

---

2004-2005

Results

---

and

---

Quarterly Presentation of  
Financial Transactions  
as at September 30, 2005

---

ISSN 0706-3164

Legal deposit  
Bibliothèque nationale du Québec, 2005

Publication date: December 2005

Website: <http://www.finances.gouv.qc.ca>

## **2004-2005 Results and Quarterly Presentation of Financial Transactions as at September 30, 2005<sup>1</sup>**

---

Section 1  
**Fiscal year 2004-2005  
Results of consolidated financial transactions**

Section 2  
**Fiscal year 2005-2006  
Forecasts of consolidated financial transactions**

Appendix 1  
**Tables of 2004-2005 and 2005-2006  
consolidated financial transactions**

Appendix 2  
**Presentation of federal transfers  
using accrual accounting**

---

1 The accounting practices are described in the Québec government's consolidated financial statements.



## Section 1

### Fiscal year 2004-2005

#### Results of consolidated financial transactions

---

Results of consolidated financial transactions for 2004-2005 .....	7
Budgetary transactions of the Consolidated Revenue Fund .....	8
Net results of consolidated organizations .....	9
Consolidated non-budgetary transactions.....	9
Consolidated financing transactions .....	9



## Results of consolidated financial transactions for 2004-2005

The actual results for 2004-2005 show a budgetary surplus of \$9 million before a provision of \$673 million for pay equity. Including this provision, the budgetary deficit amounts to \$664 million.

Taking this deficit into account, the accumulated surplus according to the *Balanced Budget Act*, which stood at \$819 million as at March 31, 2004, amounts to \$155 million as at March 31, 2005.

TABLE 1

### GOUVERNEMENT DU QUÉBEC SUMMARY OF 2004-2005 CONSOLIDATED FINANCIAL TRANSACTIONS<sup>1</sup> (millions of dollars)

	April 21, 2005 Budget	Actual results	Change
<b>Budgetary transactions of the Consolidated Revenue Fund</b>			
Own-source revenue	44 161	44 381	220
Federal transfers	9 228	9 229	1
<b>Total revenue</b>	<b>53 389</b>	<b>53 610</b>	<b>221</b>
Program spending before provision for pay equity	- 46 742	- 46 983	- 241
Debt service	- 6 868	- 6 853	15
<b>Total expenditure</b>	<b>- 53 610</b>	<b>- 53 836</b>	<b>- 226</b>
<b>Net results of consolidated organizations</b>	<b>221</b>	<b>235</b>	<b>14</b>
<b>Budget balance before provision for pay equity</b>	<b>0</b>	<b>9</b>	<b>9</b>
Provision for pay equity (covering the period 2001-2002 to 2004-2005)	—	- 673	- 673
<b>Budget balance including provision for pay equity</b>	<b>0</b>	<b>- 664</b>	<b>- 664</b>
<b>Non-budgetary transactions</b>			
Investments, loans and advances	- 1 075	- 979	96
Capital expenditures	- 919	- 1 083	- 164
Retirement plans	2 174	2 134	- 40
Other accounts	- 592	174	766
<b>Non-budgetary requirements</b>	<b>- 412</b>	<b>246</b>	<b>658</b>
<b>Net financial requirements</b>	<b>- 412</b>	<b>- 418</b>	<b>- 6</b>
<b>Financing transactions</b>			
Change in cash position	- 813	- 831	- 18
Change in direct debt	5 359	5 378	19
Retirement plans sinking fund	- 4 134	- 4 129	5
<b>Total financing of transactions</b>	<b>412</b>	<b>418</b>	<b>6</b>

<sup>1</sup> According to the budgetary and financial structure in effect for fiscal year 2005-2006.

## Budgetary transactions of the Consolidated Revenue Fund

Revenues of the Consolidated Revenue Fund are adjusted upwards by \$221 million compared with the preliminary results published with the Budget Speech last April. Expenditures are increased by \$226 million.

### Revenues

The increase in revenues results chiefly from three factors. First, additional revenues were collected from corporate income taxes because corporate profits were stronger than expected. In addition, royalties on natural resources are adjusted upwards. Lastly, revenues from government enterprises for 2004-2005 have been raised by \$53 million, in particular because of higher earnings at Hydro-Québec and Loto-Québec.

TABLE 2

### ITEMS CONTRIBUTING TO THE CHANGE IN REVENUE OF THE CONSOLIDATED REVENUE FUND FOR FISCAL YEAR 2004-2005 (millions of dollars)

<b>Own-source revenue</b>		220
- Excluding government enterprises		167
- Corporate taxes	76	
- Natural resources	62	
- Other	29	
- Government enterprises		53
<b>Federal transfers</b>		1
<b>Total change</b>		<b>221</b>

### Expenditure

The target set for program spending in the 2004-2005 Budget has been met, apart from two adjustments made on closing the financial statements for doubtful accounts at the ministère du Revenu and the pay equity issue.

Accordingly, the upward adjustment of \$241 million to program spending as shown in Table 1 arises from an increase of \$269 million in spending relating to the allowance for doubtful accounts. This increase is made necessary in view of the results of the last estimate carried out for this purpose by the ministère du Revenu when the financial statements were closed.

