | -4 292 | -4 260 | -8 552 |
| Change in cash position | — | — | — |
| Transactions under the credit policy ⁽³⁾ | — | 1 530 | 1 530 |
| Pre-financing | — | 5 925 | 5 925 |
| TOTAL | 28 461 | -5 574 | 22 887⁽⁴⁾ |

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

(1) Adjustments to the net financial requirement since March 2021 are primarily due to an improvement of \$4.9 billion in the budgetary balance before use of the stabilization reserve as well as the disposition of \$3.1 billion of temporary investments acquired in 2020-2021.

(2) The adjustment of pre-financing is mainly due to a lower-than-expected budget deficit.

(3) Under the credit policy, which is designed to limit financial risk with respect to counterparties, the government disburses or receives sums following, in particular, movements in exchange rates. These sums have no effect on the debt.

(4) Borrowings contracted as at March 7, 2022.

The financing program will amount to \$27.6 billion in 2022-2023.

For the four subsequent years, from 2023-2024 to 2026-2027, it will average \$30.4 billion per year.

TABLE J.12

Government's financing program from 2022-2023 to 2026-2027
(millions of dollars)

| | 2022-2023 | 2023-2024 | 2024-2025 | 2025-2026 | 2026-2027 |
|---|---------------|---------------|---------------|---------------|---------------|
| Net financial requirements | 19 096 | 14 136 | 14 698 | 15 488 | 14 868 |
| Repayments of borrowings | 14 444 | 15 927 | 19 138 | 17 041 | 10 156 |
| Use of pre-financing | -5 925 | — | — | — | — |
| Use of the Generations Fund to repay borrowings | — | — | — | — | — |
| TOTAL | 27 615 | 30 063 | 33 836 | 32 529 | 25 024 |

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

2.2 Borrowings contracted in 2021-2022

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.

Thus far in 2021-2022, the government has contracted 37% of its borrowings on foreign markets, compared to an average of 24% for the last 10 years. Québec has thus benefited from the strong demand for its securities on foreign markets. However, the government keeps no exposure of its debt to foreign currencies so as to neutralize the impact of variations in exchange rates on debt service.

In 2021-2022, conventional bonds in Canadian dollars were the main debt instrument used.

The average cost of transactions in 2021-2022 was 2.43% with an average maturity of borrowings of 18 years, while the cost of the entire debt was 3.00% with an average remaining maturity of 11 years as at March 31, 2021.

TABLE J.13

Summary of long-term borrowings contracted in 2021-2022

| Currencies | \$million | % |
|--|---------------|--------------|
| CANADIAN DOLLAR | | |
| Conventional bonds | 13 366 | 58.4 |
| Green bonds | 498 | 2.2 |
| Immigrant investors ⁽¹⁾ | 297 | 1.3 |
| Savings products issued by Épargne Placements Québec | 284 | 1.2 |
| Subtotal | 14 445 | 63.1 |
| OTHER CURRENCIES | | |
| Euro | 6 855 | 29.9 |
| U.S. dollar | 1 250 | 5.5 |
| Swiss franc | 337 | 1.5 |
| Subtotal | 8 442 | 36.9 |
| TOTAL | 22 887 | 100.0 |

Note: Borrowings contracted as at March 7, 2022.

(1) These borrowings are from sums advanced by immigrant investors. These sums are lent to the government through Investissement Québec.

Green Bond program

In 2017, the government introduced a Green Bond program to fund projects providing tangible benefits with regard to protecting the environment, reducing greenhouse gas (GHG) emissions or adapting to climate change. Through this program, the government is contributing to, among other things, the development of a socially responsible investment market.

The program draws on the Green Bond Principles, a set of guidelines created to bring more transparency to the issuance, disclosure and reporting process.

Québec's Green Bond framework received the highest rating possible from CICERO (Center for International Climate Research).

Six issues totalling \$3.3 billion have been made since the program was launched. Given the demand for Québec's Green Bonds and the government's commitment to the environment, Québec has pledged to be a regular issuer of Green Bonds.

