



**REPORT TO:** Co-Chairs and Members of  
Public Health and Social Services Committee

**SUBJECT:** **Ontario Child Benefit Financial Analysis**

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## **RECOMMENDATION**

That this Committee recommend to Regional Council that this report be received for information.

## **EXECUTIVE SUMMARY**

- The 2007 Provincial Budget introduced several investments aimed at helping Ontario's families and children in need. One of these investments was the introduction of a new provincially funded, non-taxable Ontario Child Benefit (OCB), for eligible low-income families with children under 18 years of age.
- Regulation amendments have been made to Ontario Works (OW) and Ontario Disability Support Programs (ODSP) to support the restructuring of social assistance as a result of the implementation of OCB. These changes will help more people leave social assistance for employment by providing benefits for children outside of the social assistance system.
- The Province has indicated that the implementation of OCB in conjunction with the new regulation amendments for OW and ODSP will result in cost reductions in associated allowances and benefits.

## **FINANCIAL IMPLICATIONS**

The financial implications associated with this report net to zero as OCB is 100% provincially funded. Moreover, due to the restructuring of social assistance, it is anticipated that social assistance costs will decrease with the full implementation of this benefit. The Province has analyzed the caseloads for OW and ODSP clients with children who would benefit from the implementation of OCB to determine an estimate of the impact on the 80/20 cost sharing arrangement with the Region, as the new OCB is 100% provincial.

The savings estimates provided by the Province are in addition to the National Child Benefit (NCB) savings currently accounted for by the Region and reinvested in the Community as required by the Province to build on local programs for families and children in need.

The savings from the implementation of OCB in the years 2008 and 2009 are associated with both the OW and ODSP caseloads with children. Current caseload figures indicate that the ODSP portion of the caseload generating the savings represents one third of the total OCB and NCB savings. Effective 2010, the caseloads for ODSP will be partially (50%) uploaded to the Province with the remaining 50% uploaded in 2011, at which time the savings from this caseload will also be eliminated.

The financial impact of all of these factors is reflected in the Financial Benefits for Niagara Region chart on page 4 of this report.

## **PURPOSE**

This report has been prepared to provide an analysis of the potential financial implications for the Niagara Region as a result of the implementation of OCB.

## **BACKGROUND**

Community Services submitted a report (COM 07-2008) to introduce OCB and provide information on this new benefit for low income families and introduce the impacts it will have on OW. Social assistance provides financial assistance in two categories: shelter and basic needs. These amounts are calculated based on the family composition including the ages of children. Shelter and basic needs spending totalled \$46,983,645 net \$9,396,729 for OW in 2007. Families with children under age 18 who attend school full-time are also eligible for winter clothing and back to school allowances. Spending for these two benefits totalled \$1,021,323 net \$204,264 for 2007.

As of December 2007, the average number of children and families in receipt of OW and ODSP was as follows:

	Children 0-18	Sole Parents	Two Parent Families
OW	5,558	2,352	1,350
ODSP	2,724	879	629

OCB is an income tested financial benefit that will provide financial support to low income families with children under age 18. Regular monthly payments will begin in July 2008, with a maximum annual benefit of \$600 per child (\$50/month). Payments will be reduced by eight cents for every dollar of adjusted family net income above \$20,000.

Although OCB is a Provincial benefit, it will be administered by Canada Customs and Revenue Agency (CCRA) and will be included with the Canada Child Tax Benefit (CCTB) and National Child Benefit Supplement (NCBS) payment in a single monthly cheque.

OCB, like income testing in Children's Services, is predicated on filing an income tax return each year.

With the introduction of monthly OCB payments in July 2008, social assistance benefits are being restructured. Basic needs for children, back-to-school and winter clothing allowances, and the Ontario Child Care Supplement for Working Families (OCCS) will be consolidated within OCB and families will not lose any portion of their National Child Benefit Supplement (NCBS) from social assistance.

The implementation of OCB required the following OW regulation amendments:

- Removal of children's portion of the basic needs allowance
- Removal of the Back-to-School and Winter Clothing Allowances
- NCBS fully exempt as income
- Recipients are obligated to pursue OCB on behalf of their dependent children
- Introduction of the Transition Child Benefit (TCB) to assist families not receiving the OCB or receiving less than the maximum OCB

## **REPORT**

The implementation of OCB results in the shift of a portion of the allowances and benefits provided for children whose families are in recipient of OW or ODSP from traditional 80/20% cost shared allowances and benefits between the Province and the Region to 100% Provincially supported programs.

The Province has performed an analysis of municipal caseloads and has provided an estimate of allowances and benefit reductions associated with the implementation for the period July 1, 2008 through March 31, 2009. Cost reductions for Niagara Region are estimated at \$600,000, which equates to \$400,000 for the current year 2008.

Prior to OCB, social assistance payments were reduced by NCB. The associated savings for the Region in 2008 are estimated at \$1,600,000. The Province requires that NCB savings be reinvested in the community to maintain and build local programs for families and children. Currently, the Region meets this requirement largely through supports to the Children's Services' budget to allow for additional extended hours of childcare, Pro-Kids, summer camp programs and supporting LEAP participants of OW. With the introduction of OCB, social assistance payments will no longer be reduced by NCB, however the reduction in allowances and benefits will continue to provide equivalent savings.

Community Services has been working to reduce Children's Services' reliance on the NCB savings to ensure sustainability at the current levels of service while allowing for a broader community reinvestment plan. The first steps toward becoming self sustaining were undertaken in the 2008 current budget process, reducing Children's Services' dependency on NCB savings by \$500,000. This was made possible through 100% Provincial Best Start funding.

The following chart outlines the anticipated financial benefits resulting from the implementation of OCB and reflects the transition to a sustainable Children's Services budget over the next three years.

**Financial Benefits for Niagara Region**

	2008	2009	2010	2011
OCB <sup>1</sup>	\$400,000 <sup>2</sup>	\$800,000	\$670,000 <sup>3</sup>	\$530,000 <sup>3</sup>
NCB Savings	\$1,600,000	\$1,600,000	\$1,330,000 <sup>3</sup>	\$1,060,000 <sup>3</sup>
Reinvested in Community through Children's budget	(\$1,100,000)	(\$850,000)	(\$450,000)	(\$0)
<b>Savings Available for Poverty Reduction Plan and further reinvestment</b>	<b>\$900,000</b>	<b>\$1,550,000</b>	<b>\$1,550,000</b>	<b>\$1,590,000</b>

1. Reduction in allowance and benefits costs as a result of restructuring and implementation of OCB.
2. Represents six months of savings, as OCB commences July 1, 2008.
3. The result of the ODSP allowances and benefits upload occurring in 2010 and 2011.

Cost reductions in OW and ODSP allowances and benefits will provide for stable funding of approximately \$1.5 million beginning in 2009 and placing Niagara in a position to further explore and commit to a poverty reduction plan for Niagara Region.

Submitted by:

Approved by:

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 Commissioner, Community Services

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 Chief Administrative Officer

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