Moreover, the decision handed down by the Superior Court on January 9, 2004 established that the government, as an employer, was subject to the general regime of the *Pay Equity Act*. Under this legislation, the government and labour organizations must evaluate jobs in order to correct any pay disparities noted for predominantly female job categories, as of November 21, 2001. The provision of \$673 million, covering the period from November 21, 2001 to March 31, 2005, corresponds to the best estimate to date of the cost of pay equity, given the state



of progress of the ongoing work. Payments relating to pay equity can be charged against this provision once the parties have completed their work.

### **Net results of consolidated organizations**

The net results of consolidated organizations have improved by \$14 million compared with what was forecast in last April's budget.

### **Consolidated non-budgetary transactions**

Funding requirements for investments, loans and advances have been adjusted downward by \$96 million, chiefly because of dispositions of investments by certain consolidated organizations.

Funding requirements for capital expenditures have been revised to \$1 083 million, up \$164 million. This change is attributable mainly to greater-than-expected investments in the road network and the extension of the Montréal metro to the city of Laval.

Funding requirements for other non-budgetary accounts are adjusted downward by \$766 million. This decrease is mainly due to the provision for pay equity, which generated an account payable and therefore did not require an outflow of funds as at March 31, 2005. The other accounts include cash and bills on hand, outstanding cheques, accounts receivable and accounts payable.

On the whole, the adjustments to budgetary and non-budgetary transactions have produced an increase of \$6 million in net financial requirements compared with the preliminary results of the April 21, 2005 Budget Speech.

### **Consolidated financing transactions**

Turning to financing transactions, the actual results show an increase of \$6 million compared with what was forecast in the April 21, 2005 Budget.



## Section 2

### Fiscal year 2005-2006

#### Forecasts of consolidated financial transactions

---

Forecasts of consolidated financial transactions for 2005-2006 .....	13
Budgetary transactions of the Consolidated Revenue Fund .....	14
Net results of consolidated organizations .....	16
Consolidated non-budgetary transactions .....	16
Consolidated financing transactions .....	16
Budgetary results as at September 30, 2005.....	18



## Forecasts of consolidated financial transactions for 2005-2006

The objective of a balanced budget for fiscal year 2005-2006, as set in the April 21, 2005 Budget, is maintained. The upward adjustment to federal transfer revenues and net results of consolidated organizations offsets the almost equivalent increase in the amount of program spending.

It should be noted that the adjusted forecasts reflect the government's decision to act on the recommendation of the Auditor General of Québec to adopt accrual accounting for federal transfers. Previously, these revenues were shown according to the cash accounting method. The change to this accounting practice is the main reason for the upward revision of \$204 million in federal transfers.

TABLE 3

### GOVERNEMENT DU QUÉBEC SUMMARY OF 2005-2006 CONSOLIDATED FINANCIAL TRANSACTIONS (millions of dollars)

	April 21, 2005 Budget	Revised forecasts	Change
<b>Budgetary transactions of the Consolidated Revenue Fund</b>			
Own-source revenue	45 528	45 521	- 7
Federal transfers	9 607	9 811	204
Total revenue	55 135	55 332	197
Program spending	- 48 407	- 48 765	- 358
Debt service	- 6 995	- 6 947	48
Total expenditure	- 55 402	- 55 712	- 310
<b>Net results of consolidated organizations</b>	267	380	113
<b>Budget balance</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Non-budgetary transactions</b>			
Investments, loans and advances	- 1 517	- 1 341	176
Capital expenditures	- 1 242	- 1 242	—
Retirement plans	2 016	2 016	—
Other accounts	309	266	- 43
<b>Non-budgetary requirements</b>	<b>- 434</b>	<b>- 301</b>	<b>133</b>
<b>Net financial requirements</b>	<b>- 434</b>	<b>- 301</b>	<b>133</b>
<b>Financing transactions</b>			
Change in cash position	2 661	2 528	- 133
Change in direct debt	- 1 072	428	1 500
Retirement plans sinking fund	- 1 155	- 2 655	- 1 500
<b>Total financing of transactions</b>	<b>434</b>	<b>301</b>	<b>- 133</b>

## Budgetary transactions of the Consolidated Revenue Fund

The revenue forecast for the Consolidated Revenue Fund for 2005-2006 is adjusted to \$55 332 million. Expenditure is adjusted to \$55 712 million.

### Changes in Québec's economy since the 2005-2006 Budget

Québec's economy has stood up well to the pressure caused by the rise in the price of energy and the strength of the Canadian dollar. Accordingly, little adjustment is required to economic growth compared to the forecasts of the 2005-2006 Budget. Last April, the ministère des Finances expected economic growth of 2.4% in 2005 and 2.6% in 2006. The adjusted data indicate that the economy will grow by 2.2% in 2005 and that, for 2006, growth should amount to 2.4%.

This good performance of Québec's economy, in a difficult international context, is largely attributable to the continued high level of confidence of consumers who, encouraged by the stimulus of tax cuts, lower prices of many imported goods and attractive credit conditions, increased their spending faster than expected.

Turning to the external sector, the export recovery that began in 2004 has continued. However, the significant rise in the Canadian dollar continued to favour purchases of foreign goods.