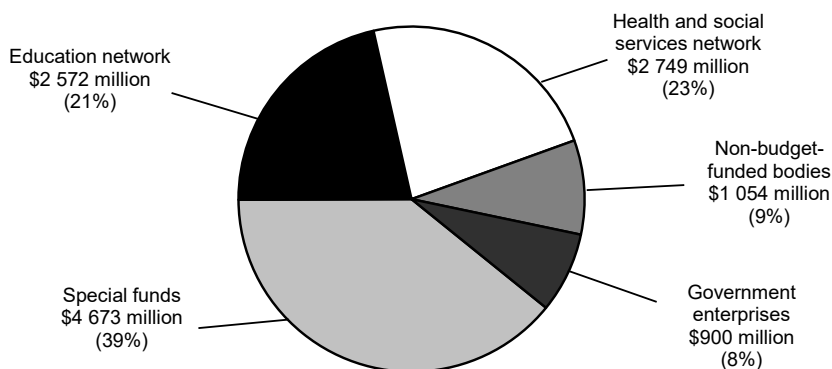
For more information, visit

http://www.finances.gouv.qc.ca/en/RI_GB_Green_Bonds.asp.

Funding of public bodies

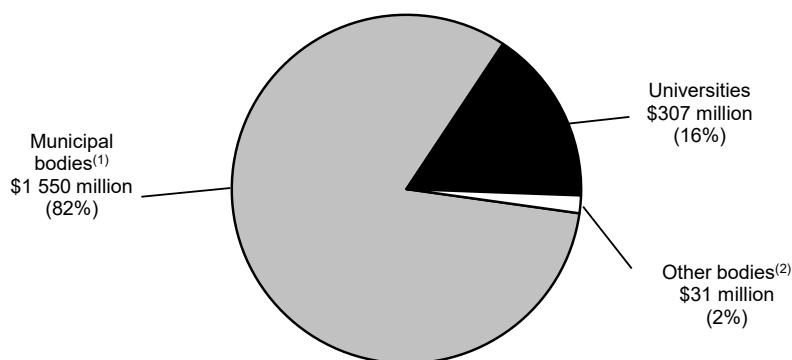
The main mission of the Financing Fund and Financement-Québec is to offer Québec's public sector bodies financing at the lowest possible cost. The clientele of the Financing Fund consists of public bodies included in the government reporting entity. In fiscal 2021-2022, the long-term loan program of the Financing Fund is expected to amount to \$11.9 billion.

Financing Fund's long-term loan program in 2021-2022



The clientele of Financement-Québec consists of public bodies not included in the government reporting entity. In fiscal 2021-2022, the long-term loan program of Financement-Québec is expected to amount to \$1.9 billion.

Long-term loan program of Financement-Québec in 2021-2022



(1) Société de transport de Montréal, Autorité régionale de transport métropolitain, Réseau de transport métropolitain and Société de transport de Québec.

(2) Montreal Museum of Fine Arts and Mohawk Council of Kahnawake.

2.3 Debt management strategy

The government, through its debt management strategy, aims to minimize the cost of debt while limiting the risks related to fluctuations in exchange and interest rates.

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

❑ Structure of gross debt by currency

As at March 31, 2022, before taking swaps into account, 76% of gross debt is expected to be in Canadian dollars, 11% in euros, 10% in U.S. dollars, 1% in pounds sterling, 1% in Australian dollars, 1% in Swiss francs and less than 1% in other foreign currencies (yen, New Zealand dollars and Swedish krona).

After taking swaps into account, the entire gross debt is denominated in Canadian dollars.

Since 2012-2013, the government has maintained no exposure of its debt to foreign currencies.

Swaps allow for neutralization of the impact of variations in exchange rates on debt service.

TABLE J.14

Structure of gross debt by currency as at March 31, 2022 (per cent)

| | Before swaps | After swaps |
|---|------------------|----------------|
| Canadian dollar | 76 | 100 |
| Euro | 11 | 0 |
| U.S. dollar | 10 | 0 |
| Pound sterling | 1 | 0 |
| Australian dollar | 1 | 0 |
| Swiss franc | 1 | 0 |
| Other (yen, New Zealand dollar and Swedish krona) | 0 ⁽¹⁾ | 0 |
| TOTAL | 100 | 100 |

Note: Gross debt including pre-financing.

(1) The proportion of debt attributable to other currencies before swaps is less than 1%.

