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IMPLEMENTATION OF THE ONTARIO CHILD BENEFIT IN SOCIAL ASSISTANCE

The Community Services and Housing Committee recommends the adoption of the recommendation contained in the following report, April 30, 2008, from the Commissioner of Community and Health Services:

1. RECOMMENDATION

It is recommended that:

1. Council request the Province of Ontario to reinstate with 100% funding the Back-to-School and Winter Clothing allowance for 2008, and annually review the Ontario Child Benefit to ensure it is meeting desired outcomes as generally set out in *Attachment 1* of this report.

2. PURPOSE

This report informs Council of the changes in social assistance delivery, including the restructuring of benefits for families, to support the implementation of the Ontario Child Benefit for low-income families.

3. BACKGROUND

The Ontario Child Benefit will help families with lower incomes to provide for their children

The Task Report on Modernizing Income Security for Working Age Adults: Time for a Fair Deal, 2006, recommended that Ontario implement an integrated child benefit for all low-income families that pays benefits outside of the social assistance system.

In the 2007 provincial budget, the government announced a new 100% provincially funded non-taxable Ontario Child Benefit. Among the Ontario Child Benefit's aims is to lower the "welfare wall" by helping parents receiving social assistance to make the transition to work. It takes child benefits off social assistance and allows parents to continue to receive benefits for their children after beginning employment.

Monthly Ontario Child Benefit payments will begin in July 2008

The Ontario Child Benefit is being phased-in over five years and began with a one-time down payment in July 2007 of up to \$250 for each child under age 18.

In July 2008, monthly Ontario Child Benefit payments will begin. Payments will be based on a family's net income reported the previous tax year. If the family income is \$20,000 or less, they will receive the maximum. Payments will be reduced by eight cents for every dollar above \$20,000. The maximum Ontario Child Benefit rates are highlighted in Table 1.

Table 1
Maximum Annual Ontario Child Benefit Payment
(per child per benefit year)

	2007	2008	2009	2010	2011
Benefit Level	\$250	\$600 or \$50/month	\$805 or \$67.08/month	\$900 or \$75/month	\$1,100 or \$91.67/month
Income Adjustment Level*	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Maximum Eligible Income**	\$23,125	\$27,500	\$30,062	\$31,250	\$33,750

* Payments will be reduced by eight cents for every dollar above this level.

** Benefit would be zero dollars when income reaches this level.

To be eligible for the Ontario Child Benefit, the individual must be the primary caregiver for one or more children under age 18 and meet all of the following requirements:

- The applicant and spouse (if applicable) must have filed an income tax return for the previous taxation year.
- His or her children must be registered for the Canada Child Tax Benefit.
- He or she must be a resident of Ontario.

A new Transition Child Benefit will help those families not receiving the Ontario Child Benefit

Effective August 2008, a new 100% provincially funded Transition Child Benefit is being introduced. The Transition Child Benefit will be issued to eligible families on social assistance with children who do not receive or are receiving less than the maximum amount of the Ontario Child Benefit. The Transition Child Benefit may be issued in the following situations:

- Recipient (or spouse) is not in receipt of any Ontario Child Benefit or National Child Benefit Supplement due to the following: did not file an income tax return for the previous taxation year, is a newcomer to Canada (i.e. refugee claimant), has recently moved to Ontario, has a newborn child, experienced a substantial income change, or is facing administrative delays for receipt of the Ontario Child Benefit.
- Recipient (or spouse) is receiving a partial Ontario Child Benefit payment

Like the National Child Benefit Supplement, the Ontario Child Benefit will be considered financial resources that a recipient and/or spouse are obligated to pursue. The Temporary Child Benefit may be issued for up to four months to allow for processing of the application for the Ontario Child Benefit.