TABLE 4

#### CHANGE IN ECONOMIC OUTLOOK

	2005	2006
<b>Real GDP (%)</b>	<b>2.2</b>	<b>2.4</b>
- adjustment <sup>1</sup>	- 0.2	- 0.2
<b>Nominal GDP (%)</b>	<b>4.4</b>	<b>4.0</b>
- adjustment <sup>1</sup>	- 0.2	0.2
<b>Price of a barrel of crude oil (US\$)</b>	<b>58.4</b>	<b>62.8</b>
- adjustment <sup>1</sup>	12.7	21.8
<b>Canadian dollar (US cents)</b>	<b>82.0</b>	<b>84.6</b>
- adjustment <sup>1</sup>	1.0	7.3

1 Compared to the 2005-2006 Budget.

## Revenue

The forecasts of the April 21, 2005 Budget Speech set own-source revenue at \$45 528 million and federal transfers at \$9 607 million for fiscal year 2005-2006. Overall, revenue of the Consolidated Revenue Fund is adjusted upward by \$197 million. Accordingly, own-source revenue is adjusted slightly downward by \$7 million, while federal transfers are revised upward by \$204 million.

TABLE 5

### ITEMS CONTRIBUTING TO THE CHANGE IN REVENUE OF THE CONSOLIDATED REVENUE FUND FOR FISCAL YEAR 2005-2006

(millions of dollars)

<b>Own-source revenue</b>		- 7
- Excluding government enterprises		169
- Personal income tax	75	
- Health Services Fund	50	
- Corporate taxes	125	
- Consumption taxes	- 81	
- Government enterprises		- 176
<b>Federal transfers</b>		204
<b>Total change</b>		<b>197</b>

The revenue forecasts for personal income tax and contributions to the Health Services Fund are raised by \$75 million and \$50 million respectively. These adjustments arise from stronger-than-expected growth in wages and salaries.

The upward adjustment of \$125 million to corporate taxes results mainly from tax payable in 2004 that was greater than expected, generating in particular an increase in tax instalments payable in 2005-2006.

Revenue from consumption taxes is \$81 million below what was anticipated at the time of the 2005-2006 Budget. This decline mainly reflects revenue that was less than forecast regarding the tobacco tax, because of the significant decline in volumes taxed. However, these losses are partially offset by an upward adjustment to sales tax revenue stemming from stronger-than-expected consumer spending.

Lastly, revenue of government enterprises is revised downward by \$176 million mainly because the gain of \$133 million realized by Investissement Québec for the shares it has held since December 2003 in Québec Cartier Mining Company must be recorded in the net results of consolidated organizations. In the last budget, it will be recalled that an amount had already been anticipated under asset sales in revenue of government enterprises.

Federal transfers are adjusted upward by \$204 million compared to the amount forecast in last April's Budget. As indicated above, this increase results chiefly

from moving from cash accounting to accrual accounting. Appendix 2 provides a detailed explanation of the change made to the accounting for transfer revenues from the federal government.

### **Expenditure**

The forecast set in the last budget of \$48 407 million for program spending is adjusted upward to \$48 765 million, an increase of \$358 million. Accordingly, the expenditure relating to the allowance for doubtful accounts of the ministère du Revenu is raised by \$258 million. This increase reflects the recurrence of the adjustment made to this allowance at the close of fiscal year 2004-2005.

Moreover, while the overruns identified in the monitoring of program spending in the fall are in the process of being absorbed, an additional expenditure of \$100 million is expected under the public sector retirement plans. This amount reflects the impact of the new estimate of the value of the government actuarial obligations carried out in recent months. This new estimate also produces an increase of \$90 million in interest under the retirement plans, bringing the increase in the cost of the retirement plans arising from this new estimate to close to \$200 million.

Despite the increase in interest under the retirement plans, forecast service on the total debt is adjusted downward by \$48 million. This adjustment reflects the better-than-expected performance of the Canadian dollar compared to the various currencies that make up the debt.

### **Net results of consolidated organizations**

The upward adjustment of \$113 million to net results of consolidated organizations is attributable mainly to the gain of \$133 million realized by Investissement Québec on the sale of its investment in Québec Cartier Mining Company.

### **Consolidated non-budgetary transactions**

Forecast non-budgetary requirements have been adjusted downward by \$133 million. This change stems from a reduction of \$176 million in requirements for funds for investments, loans and advances, resulting from the downward revision of an equivalent amount to revenues of enterprises, partially offset by a decline of \$43 million in sources of funds of other non-budgetary accounts.

### **Consolidated financing transactions**

With respect to financing transactions, the forecast is adjusted downward by \$133 million compared to the last budget further to an equivalent reduction in the change in cash position.



The upward revision to the change in direct debt is attributable to new borrowings that are higher than forecast. These borrowings were used to make deposits during the fiscal year of \$1 500 million to the Retirement Plans Sinking Fund that were initially stipulated for 2006-2007.