❑ Structure of gross debt by interest rate

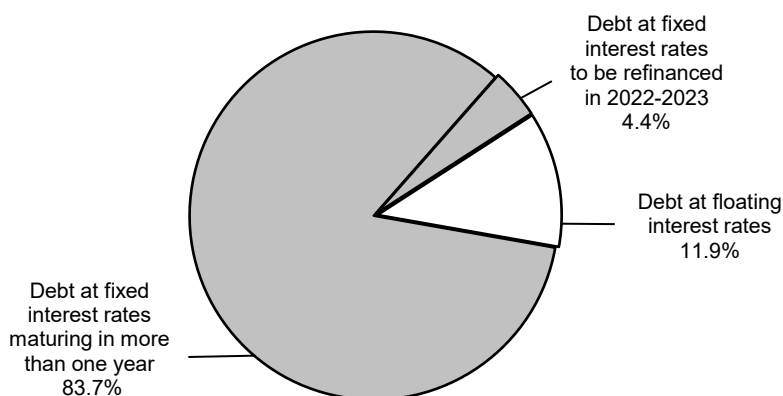
The government keeps part of its debt at fixed interest rates and part at floating interest rates.

As at March 31, 2022, after taking swaps into account, the proportion of gross debt at fixed interest rates³ is expected to be 88.1%, and the proportion at floating interest rates, 11.9%.

As at March 31, 2022, the share of gross debt subject to an interest rate change in 2022-2023 is expected to stand at 16.3%. This share includes debt at floating interest rates (11.9%) as well as debt at fixed rates to be refinanced in 2022-2023 (4.4%).

CHART J.6

Structure of gross debt by interest rate as at March 31, 2022



Note: Gross debt including pre-financing.

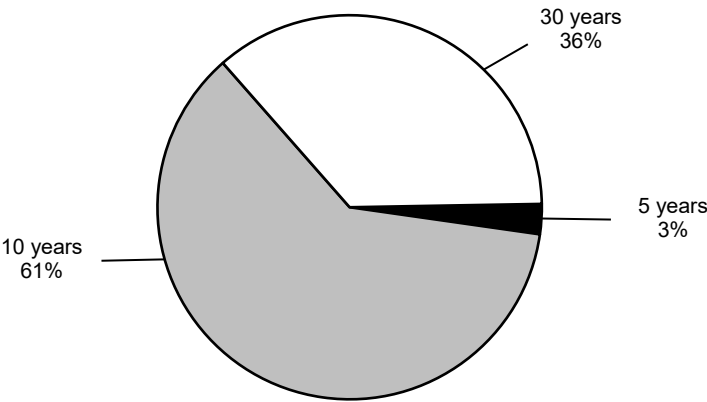
³ This proportion includes debt at fixed interest rates maturing in more than one year (83.7%) as well as debt at fixed interest rates to be refinanced in 2022-2023 (4.4%).

Debt maturity

Maturities of new borrowings are distributed over time so as to obtain a stable refinancing profile and ensure the government’s regular presence on capital markets. To date, approximately 97% of the borrowings contracted in 2021-2022 had a maturity of 10 years or more. The average share of issues for this term over the last 10 years represents 70%. The average maturity of borrowings is 18 years in 2021-2022.

CHART J.7

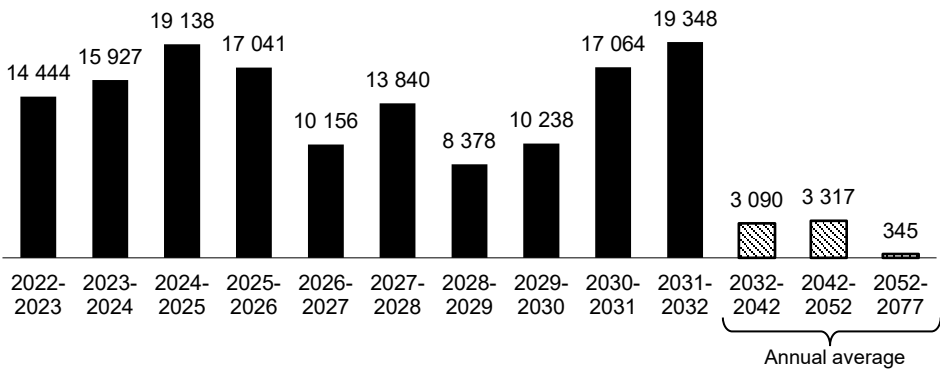
Maturity of transactions carried out in 2021-2022



The diversification of borrowings by term is reflected on the maturity of the debt as shown in the following chart. As at March 31, 2022, the average maturity of the debt is expected to be 11 years.

