

MEMORANDUM

TO: Community Services and Housing Committee Members
Health and Emergency Medical Services Committee Members

FROM: Joann Simmons, Commissioner of Community and Health Services

DATE: March 11, 2009

RE: **2009 Federal Budget Highlights for Community and Health Services**

The federal government presented its 2009 Budget on January 27, 2009. The attached table summarizes the highlights and potential implications to York Region from a Community and Health Services perspective.

Overall there is potentially good news on several fronts, particularly funding for housing, income supports, and training. Consistent with the “stimulus” theme of the budget, some of the new money is time-limited (e.g. Employment Insurance changes and other training supports), and others are permanent (e.g. income tax cuts, enhancements to the Working Income Tax Credit). As well, the Province should benefit through increased federal transfers (e.g. through Equalization, training dollars, the Canada Health Transfer). The proposed changes to the Working Income Tax Credit and new dollars for housing and training also support some components of the Province’s Poverty Reduction Strategy.

There are also areas of concern in the Federal Budget. Proposed changes to Employment Insurance appear to fall short of what the Province and many advocates have called for to improve access to benefits for newly unemployed workers in Ontario. This could result in more pressure on Ontario Works to fill the gap for workers are unable to qualify for Employment Insurance under existing rules. Some will also be disappointed that the budget did not go further to target low income Canadians with support. Also missing is any specific funding for child care.

However, as with all federal budgets, we will need to see the exact details to know what the proposals really mean for Community and Health Services programs and clients. One caveat is how the Province will respond -- matching dollars will be needed for the housing commitments and Employment Ontario will have to drive the employment and training related commitments.

The upcoming Ontario Budget should provide more information on this, as well as the Province's own plan to address recent economic events and implement their poverty reduction strategy.

Overall, given the range of input that was provided to the federal government on the right policy mix to address the current economic downturn in Canada, the 2009 Budget appears to have taken a balanced approach and included tax cuts and increased spending on infrastructure and housing, training and adjustment programs, and efforts to support the flow of credit.

If you have any questions regarding this communication please contact Cordelia Abankwa-Harris, Managing Director, Strategic Services and Integration Branch at 905-830-4444 (extension 2150).

TF/YC/kn

Attachment (2009 Federal Budget Highlights Analysis)

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2009 Federal Budget Highlights for Community and Health Services

2009 Federal Budget Highlights for Community and Health Services	
Budget Highlight	Implications
<u>Personal Income Taxes</u> • Increase basic personal amount from \$9,600 to \$10,320 for 2009. • Increase upper thresholds on first and second personal income tax brackets by 7.5% (to \$40,726 for the 15% income tax rate and to \$81,542 for the 22% income tax rate). • These will be indexed for 2010 and subsequent years. • Estimated cost for 2009-10 is \$1.885 billion. • These are permanent cuts.	Reduces income taxes payable for lower and middle income households.
<u>Canada Child Tax Benefit (CCTB) and National Child Benefit Supplement (NCBS)</u> • Apply the new upper limit for the lowest personal income tax bracket (i.e. \$40,726) for income testing of the CCTB and NCBS. • Estimated cost for 2009-10 is \$230 million. • The changes will take effect for the 2009-10 benefit year, which begins in July 2009.	Raises the level of income where the clawback of CCTB and NCBS benefits will begin and where NCBS is fully phased-out. This means that lower and middle income families will be able to retain more of their CCTB and NCBS benefits, including those on social assistance as long as no adjustments are made to provincial child benefits.
<u>Working Income Tax Benefit (WITB)</u> • Provide an additional \$580 million to the WITB for 2009 and subsequent years. • Consult with provinces before implementing the final design of the enhanced WITB. • The maximum amount of the WITB supplement for persons eligible for the Disability Tax Credit would also increase in proportion to the maximum for single individuals.	Could almost double the WITB benefit for singles and families and increases the level of income before WITB is fully phased out, although a full assessment will only be possible once the final design elements are announced later in 2009. Clarification will be required from the Province on how the enhanced WITB amounts will be treated for needs- and income-tested provincial social benefits. Ensuring that income supports works positively together to support transitions from social assistance to employment and to sustain people in lower-paying or precarious employment are key issues for poverty reduction. The Province and advocacy groups have called for enhancements to the WITB as part of an effective poverty reduction strategy.