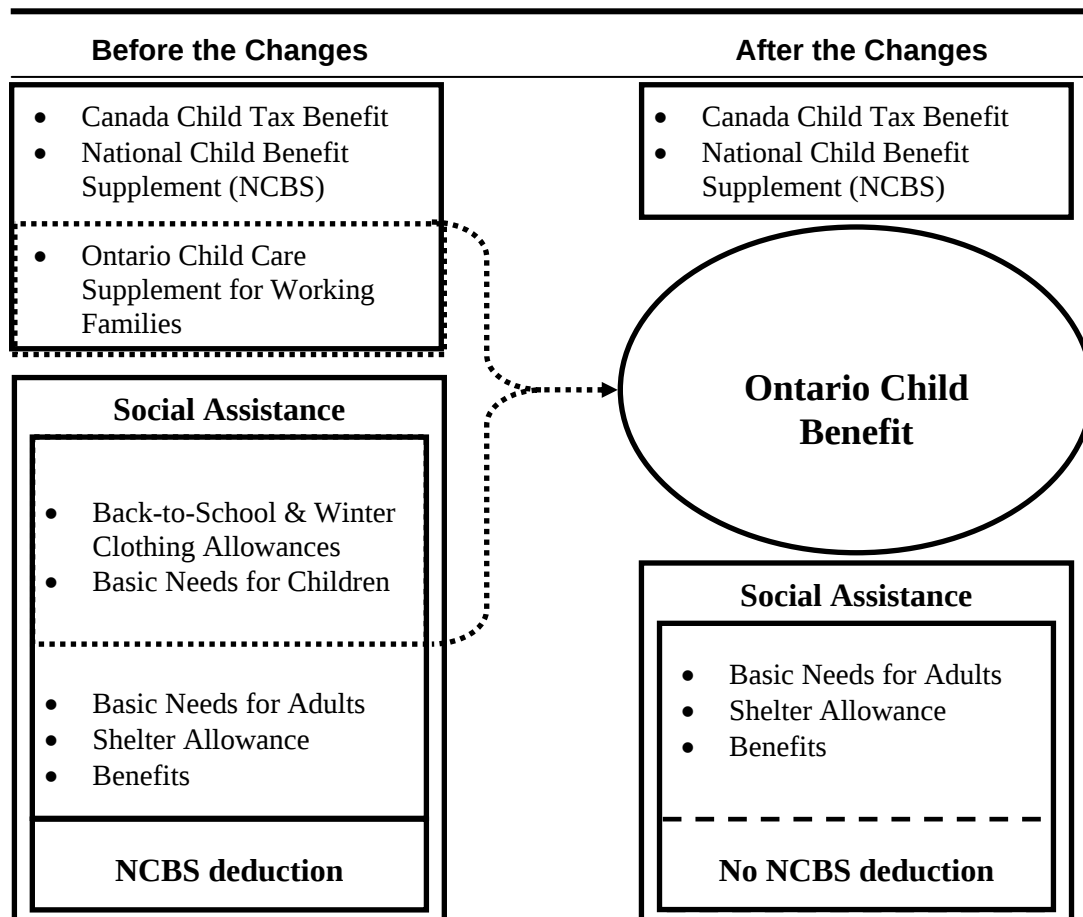
The Ontario Works Social Assistance program is changing because of the Ontario Child Benefit

When the monthly Ontario Child Benefit payments begin in July 2008, the following changes to social assistance entitlement for Ontario Works families will occur:

- The National Child Benefit Supplement will no longer be deducted.
- The “Basic Needs” amount for children will be removed from the monthly Ontario Works cheque.
- The Back to School and Winter Clothing Allowance will no longer be issued.

Table 2 provides an overview of the changes that will take place.

Table 2
Overview of Changes to Social Assistance



Families in receipt of social assistance will continue to receive other supports for their children such as shelter allowances, health and dental and other benefits. They can also continue to claim some of their child care costs if they are working.

4. ANALYSIS AND OPTIONS

Benefit aims to help people over the “welfare wall”—a key factor in the Province’s aim to address child poverty

Moving from social assistance into a paying job often means only a minimal increase in family income for low-income families. It could result in a loss of other valuable benefits, including health, dental and prescription drugs available to families on assistance. As result, families could find themselves financially worse off in low paying jobs as compared with being on social assistance—this situation is often referred to as the “welfare wall”.

The new Ontario Child Benefit aims to help families with lower income provide for their children by removing children’s benefits from social assistance and creating a separate child benefit. This ensures eligible families continue to receive children’s benefits when they leave social assistance for employment as the benefit moves with them.

The introduction of the benefit is seen as a key plank in the Province’s plan to address child poverty. It is important that the Province monitor the impact of the benefit and its application on a yearly basis to ensure these objectives are being met.