CHART J.8

Maturity of long-term debt as at March 31, 2022
(millions of dollars)



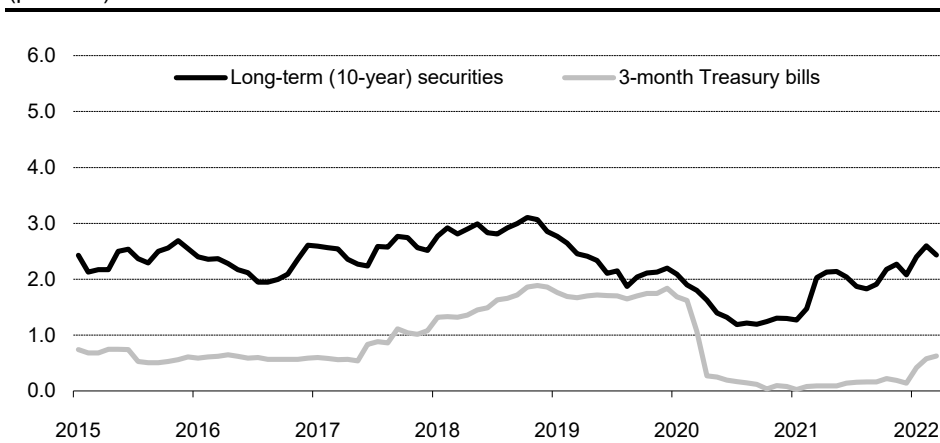
Note: Long-term debt of the Québec government and Financement-Québec.

2.4 Yield on Québec's debt securities

The recent interest rate hike brings the yield of Treasury bills to 0.6%, while the yield on 10-year Québec government securities is 2.4% after reaching a low of 1.2% in July 2020.

CHART J.9

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

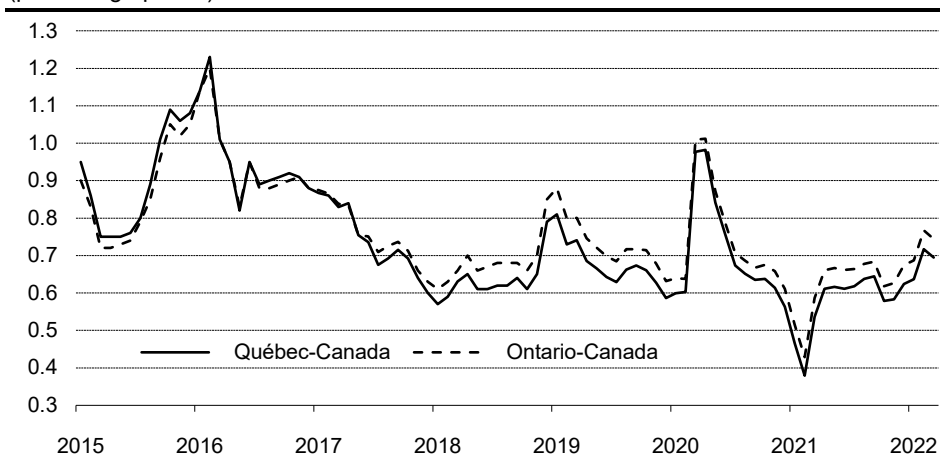


Sources: PC-Bond and Ministère des Finances du Québec.

Since June 2017, a spread in favour of Québec has been observed between the yield on 10-year securities of Québec and those of Ontario. This spread now stands at about 5 basis points.

CHART J.10

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



Source: PC-Bond.

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

3.1 Net liability for retirement plans

The Québec government covers its share of the funding of its employees' retirement plans, which are defined-benefit plans.

In its financial statements, it discloses the pension obligation, which corresponds to the present value of the retirement benefits that it will pay to its employees. This obligation is re-evaluated annually using a method that gradually factors in differences observed relative to forecasts.⁴ The result is the retirement plans liability.

Sums are accumulated in the Retirement Plans Sinking Fund (RPSF) and other funds to pay retirement benefits. The value of these assets is subtracted from the liability to measure the government's net commitment, called the net retirement plans liability. This amount is included in gross debt.

As at March 31, 2021, net liability for retirement plans and other employee future benefits stood at \$12.4 billion.