## Budgetary results as at September 30, 2005

### Consolidated Revenue Fund revenue

Own-source revenue is up 3.8% for the first six months of 2005-2006 compared with the corresponding period in 2004-2005, as opposed to an increase of 2.6% forecast for the year as a whole. This divergence is attributable to the coming impact of fiscal measures on corporate taxes whose effect will be to reduce tax revenues during the second half of 2005-2006. It also stems from non-recurring increases in the earnings of certain government enterprises, in particular Hydro-Québec which enjoyed favourable export market conditions due to the warm temperatures registered in the summer in neighbouring markets.

Moreover, accrual accounting for federal transfers has been adopted on a forward-looking basis. For that reason, it is not possible to compare the growth rate of federal transfers after six months in 2005-2006 in relation to the same period in 2004-2005.

### Consolidated Revenue Fund expenditure

Turning to program spending, the results recorded as at September 30, 2005 show an increase of 2.0% compared to the first six months of 2004-2005, i.e. a growth rate below the rate of 3.6% forecast on an annual basis excluding the increase in spending concerning the retirement plans. This difference is attributable chiefly to the fact that the program spending objective for 2005-2006 incorporates certain provisions that, in particular, will be used to fund the costs of pay equity from now to the end of the fiscal year.

TABLE 6

#### CHANGE IN PROGRAM SPENDING SINCE THE 2005-2006 BUDGET (millions of dollars)

	<u>2004-2005</u>	<u>2005-2006</u>
Program spending objective in the 2005-2006 Budget	46 742	48 407
<i>% change</i>	3.2	3.6
Adjustments other than to the retirement plans	241	258
	46 983	48 665
<i>% change</i>	3.7	3.6
Impact of the new actuarial estimate relating to the retirement plans	—	100
Adjusted program spending	46 983 <sup>1</sup>	48 765
<i>% change</i>	3.7	3.8

<sup>1</sup> Program spending before the provision for pay equity.

Debt service is adjusted downward by 0.6% in the first half of fiscal year 2005-2006 compared to the same period in 2004-2005, while an increase of 1.4% is expected for the year as a whole. This difference is attributable mainly to capital gains realized by the sinking fund for Québec government borrowings. The revenues of this fund are applied against debt service. These gains are essentially attributable to the decline in long-term interest rates early in the fiscal year. However, the rise in these rates since then will partially offset these gains by the end of the year.

**Jean Houde**  
Deputy Minister of Finance



## Appendix 1

### Tables of 2004-2005 and 2005-2006 consolidated financial transactions

---

Summary of consolidated financial transactions .....	22
Consolidated Revenue Fund revenue.....	23
Consolidated Revenue Fund expenditure.....	24
Consolidated non-budgetary transactions.....	25
Consolidated financing transactions .....	26
New borrowings as at September 30, 2005 .....	27

TABLE 1.1

**GOVERNEMENT DU QUÉBEC**  
**SUMMARY OF CONSOLIDATED FINANCIAL TRANSACTIONS**  
(millions of dollars)

(Unaudited results)

	2004-2005	2005-2006		Annual change %	Results as at September 30		
	Actual results <sup>1</sup>	Budget Speech	Revised forecasts		2004-2005	2005-2006	Change %
<b>Budgetary transactions of the Consolidated Revenue Fund</b>							
Own-source revenue	44 381	45 528	45 521	2.6	20 832	21 625	3.8
Federal transfers <sup>2</sup>	9 229	9 607	9 811	n. a.	3 129	4 779	n. a.
Total revenue	53 610	55 135	55 332	n. a.	23 961	26 404	n. a.
Program spending before provision for pay equity	- 46 983	- 48 407	- 48 765	3.8	- 23 991	- 24 479	2.0
Debt service	- 6 853	- 6 995	- 6 947	1.4	- 3 377	- 3 357	- 0.6
Total expenditure	- 53 836	- 55 402	- 55 712	3.5	- 27 368	- 27 836	1.7
<b>Net results of consolidated organizations</b>	235	267	380	61.7	117	258	—
<b>Budget balance before provision for pay equity</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>n. a.</b>	<b>- 3 290</b>	<b>- 1 174</b>	<b>n. a.</b>
Provision for pay equity (covering the period 2001-2002 to 2004-2005)	- 673	—	—	—	—	—	—
<b>Budget balance including provision for pay equity</b>	<b>- 664</b>	<b>0</b>	<b>0</b>	<b>n. a.</b>	<b>- 3 290</b>	<b>- 1 174</b>	<b>n. a.</b>
<b>Non-budgetary transactions</b>							
Investments, loans and advances	- 979	- 1 517	- 1 341		- 1 159	- 1 047	
Capital expenditures	- 1 083	- 1 242	- 1 242		- 353	- 485	
Retirement plans	2 134	2 016	2 016		1 178	1 163	
Other accounts	174	309	266		- 1 184	- 1 322	
<b>Non-budgetary requirements</b>	<b>246</b>	<b>- 434</b>	<b>- 301</b>	<b>—</b>	<b>- 1 518</b>	<b>- 1 691</b>	<b>11.4</b>
<b>Net financial requirements</b>	<b>- 418</b>	<b>- 434</b>	<b>- 301</b>	<b>- 28.0</b>	<b>- 4 808</b>	<b>- 2 865</b>	<b>- 40.4</b>
<b>Financing transactions</b>							
Change in cash position	- 831	2 661	2 528		3 242	1 391	
Change in direct debt	5 378	- 1 072	428		2 647	2 052	
Retirement plans sinking fund	- 4 129	- 1 155	- 2 655		- 1 081	- 578	
<b>Total financing of transactions</b>	<b>418</b>	<b>434</b>	<b>301</b>	<b>- 28.0</b>	<b>4 808</b>	<b>2 865</b>	<b>- 40.4</b>

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.