The management of two benefits may be challenging for families at first

Due to the restructuring of the social assistance benefits, most child-related payments will be consolidated within the Ontario Child Benefit. As a result, families will receive their income differently and it may take some time for them to adjust to the new system, a system that involves the management of two benefits that are received at different times. As highlighted in Table 3, a single recipient with one child over the age 13 may receive approximately \$21 more monthly after the changes are implemented (Actual payments will vary on a case by case basis as a result of family income and other factors).

Table 3
Ontario Child Benefit Rate Restructuring Example

Before the Changes		After the Changes	
Monthly Ontario Works Budgetary Requirements (Dec. 2007 rates)		Monthly Ontario Works Budgetary Requirements (Aug. 2008 rates)	
Basic Needs	\$ 523.00	Basic Needs	\$ 372.00
Shelter	549.00	Shelter	549.00
Less National Child Benefit Supplement	-121.91		
Monthly financial assistance	\$ 950.09	Monthly financial assistance	\$ 921.00
Child Tax Benefits from Canada Revenue Agency		Child Tax Benefits from Canada Revenue Agency	
Single recipient with 1 child over 13		Single recipient with 1 child over 13	
Canada Child Tax Benefit Basic Benefit	\$ 106.92	Canada Child Tax Benefit Basic Benefit	\$ 106.92
National Child Benefit Supplement	165.66	National Child Benefit Supplement	165.66
		Ontario Child Benefit	50.00
Monthly Canada Child Tax Benefit	272.58	Monthly Canada Child Tax Benefit	322.58
Total Monthly Budget	\$1,222.67	Total Monthly Budget	\$1,243.58

The Canada Child Tax Benefit (including the National Child Benefit Supplement) along with the first Ontario Child Benefit monthly payment will be issued July 18, 2008 through the Canada Revenue Agency system. The first Ontario Works monthly payment after changes is effective August 1, 2008. Families are being advised that their first Ontario Works payment after the Ontario Child Benefit is introduced will likely be less and that they should save some of their Canada Child Tax Benefit payment to assist with the cost of food and shelter for August.

Staff at local offices are advising families that these changes will require families to manage their benefits to meet their monthly needs. Families will likely need time to adjust to receiving their benefits in two payments and at different times of the month.

Back-to-School and Winter Clothing Allowances will no longer be paid in lump sum payments

Families on social assistance currently receive a Back-to-School Allowance of \$134 per child over the age of 13 (\$73 for children aged 4-12), paid in August and a Winter Clothing Allowance of \$111 per child, paid in November. Effective July 2008, these allowances will no longer be paid in lump sums; instead, they have been consolidated into the monthly Ontario Child Benefit payments. Families who are used to receiving

these lump sum seasonal benefits will need to save approximately \$15 to \$20, based on a full year, from their monthly Ontario Child Benefit for these larger expenses.

As indicated in the example provided in Table 4, even if families are able to save part of their monthly Ontario Child Benefit, they will not have sufficient time to cover the costs of these expenses in 2008.

Table 4
Back-to-School and Winter Clothing Allowances Example

Before the Changes			After the Changes*		
July			July	Savings from Ontario Child Benefit	\$ 20.00
August	Back to School Allowance	\$134.00	August	Savings from Ontario Child Benefit	20.00
September			September	Savings from Ontario Child Benefit	20.00
October			October	Savings from Ontario Child Benefit	20.00
November	Winter Clothing Allowance	111.00	November	Savings from Ontario Child Benefit	20.00
Total		\$245.00	Total		\$100.00

* Amount based on what is required on monthly savings based on a full year.

A number of municipalities across the province, along with the Association of Municipalities of Ontario, have expressed concern in regard to the ending of the Back-to-School and Winter Clothing Allowances, and the impacts to children given the Ontario Child Benefits objective of alleviating poverty and improving the lives of children.

Given the high cost of housing and food in York Region, it is unrealistic to expect families on social assistance to put sufficient money aside each month given the mid-year introduction of the benefit.

In 2007 Ontario Works families in York Region received \$591,000 (cost shared 80% provincial, 20% municipal) for Back-To-School and Winter Clothing Allowances with a regional net tax levy impact of \$118,000.