TABLE J.15

Net liability for retirement plans and other employee future benefits as at March 31, 2021 (millions of dollars)

| | |
|--|---------------|
| Retirement plans | |
| Retirement plans liability ⁽¹⁾ | 112 861 |
| Less: Retirement Plans Sinking Fund (RPSF) and other funds ⁽²⁾ | -100 304 |
| Net retirement plans liability | 12 557 |
| Other employee future benefits | |
| Other employee future benefits liability | 1 445 |
| Less: Funds dedicated to other employee future benefits | -1 634 |
| Net other employee future benefits liability⁽³⁾ | -189 |
| NET LIABILITY FOR RETIREMENT PLANS AND OTHER EMPLOYEE FUTURE BENEFITS | 12 368 |

(1) Mainly the Government and Public Employees Retirement Plan (RREGOP) and the Pension Plan of Management Personnel (PPMP).

(2) The value of the RPSF is \$94.1 billion. The other funds consist mainly of that of the Pension Plan of the Université du Québec.

(3) A negative entry means that the value of assets is higher than the value of liabilities.

⁴ The value of obligations relating to accrued retirement plan benefits undergoes actuarial valuations every three years. The value is extrapolated between two valuations.

Retirement Plans Sinking Fund

The Retirement Plans Sinking Fund (RPSF) was created by the Québec government in 1993. It is an asset that was established for the payment of retirement benefits of public and parapublic sector employees.

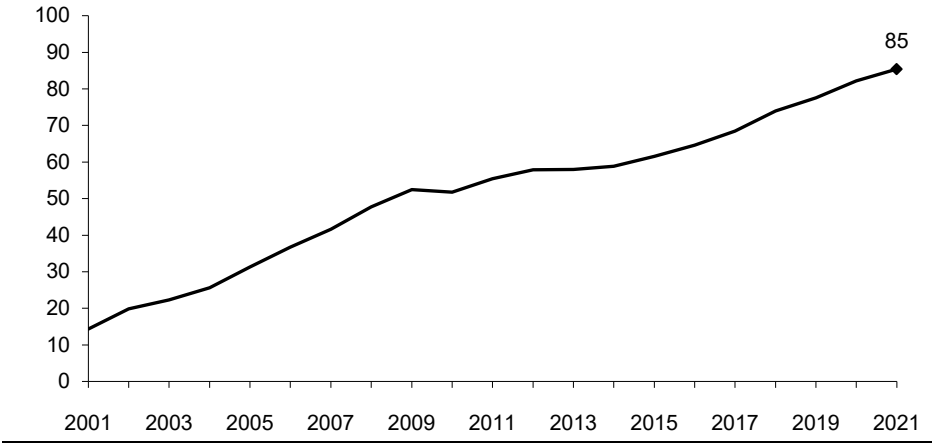
In December 1999, as part of the agreement concluded for the renewal of its employees' collective agreements, the government set the objective of ensuring that the book value of the sums accumulated in the RPSF would be equal, in 2020, to 70% of its actuarial obligations in respect of the retirement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

- The objective was reached as at March 31, 2018, that is, two years sooner than anticipated.
- As at March 31, 2021, the RPSF was equal to 85% of the actuarial obligations in respect of retirement plans.

It is expected that the sums accumulated in the RPSF to pay the retirement benefits of government employees will exceed the government's retirement plans liability in 2025-2026. This implies that in the coming years, the government will be able to use the assets of the RPSF to pay the retirement benefits of its employees, which will reduce its borrowing requirements.

Book value of the RPSF in proportion to the government's actuarial obligations in respect of the retirement plans of public and parapublic sector employees as at March 31

(per cent)



3.2 Returns on funds deposited with the Caisse de dépôt et placement du Québec

The main funds deposited by the Ministère des Finances with the Caisse de dépôt et placement du Québec (RPSF, Generations Fund and Accumulated Sick Leave Fund) are managed in accordance with investment policies established by the Ministère des Finances in cooperation with representatives of the Caisse.

These investment policies are established based on several factors, including 10-year return forecasts, standard deviations and correlations for various categories of assets, opportunities for investing in these assets and recommendations of the Caisse.

In 2021, the return on funds deposited by the Ministère des Finances with the Caisse was 13.9% for the RPSF, 11.4% for the Generations Fund and 13.9% for the Accumulated Sick Leave Fund.

— The lower return for the Generations Fund is due to differences in investment policies. The Generations Fund, by its very nature, is less exposed to less liquid investments such as private equity, which recorded exceptional performance in 2021.