1 The actual results for 2004-2005 include a provision of \$673 million for pay equity.

2 Accrual accounting has been implemented for federal transfers on a forward-looking basis. For this reason, it is impossible to compare the growth rate of federal transfers after one half of 2005-2006 with the same period in 2004-2005.

TABLE 1.2

**GOVERNEMENT DU QUÉBEC**  
**CONSOLIDATED REVENUE FUND REVENUE**  
(millions of dollars)

(Unaudited results)

	2004-2005	2005-2006		Annual change %	Results as at September 30		
	Actual results	Budget Speech	Revised forecasts		2004-2005	2005-2006	Change %
<b>Revenue by source</b>							
<b>Own-source revenue</b>							
Income and property taxes							
Personal income tax	16 324	16 691	16 766	2.7	7 856	7 696	- 2.0
Contributions to Health Services Fund	4 874	5 031	5 081	4.2	2 412	2 533	5.0
Corporate taxes	4 253	4 302	4 427	4.1	1 671	2 008	20.2
	<u>25 451</u>	<u>26 024</u>	<u>26 274</u>	<u>3.2</u>	<u>11 939</u>	<u>12 237</u>	<u>2.5</u>
Consumption taxes							
Retail sales	9 241	9 715	9 745	5.5	4 556	4 912	7.8
Fuel	1 711	1 715	1 705	- 0.4	802	844	5.2
Tobacco	901	912	811	- 10.0	502	442	- 12.0
Alcoholic beverages <sup>1</sup>	403	419	419	4.0	201	206	2.5
	<u>12 256</u>	<u>12 761</u>	<u>12 680</u>	<u>3.5</u>	<u>6 061</u>	<u>6 404</u>	<u>5.7</u>
Duties and permits							
Motor vehicles	713	737	737	3.4	295	309	4.7
Natural resources	238	126	126	- 47.1	86	80	- 7.0
Other <sup>1</sup>	209	201	201	- 3.8	90	102	13.3
	<u>1 160</u>	<u>1 064</u>	<u>1 064</u>	<u>- 8.3</u>	<u>471</u>	<u>491</u>	<u>4.2</u>
Miscellaneous							
Sales of goods and services	371	397	397	7.0	104	114	9.6
Interest	355	390	390	9.9	216	256	18.5
Fines, forfeitures and recoveries	442	439	439	- 0.7	221	248	12.2
	<u>1 168</u>	<u>1 226</u>	<u>1 226</u>	<u>5.0</u>	<u>541</u>	<u>618</u>	<u>14.2</u>
Revenue from government enterprises							
Société des alcools du Québec	546	682	667	22.2	276	308	11.6
Loto-Québec	1 511	1 536	1 536	1.7	774	778	0.5
Hydro-Québec	2 405	2 125	2 125	- 11.6	709	793	11.8
Other	- 116	110	- 51	- 56.0	61	- 4	—
	<u>4 346</u>	<u>4 453</u>	<u>4 277</u>	<u>- 1.6</u>	<u>1 820</u>	<u>1 875</u>	<u>3.0</u>
<b>Total own-source revenue</b>	<b>44 381</b>	<b>45 528</b>	<b>45 521</b>	<b>2.6</b>	<b>20 832</b>	<b>21 625</b>	<b>3.8</b>
<b>Federal transfers<sup>2</sup></b>							
Equalization	5 221	4 667	4 798	n. a.	1 850	2 399	n. a.
Health transfers	2 422	3 060	3 114	n. a.	918	1 548	n. a.
Transfers for postsecondary education and other social programs	926	962	993	n. a.	443	491	n. a.
Other programs	660	918	906	n. a.	- 82	341	n. a.
	<u>9 229</u>	<u>9 607</u>	<u>9 811</u>	<u>n. a.</u>	<u>3 129</u>	<u>4 779</u>	<u>n. a.</u>
<b>Total revenue</b>	<b>53 610</b>	<b>55 135</b>	<b>55 332</b>	<b>n. a.</b>	<b>23 961</b>	<b>26 404</b>	<b>n. a.</b>

1 Because of the elimination of the specific and *ad valorem* duties on alcoholic beverages in September 2004 and their replacement with a tax at a higher rate, the income associated with the tax on alcoholic beverages is included in the consumption tax category and shown under a separate heading. In 2004-2005, \$20 million of duties arising from the sale of alcohol permits is recorded under other duties and permits, while an additional \$57 million of the duties and permits category is reclassified under the new heading of alcoholic beverages.

2 Accrual accounting has been implemented for federal transfers on a forward-looking basis. For this reason, it is impossible to compare the growth rate of federal transfers after one half of 2005-2006 with the same period in 2004-2005.