Social Assistance restructuring will impact a large percentage of the Ontario Works caseload

In March 2008, approximately 38% (1,723 of 4,536 Ontario Works cases) had children under the age of 18 years on their budget; these families will be directly impacted by the social assistance restructuring related to the introduction of the Ontario Child Benefit.

Ensuring that staff and clients are well informed is a key objective

Over time, the new Ontario Child Benefit and subsequent changes to social assistance will have an increasingly significant and largely positive financial impact on families with children. The Ministry of Community and Social Services has developed a communication strategy with input from a Social Assistance Advisory Committee, which includes York Region Ontario Works staff and community stakeholders (including participants). Products have been developed to assist local offices and community groups to communicate these changes in advance of implementation. Some of the communication products being utilized are as follows:

- Notices have and will continue to be inserted with Ontario Works cheques to advise participants regarding the Ontario Child Benefit, changes to social assistance rates and changes to cheque statements.
- To assist with community outreach and effective customer service, staff have received training, fact sheets about social assistance restructuring, directives, key messages, and business process documents.

Training is a key part of the Communication Strategy

Staff training has been developed and approved by the province with input from municipalities. Mandatory training has been organized into two phases. The first phase of the training focuses on providing staff with a general overview of the changes so they could inform and respond to client inquiries. The second phase focuses on regulation changes, specific operating tools and business practices so that staff have the knowledge to implement the changes and issue the Temporary Child Benefit through the complex social assistance Service Delivery Model Technology.

In addition to mandatory staff training, the Employment and Financial Support Branch has developed an enhanced communication strategy that includes:

- Establishing an initiative Roll-out and Communication Workgroup, which has recommended strategies such as discussing the Ontario Child Benefit with clients at all meetings, and utilizing posters and voice mail to convey key messages.
- Utilizing the monthly York Region Ontario Works Newsletter, *OW News*, to inform participants of free tax clinics and key messages.

5. FINANCIAL IMPLICATIONS

5.1 ONTARIO CHILD BENEFIT IMPACT

Monitoring to determine full impact and potential cost savings

One of the key aims of the Ontario Child Benefit is to lower the “welfare wall” by providing children’s benefits to families outside of social assistance, enabling them to move into jobs and off assistance. The impact of this benefit on the ability of families to move off of social assistance will be closely monitored as the benefit rolls out and increases to full implementation in 2011.

The Province expects municipalities to maintain and build on local programs for families and children in need that are currently supported by National Child Benefit Supplement reinvestment dollars. On November 15, 2007, Regional Council committed to maintaining these services and continuing the current level of investment.

The Ministry of Community and Social Services anticipates that as a result of social assistance restructuring associated with the introduction of the 100% provincially funded Ontario Child Benefit, social assistance expenditures for municipalities will decline. Due to the timing of information and the many variables involved in this restructuring, we were not able to effectively substantiate the Ministry’s projection of additional savings and prepared the 2008 budget estimate assuming no tax levy impact to the Region for these changes.

It is anticipated that the full impact of the Ontario Child Benefit will not be known until after a complete year of implementation. The program will be monitored and analysed carefully through 2008 and 2009 to determine the impact on families including caseload impacts and any tax levy changes that may result.

6. LOCAL MUNICIPAL IMPACT

Municipalities will benefit through the creation of a child payment that exists outside of social assistance payments which helps to address the needs of low-income families, assisting them to participate in the workforce and eventually leave social assistance.

7. CONCLUSION

The creation of a child benefit that exists outside of social assistance is a good initial step towards addressing the needs of low-income families and the cost of raising a family. In addition, the Ontario Child Benefit has potential as a tool to reduce child and family poverty by reducing barriers to employment. It is important that its impact be closely monitored by the Province to ensure it is meeting its intended aims. However, the impact

to families on assistance, as a result of the ending of the lump sum Back to School and Winter Clothing Allowances, runs counter to the objective of alleviating the impacts of poverty as it will be difficult for families to save funds to pay for these important items given the timing of the benefits introduction. As a result, this report recommends that Council endorse a resolution asking that these benefits be reinstated with 100% provincial funding in 2008 and that the Province review the Ontario Child Benefit yearly to ensure it is meeting its desired objectives.

For more information on this report, please contact David Rennie, Director, Employment and Financial Support at Ext. 2013.

The Senior Management Group has reviewed this report.

(The attachment referred to in this clause is attached to this report.)