The investment policies of these three funds are presented on the next page.

TABLE J.16

2021 return on and market value of funds deposited by the Ministère des Finances with the Caisse de dépôt et placement du Québec

| | Rate of return (%) | Market value as at December 31, 2021 (\$billion) |
|--------------------------------------|------------------------------|--|
| Retirement Plans Sinking Fund (RPSF) | 13.9 | 112.9 ⁽¹⁾ |
| Generations Fund | 11.4 | 16.0 |
| Accumulated Sick Leave Fund | 13.9 | 1.4 |

(1) Compared to March 31, 2021, the growth of the RPSF as at December 31, 2021, is mainly due to private equity performance during the last nine months of 2021.

❏ Comparison of investment policies

TABLE J.17

Investment policies as at January 1, 2022 (per cent)

| Specialized portfolios | RPSF and ASLF | Generations Fund | Average benchmark portfolio of depositors as a whole ⁽¹⁾ |
|-----------------------------|---------------|------------------|---|
| Short-Term Investments | 1.0 | 1.0 | 1.1 |
| Rates ⁽²⁾ | 10.5 | 10.0 | 11.0 |
| Credit ⁽³⁾ | 22.5 | 28.0 | 18.0 |
| Long-Term Bonds | 0 | 0 | 0.9 |
| Real Return Bonds | 0 | 0 | 0.2 |
| Total – Fixed Income | 34.0 | 39.0 | 31.2 |
| Infrastructure | 11.0 | 8.0 | 8.5 |
| Real Estate | 11.5 | 8.0 | 12.5 |
| Total – Real Assets | 22.5 | 16.0 | 21.0 |
| Public Equity | 27.5 | 36.0 | 33.2 |
| Private Equity | 16.0 | 9.0 | 14.6 |
| Total – Equities | 43.5 | 45.0 | 47.8 |
| TOTAL | 100.0 | 100.0 | 100.0 |

RPSF: Retirement Plans Sinking Fund.

ASLF: Accumulated Sick Leave Fund.

(1) Data as at December 31, 2020, drawn from the *2020 Annual Report* of the Caisse de dépôt et placement du Québec.

(2) This portfolio consists of government bonds.

(3) Broader range of instruments with fixed income securities characteristics.

Act respecting the Caisse de dépôt et placement du Québec:
**Greater agility for investing in the infrastructure
 and renewable energy sectors**

The *Act respecting the Caisse de dépôt et placement du Québec* sets out holding limits of between 30% and 51% of the shares of a company, except for certain sectors, such as real estate, in which the Caisse may hold up to 100% of a company's shares.

In the context of the fight against climate change, in particular, institutional investors such as the Caisse are placing increasing importance on infrastructure. This asset class generates attractive returns, particularly when the investor is in a controlling position, and generally offers good protection against inflation. Additional premiums may also be generated when operational value is created. However, this asset class's environment is becoming increasingly competitive.

With the aim of making the Caisse more agile and more competitive in this investment sector, the government will propose amendments to the *Act respecting the Caisse de dépôt et placement du Québec*. As with the real estate sector, there will be no limit on the holding of shares of a company in the infrastructure sector. The size that an infrastructure investment can reach will, however, be subject to a proposed limit of 3.5% of the Caisse's total assets.

The proposed changes will allow the Caisse to position itself favourably among its peers on the world stage in strongly growing investment sectors that will be crucial in the future. They will also enable it to execute its new climate strategy successfully. By 2025, the Caisse aims to hold \$54 billion of green assets in order to contribute actively to a more sustainable economy¹ and plans to reduce the carbon intensity of its entire portfolio by 60% by 2030. The Caisse has, moreover, announced that it will exit from oil production by the end of 2022 and is aiming for a carbon-neutral portfolio by 2050.

¹ In 2020, the Caisse's low-carbon assets stood at \$36 billion, and its portfolio's carbon intensity had fallen by 38% since 2017.

4. CREDIT RATINGS

4.1 Québec's credit ratings

A credit rating measures the ability of a borrower, such as the Québec government, to pay interest on its debt and repay the principal at maturity.

A high credit rating means access to a broader pool of investors and advantageous borrowing costs.

Québec's credit rating is evaluated by six credit rating agencies.