TABLE 1.3

**GOVERNEMENT DU QUÉBEC**  
**CONSOLIDATED REVENUE FUND EXPENDITURE**  
(millions of dollars)

(Unaudited results)

Departments and agencies	2004-2005	2005-2006		Annual change %	Results as at September 30		
	Actual results <sup>1</sup>	Budget Speech	Revised forecasts		2004-2005	2005-2006	Change %
<b>Program spending</b>							
Assemblée nationale	93	94	94	1.1	44	44	—
Personnes désignées par l'Assemblée nationale	55	56	56	1.8	37	26	- 29.7
Affaires municipales et Régions	1 628	1 776	1 776	9.1	1 070	1 016	- 5.0
Agriculture, Pêcheries et Alimentation	662	653	653	- 1.4	431	455	5.6
Conseil du trésor et Administration gouvernementale	455	808 <sup>2</sup>	908 <sup>2,3</sup>	99.6	186	176	- 5.4
Conseil exécutif	215	251 <sup>2</sup>	251 <sup>2</sup>	16.7	97	99	2.1
Culture et Communications	525	536	536	2.1	334	326	- 2.4
Développement durable, Environnement et Parcs	198	178	178	- 10.1	99	93	- 6.1
Développement économique, Innovation et Exportation	550	576 <sup>2</sup>	576 <sup>2</sup>	4.7	300	299	- 0.3
Éducation, Loisir et Sport	11 770	12 202	12 202	3.7	6 263	6 354	1.5
Emploi et Solidarité sociale	4 068	4 012 <sup>2</sup>	4 012 <sup>2</sup>	- 1.4	2 037	1 950	- 4.3
Famille, Aînés et Condition féminine	1 527	1 634	1 634	7.0	778	831	6.8
Finances (excluding debt service)	112	214 <sup>2</sup>	214 <sup>2</sup>	91.1	45	44	- 2.2
Immigration et Communautés culturelles	121	99	99	- 18.2	54	51	- 5.6
Justice	632	612	612	- 3.2	300	313	4.3
Relations internationales	103	100	100	- 2.9	51	53	3.9
Ressources naturelles et Faune	376	391	391	4.0	216	243	12.5
Revenu	906	603	861	- 5.0	233	239	2.6
Santé et Services sociaux	20 111	20 862	20 862	3.7	10 069	10 423	3.5
Sécurité publique	944	906	906	- 4.0	436	434	- 0.5
Services gouvernementaux	41	54	54	31.7	16	19	18.8
Tourisme	145	139	139	- 4.1	102	120	17.6
Transports	1 670	1 808	1 808	8.3	749	838	11.9
Travail	76	64	64	- 15.8	44	33	- 25.0
Anticipated lapsed appropriations	—	- 150	- 150	—	—	—	—
Appropriations carried over in 2006-2007	—	- 71	- 71	—	—	—	—
<b>Total program spending</b>	<b>46 983</b>	<b>48 407</b>	<b>48 765</b>	<b>3.8</b>	<b>23 991</b>	<b>24 479</b>	<b>2.0</b>
<b>Debt service</b>							
Direct debt service	4 067	4 319	4 204	3.4	2 025	1 964	- 3.0
Interest ascribed to retirement plans	2 786	2 676	2 743	- 1.5	1 352	1 393	3.0
<b>Total debt service</b>	<b>6 853</b>	<b>6 995</b>	<b>6 947</b>	<b>1.4</b>	<b>3 377</b>	<b>3 357</b>	<b>- 0.6</b>
<b>Total expenditure</b>	<b>53 836</b>	<b>55 402</b>	<b>55 712</b>	<b>3.5</b>	<b>27 368</b>	<b>27 836</b>	<b>1.7</b>

1 Program spending before the provision for pay equity.

2 These amounts contain provisions enabling transfers of appropriations to other departments during the fiscal year ending March 31, 2006, in particular to fund the costs of pay equity from now to the end of the year.

3 Including an additional expenditure of \$100 million reflecting the impact of a new estimate of the value of the actuarial obligations of the retirement plans.



TABLE 1.4

**GOVERNEMENT DU QUÉBEC**  
**CONSOLIDATED NON-BUDGETARY TRANSACTIONS**  
(millions of dollars)

(Unaudited results)