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<u>Senior Income Support</u> • Increase Age Credit amount by \$1,000 for 2009 income tax year. Estimated cost for 2009-10 is \$325 million. • Reduce the required minimum Registered Retirement Income Fund (RRIF) withdrawal by 25% for 2008. This is a one-time measure with an estimated cost at \$200 million for 2009-10.	The Age Credit is non-refundable, income tested federal income tax credit. Will reduce the amount of income tax payable for lower and middle income seniors by up to an additional \$150 each year.
<u>Employment Insurance (EI)</u> • Increase regular EI income benefit entitlements by five extra weeks to a maximum of 50 weeks for the next two years (up from the current maximum of 45 weeks). Estimated cost is \$1.15 billion. • Extend EI income benefits over two years to support unemployed long-tenured employees (e.g. those who have spent most of their working years in one industry or with one employer) while they participate in longer-term training. Estimated cost is \$500 million. • Extend over two years EI work sharing provisions at an estimated cost of \$200 million. • Extend Wage Earner Protection Program to cover termination and severance pay. The program currently covers vacation pay owed to workers by a non-paying employer following bankruptcy, up to an amount equaling four weeks of maximum insurable earnings under EI (currently \$3,254). This is will be on-going at an estimated annual cost of \$50 million. • Establish expert panel to consult on how to provide self-employed Canadians with access to EI maternity and parental benefits. • Freeze EI premium rates at \$1.73 for 2010 (the same rate as 2009).	Increasing entitlements by five weeks will provide unemployed workers in York Region who qualify for EI with longer periods of income benefits (the current maximum for the GTA is up to 40 weeks). However, the proposal stops short of the type of broader reforms to EI called for by the Province and advocacy groups, particularly improving access to EI benefits for many Ontario workers. Eligibility for EI benefits varies between different regions across Canada, with unemployed workers in the GTA requiring a higher number of hours to qualify for benefits than workers in some other regions. Unemployed workers who do not qualify for EI or who have exhausted their benefits could increase pressures on Ontario Works caseloads if they have no other resources available to them. Recent reports by TD Economics suggest that the EI changes proposed in the Federal Budget will not significantly reduce the flow of newly unemployed workers in Toronto towards social assistance. The Federal Budget indicates that about 10,000 workers would be supported through the proposed initiatives for long-tenured employees. More details will be needed to assess if EI eligible York Region workers who are facing permanent lay-offs will be able to access these funds.

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	More analysis would be needed to assess proposals to extend work sharing. This allows businesses to avoid temporary lay-offs by offering EI income benefits to qualifying workers willing to reduce their work-week while the employer recovers. As part of the proposed freeze of EI premium rates for 2009 and 2010, the Federal Budget will require that the expected deficit occurred in the EI account over the next two years will not be recovered through rate increases. This appears to reflect a short-term modification of the new premium rate setting policy announced by the Federal 2008 Budget for the newly created Canada Employment Insurance Financing Board, which requires rates to be set at a break-even basis going forward. Some analysts have raised concerns that this would increase EI premium rates during the course of the recession and would mitigate the impact of counter-cyclical stimulus.
<u>Training for EI eligible Workers</u> • Provide targeted two year funding of \$1 billion to expand the availability of training delivered through the EI program by the provinces and territories. This funding will be allocated based on the share of unemployed persons in a province or territory.	The Federal Budget estimates 100,000 more Canadian workers will be eligible for EI funded training. More details are needed to assess how many Ontario and York Region workers could benefit, and which programs and services under Employment Ontario would be targeted. Note that Employment Ontario now delivers EI funded training to eligible Ontario workers.
<u>Training for non-EI eligible Workers</u> • Provide \$500 million over two years for a Strategic Training and Transition Fund to support workers who are ineligible for EI training (e.g. self-employed, those who have been out of work for a prolonged period of time).	The Federal Budget indicates that up to 50,000 unemployed workers will be supported. The Canada-Ontario Labour Market Agreement provides funding through Employment Ontario to support training for groups under-represented in the labour force, including social

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- Funding will be allocated according to each province's share of the unemployed across Canada. - It will be administered through existing Labour Market Agreements (LMA) with the provinces and territories.	assistance recipients, immigrants, new entrants, low skilled, etc... More information will be needed on how this funding will be allocated through Employment Ontario and how OW participants can potentially benefit.
<u>Other Employment and Training</u> - Provide two year targeted funding of \$20 million to support non-profits to hire summer students. Will also provide one-time grant to YMCA and YWCA to place youth in internships in non-profit and community services organizations, with a focus on environmental projects. - Provide additional funding over three years and extend the scope of the Targeted Initiative for Older Workers program (TIOW) to include vulnerable cities with populations less than 250,000. TIOW helps unemployed older workers in communities experiencing ongoing high unemployment and/or with a high reliance on a single industry affected by downsizing. It is cost-shared between the Government of Canada and provinces and territories. - Provide \$40 million annual funding to a new Apprenticeship Completion Grant. This will provide a taxable grant of \$2,000 for apprentices who complete their certification in any Red Seal skilled trade.	At this time, it appears that the TIOW is not available in Ontario.
<u>Housing</u> Construction initiatives include: - The temporary Home Renovation Tax Credit of up to \$1,350 for eligible home renovations and alterations. - An increase to the Home Buyers' Plan withdrawal limit to	Initiatives aimed at housing construction will promote demand for labour, building materials and other goods.