In 2021, despite the heavy turbulence caused by the pandemic, the six agencies that rate Québec confirmed its credit rating, with a stable outlook.

Overall, the credit rating agencies emphasized that Québec entered the crisis in a favourable economic and financial position. They also affirmed that Québec had a strong, diversified economy, and that the government's commitment to returning to a balanced budget demonstrated sound management of public finances. The agencies also noted that the ongoing deposits to the Generations Fund were a positive factor.

TABLE J.18

Québec's credit ratings

| Credit rating agency | Credit rating | Outlook |
|--|---------------|---------|
| Standard & Poor's (S&P) | AA– | Stable |
| Moody's | Aa2 | Stable |
| Fitch Ratings | AA– | Stable |
| DBRS Morningstar | AA (low) | Stable |
| Japan Credit Rating Agency (JCR) | AA+ | Stable |
| China Chengxin International (CCXI) ⁽¹⁾ | AAA | Stable |

Note: Québec's credit ratings as at March 7, 2022.

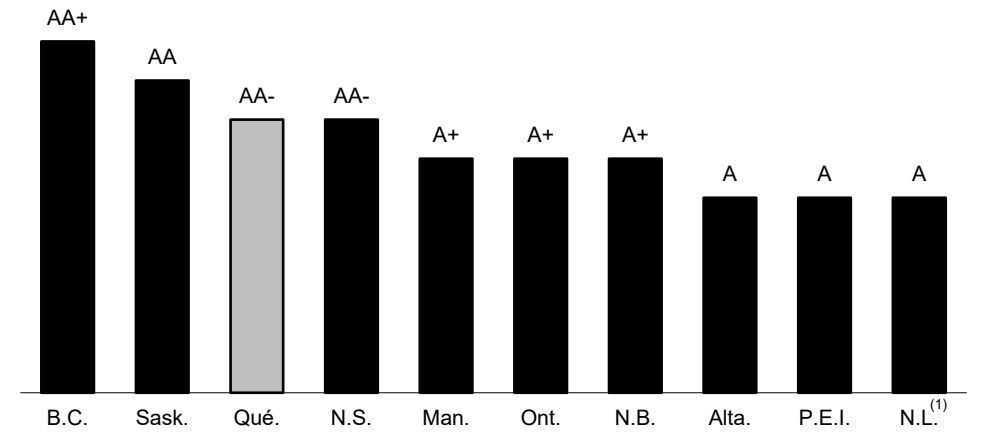
(1) Credit rating for bond issues on the Chinese market.

4.2 Comparison of the credit ratings of Canadian provinces

The following charts show the credit ratings of Canadian provinces by Standard & Poor's and Moody's.

CHART J.11

Credit ratings of Canadian provinces – Standard & Poor's

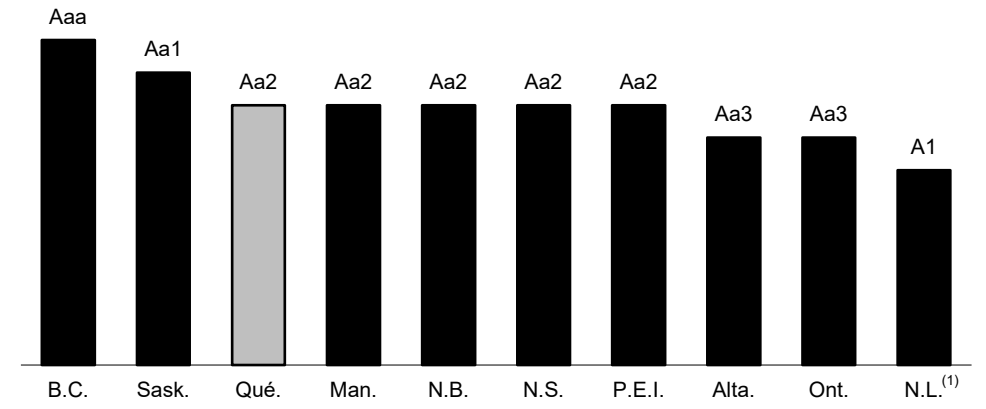


Note: Credit ratings as at March 7, 2022.

(1) This province has a negative outlook.

CHART J.12

Credit ratings of Canadian provinces – Moody's



Note: Credit ratings as at March 7, 2022.

(1) This province has a negative outlook.

www.budget.finances.gouv.qc.ca/2022-2023