	2004-2005	2005-2006		Annual change \$	Results as at September 30		
	Actual results	Budget Speech	Revised forecasts		2004-2005	2005-2006	Change \$
<b>Investments, loans and advances</b>							
Consolidated Revenue Fund							
Government enterprises	- 863	- 1 343	- 1 167	- 304	- 1 142	- 1 072	70
Individuals, corporations and others	69	- 14	- 14	- 83	- 182	- 259	- 77
Municipalities and municipal bodies	2	2	2	—	—	—	—
	- 792	- 1 355	- 1 179	- 387	- 1 324	- 1 331	- 7
Consolidated organizations	- 187	- 162	- 162	25	165	284	119
<b>Total investments, loans and advances</b>	<b>- 979</b>	<b>- 1 517</b>	<b>- 1 341</b>	<b>- 362</b>	<b>- 1 159</b>	<b>- 1 047</b>	<b>112</b>
<b>Capital expenditures</b>							
Consolidated Revenue Fund							
Net investments	- 178	- 319	- 319	- 141	- 48	- 47	1
Amortization	217	221	221	4	104	104	—
	39	- 98	- 98	- 137	56	57	1
Consolidated organizations	- 1 122	- 1 144	- 1 144	- 22	- 409	- 542	- 133
<b>Total capital expenditures</b>	<b>- 1 083</b>	<b>- 1 242</b>	<b>- 1 242</b>	<b>- 159</b>	<b>- 353</b>	<b>- 485</b>	<b>- 132</b>
<b>Retirement plans</b>							
Employer and employee contributions	5 412	5 508	5 508	96	2 677	2 818	141
Benefits and other payments	- 3 278	- 3 492	- 3 492	- 214	- 1 499	- 1 655	- 156
<b>Total retirement plans</b>	<b>2 134</b>	<b>2 016</b>	<b>2 016</b>	<b>- 118</b>	<b>1 178</b>	<b>1 163</b>	<b>- 15</b>
<b>Other accounts</b>							
Consolidated Revenue Fund	56	204	141	85	- 1 249	- 1 862	- 613
Consolidated organizations	118	105	125	7	65	540	475
<b>Total other accounts</b>	<b>174</b>	<b>309</b>	<b>266</b>	<b>92</b>	<b>- 1 184</b>	<b>- 1 322</b>	<b>- 138</b>
<b>Total non-budgetary requirements</b>	<b>246</b>	<b>- 434</b>	<b>- 301</b>	<b>- 547</b>	<b>- 1 518</b>	<b>- 1 691</b>	<b>- 173</b>

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

TABLE 1.5

**GOUVERNEMENT DU QUÉBEC**  
**CONSOLIDATED FINANCING TRANSACTIONS**  
(millions of dollars)

(Unaudited results)

	2004-2005		2005-2006		Annual change \$	Results as at September 30		
	Actual results	Budget Speech	Revised forecasts	2004-2005		2005-2006	Change \$	
<b>Change in cash position</b>								
Consolidated Revenue Fund	- 814	2 661	2 661	3 475	4 426	2 581	- 1 845	
Consolidated organizations	- 17	—	- 133	- 116	- 1 184	- 1 190	- 6	
<b>Total change in cash position</b>	<b>- 831</b>	<b>2 661</b>	<b>2 528</b>	<b>3 359</b>	<b>3 242</b>	<b>1 391</b>	<b>- 1 851</b>	
<b>Change in direct debt</b>								
Consolidated Revenue Fund								
New borrowings								
In Canadian dollar	7 125				3 460	1 998	- 1 462	
In US dollar	1 022				1 022	1 267	245	
In Euro	2 381				—	—	—	
In Australian dollar	—				—	258	258	
Change in the debt resulting from currency swap transactions	- 312				228	- 971	- 1 199	
	10 216	3 930	5 430	- 4 786	4 710	2 552	- 2 158	
Repayment of borrowings								
In Canadian dollar	- 1 994				- 787	- 760	27	
In US dollar	- 1 019				- 406	—	406	
In Euro	- 1 310				- 1 228	—	1 228	
In Yen	- 477				- 95	- 228	- 133	
In Swedish crowns	- 89				- 89	—	89	
Change in the debt resulting from currency swap transactions	- 915				- 614	52	666	
Contributions to the sinking fund for Québec government borrowings	- 7				- 90	- 214	- 124	
	- 5 811	- 5 936	- 5 936	- 125	- 3 309	- 1 150	2 159	
	4 405	- 2 006	- 506	- 4 911	1 401	1 402	1	
Consolidated organizations								
New borrowings	2 188	1 565	1 565	- 623	1 436	720	- 716	
Repayment of borrowings	- 1 215	- 631	- 631	584	- 190	- 70	120	
	973	934	934	- 39	1 246	650	- 596	
<b>Total change in direct debt</b>	<b>5 378</b>	<b>- 1 072</b>	<b>428</b>	<b>- 4 950</b>	<b>2 647</b>	<b>2 052</b>	<b>- 595</b>	
<b>Retirement plans sinking fund</b>	<b>- 4 129</b>	<b>- 1 155</b>	<b>- 2 655</b>	<b>1 474</b>	<b>- 1 081</b>	<b>- 578</b>	<b>503</b>	
<b>Total financing of transactions</b>	<b>418</b>	<b>434</b>	<b>301</b>	<b>- 117</b>	<b>4 808</b>	<b>2 865</b>	<b>- 1 943</b>	

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.