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\$25,000 from \$20,000 to help Canadians buy a first home. • A new First-Time Home Buyers' Tax Credit that will provide up to \$750 in tax relief when purchasing a first home. • \$300 million over two years to the ecoENERGY Retrofit program. • \$2 billion over two years in low-cost loans to municipalities to improve housing-related infrastructure such as sewers, waterlines, neighborhood regeneration projects. Affordable housing initiatives include: • One-time federal investment of \$1 billion over two years for renovations and energy retrofits for up to 200,000 social housing units on a 50–50 cost-shared basis with provinces. • \$400 million over two years for new social housing projects and for remediation of existing social housing stock on First Nations reserves. • \$400 million over two years for the construction of social housing units for low income seniors. • \$75 million over two years for the construction of social housing units for persons with disabilities. • Supporting social housing in the North with an additional \$200 million over two years.	Virtually the entire investment in affordable housing will need to be cost-shared with the provinces and territories. The new funding will flow through existing agreements administered by the Canada Mortgage and Housing Corporation or through the Affordable Housing Initiative. More information is needed from the Province on which initiatives will be supported in Ontario, if and how much money will flow to municipalities and timing of when the dollars will flow. No new initiatives were announced that would help people that are homeless. However, the budget re-affirms earlier commitments by the federal government to provide \$1.9 billion over five years to extend housing and homelessness programs. The Region is currently the community entity for the federally funded Homelessness Partnering Strategy and will receive about \$1 million over the next two years to fund community initiatives that meet the goals and priorities of the York Region Community Plan to Address Homelessness.
<u>Health Related Initiatives</u>	More information is required to assess the link between the Health

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• Provide \$500 million to Health Canada Infoway to encourage greater use of electronic health records. • \$305 million over two years to improve the health of First Nations and Inuit individuals. • A new Clean Energy Fund will be established to support research and development projects. • Equalization of Canada Health Transfer (CHT). Ontario will get a total increase of \$880-million in the funding it receives as part of the CHT.	Canada Infoway and Community and Health Services programs. No new initiatives were announced that would expand our health care system or increase the number of physicians. Changes to the CHT addresses a long standing issue for the Province and increases federal transfers intended to support provincial funding of health programs and services. Advocates for increased growth funding for GTA health care services see the federal funding as an opportunity to more quickly address funding inequities within Ontario.
<u>Supports to Immigrants</u> • Provides \$50 million over two years to support development of a common framework between provinces and the federal government on the timely assessment and recognition of foreign qualifications.	More information is required to assess how the federal and provincial governments will proceed. More timely assessment and recognition of foreign credentials will better support labour market integration of York Region's growing immigrant population and the Region's Local Immigration Partnership Strategy.
<u>Financial Literacy</u> • Establish an independent task force to recommend a cohesive national strategy on financial literacy.	Improving financial literacy among lower income households is often included as part of asset-based approaches to poverty reduction. It will be interesting to see whether the federal effort to better organize the various financial literacy initiatives already in place at the provincial, private sector, and community levels will include this as a focus.
<u>Social and Community Infrastructure</u> • Provide \$500 million over two years to support construction or upgrades of community recreational facilities. Will support up to 50% of total costs. Will be delivered through regional	More information is required on how this funding will be accessed.

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development agencies. • Provide \$20 million over two years to improve accessibility of federally-owned buildings. • Provide \$60 million over two years to support infrastructure related costs for community cultural and heritage institutions, including libraries. This will be provided through Canadian Heritage programming.	
<u>Southern Ontario Development Agency</u> • Provide \$1 billion over five years for a new Southern Ontario Development Agency. • Programs will support economic and community development, innovation, and economic diversification.	The details, e.g. if this will provide funding within the GTA or largely in other areas, are still under development.
<u>Community Adjustment Fund</u> • Provide \$1 billion over two years to help mitigate the impact of economic restructuring on communities. • A base amount of \$10 million will be provided to each province, with the balance allocated on a per capita basis. • The funds will be delivered through regional development agencies, with transitional measures for the newly created Southern Ontario Development Agency.	The details, e.g. if this will provide funding within the GTA or largely in other areas, are still under development.