**2004-2005 Results and  
Presentation of Financial Transactions  
as at September 30, 2005**

TABLE 1.6

**GOUVERNEMENT DU QUÉBEC  
NEW BORROWINGS AS AT SEPTEMBER 30, 2005  
(millions of dollars)**

	Date of issue	Date of maturity	Interest rate (%) <sup>1</sup>	Price to investor	Yield to investor <sup>2</sup>	Face value in millions of monetary units	Amount received in Canadian dollars <sup>3</sup>
<b>Consolidated Revenue Fund</b>							
In Canadian dollar						<b>CAN\$</b>	
Treasury bills	Various	Various	— <sup>4</sup>	Various	Various	—	— <sup>5</sup>
Québec savings products							
Savings bonds	Various	Various	Various	100.000	Various	27	27
Transitory investments	Various	Various	Various	100.000	Various	4	4
Investment savings plan	Various	Various	Various	100.000	Various	27	27
Bonds	Various	Various	Various	Various	Various	246	245
						304	303
Bonds							
Bonds	2005-06-03	2015-12-01	5.000	104.546	4.453	500	523
Bonds	2005-07-05	2036-12-01	5.750	114.148	4.866	327	373
Bonds	2005-08-25	2015-12-01	5.000	105.542	4.325	414	437
Immigrant Investor Program	Various	Various	Various	Various	Various	310	258
Canada Pension Plan Investment Fund	Various	Various	Various	100.000	Various	4	4
						1 555	1 595
Medium-term notes							
On the European market	2005-05-18	2015-05-18	4.650 <sup>6</sup>	99.745	4.629	100	100
						1 959	1 998
In US dollar						<b>US\$</b>	
Bonds	2005-05-26	2015-05-26	4.600	99.913	4.611	1 000	1 267
In Australian dollar						<b>A\$</b>	
Medium-term notes	2005-07-15	2015-07-15	5.750	99.438	5.825	284	258
Change in the debt resulting from currency swap transactions							- 971
							<b>2 552</b>
<b>Consolidated organizations</b>							<b>720</b>
<b>Total new borrowings</b>							<b>3 272</b>

1 Interest payable semi-annually except if another frequency is indicated in a note.

2 Based on semi-annual interest payments.

3 Borrowings in foreign currencies are shown in the Canadian equivalent of the amount received, using the exchange rate of the Bank of Canada at noon on the date of issue.

4 "Zero-coupon" type borrowing.

5 Represents the change in the amount outstanding during the year.

6 Interest is payable annually.



## Appendix 2

### Presentation of federal transfers using accrual accounting

---

The government is making a significant improvement to the accounting practices used to present federal transfer revenues. In so doing, it is responding favourably to a recommendation by the Auditor General of Québec.

Under the accounting practices in effect up to now, federal transfer revenues to Québec were shown on a cash accounting basis. This method consists in recording the revenues in the year in which they are paid by the federal government. By adopting accrual accounting, federal transfer revenues will henceforth be recorded in the year to which they relate, regardless of when the amounts are actually paid to Québec by the federal government.

Under accrual accounting, the smoothing mechanisms for payments obtained in the past no longer have an effect on federal transfer revenues, since the refunds stipulated in the future refer to prior years. Note that over the last four fiscal years, the Québec government obtained from the federal government the implementation of such mechanisms to limit the impact, on the government's budgetary planning, of significant fluctuations in equalization payments. These payment reductions were spread over a certain number of years.

TABLE 2.1

**EQUALIZATION PAYMENT SMOOTHING MECHANISMS OBTAINED FROM THE FEDERAL GOVERNMENT OVER THE LAST FOUR FISCAL YEARS**  
(millions of dollars)

<b>Context</b>	<b>Smoothing period</b>	<b>Amount</b>
Change in methodology for property taxes in 2002-2003	Five years as of 2003-2004	656
Significant decrease in equalization in 2003-2004	Ten years as of 2006-2007	1 219
Significant decrease in equalization in 2004-2005	Ten years as of 2006-2007	1 158
<b>Total</b>		<b>3 033</b>

The payments arising from the adjustments for prior years also cease to have an impact on revenues shown according to the accrual method. Overall, the move to accrual accounting has a positive impact of \$219 million on Québec's revenue from federal transfers in 2005-2006.

TABLE 2.2

**IMPACT ON THE QUÉBEC GOVERNMENT'S REVENUE FROM FEDERAL TRANSFERS  
OF MOVING TO ACCRUAL ACCOUNTING AS OF 2005-2006**  
(millions of dollars)

<b>Equalization</b>	
- Cancellation of the negative impact relating to the smoothing mechanism concerning changes in methodology for property taxes	131
<b>Transfers for health</b>	
- Cancellation of negative adjustments relating to prior years	62
<b>Transfers for post-secondary education and other social programs</b>	
- Cancellation of negative adjustments relating to prior years	35
<b>Other programs</b>	
- Cancellation of positive adjustments relating to prior years	- 9
<b>Total</b>	<b>219</b>

This expected rise in federal transfer revenue is, however, accompanied by the creation of an account payable that increases the Québec government's net debt by \$3 228 million as at April 1, 2005.

TABLE 2.3

**IMPACT ON THE QUÉBEC GOVERNMENT'S NET DEBT AS AT APRIL 1, 2005 OF  
MOVING TO ACCRUAL ACCOUNTING AS OF 2005-2006**  
(millions of dollars)

Non-refunded portion of the smoothing mechanism obtained in 2002-2003	394
Non-refunded portion of the smoothing mechanism obtained in 2003-2004	1 219
Non-refunded portion of the smoothing mechanism obtained in 2004-2005	1 158
Refund of the tax transfer for youth allowances	299
Other adjustments relating to prior years	158
<b>Total (account payable)</b>	<b>3 228</b>



