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**BRIEFING NOTE**

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**DATE:** April 28, 2008

**TO:** Community Development and Recreation Committee

**FROM:** Heather MacVicar, General Manager, Social Services

**RE:** Ontario Child Benefit

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**Purpose:**

On March 22, 2007 the Ontario government released the *2007 Ontario Budget: Investing in People Expanding Opportunities*. A major focus of the budget addressed the issue of poverty and supporting those most vulnerable in society. A cornerstone to the budget was the creation of an Ontario Child Benefit (OCB) for children in low-income families. This is seen by the Provincial government as a significant step forward in helping children and their families living in poverty.

With the introduction of the OCB the Province will also restructure social assistance benefits, impacting the way benefits will be delivered for families with children. The following report provides an overview of the key characteristics of the OCB, implications the OCB will have on Ontario Works families in Toronto as well as the steps being taken to ensure a smooth transition for these families.

**Background:**

At its March 6, 2003 meeting, City Council adopted a report from the Commissioner of Community and Neighbourhood Services entitled, *Ontario Works Benefit Rates: Loss of Purchasing Power Since 1995*. A recommendation in this report supported the Association of Municipalities of Ontario (AMO) proposal calling for the development of an Ontario Child Supplement. The proposal recommended that children be removed from the social assistance system and supported through a child allowance funded by the provincial and federal governments.

Most recently, in June 2006, City Council reaffirmed its support for a child benefit by adopting recommendations in Toronto Social Services' (TSS) report, *Systems of Survival, Systems of Support: An Action Plan for Social Assistance in Toronto*, which outlined specific measures calling on the different orders of government to restore and reinvest in Toronto's social safety net. The Action Plan's first recommendation called for the development of "a child benefit, [that is] funded 100% by the provincial and federal governments and outside the social assistance system".

The strength of a child benefit outside of the social assistance system is that it will ensure all low-income families with children can access a more secure, reasonable and sustainable source of income. It would also allow families on social assistance to retain the additional support that might otherwise be considered income and deducted as part of the National Child Benefit Supplement (NCBS).

### **Issue Background:**

The OCB provides financial assistance to all children under 18 years of age living in low-income families, whether the parents are in receipt of social assistance or not. It is estimated that nearly 1.3 million children in low-income families across the province will benefit from the OCB. Within the City of Toronto, more than 200,000 families will receive OCB payments.

Key characteristics of the new benefit include:

- A five year phase-in period commencing in 2007 with full implementation by 2011 (see Attachment 1)
- Unlike social assistance, which is means tested, the OCB will be income tested and delivered through the income tax system
- OCB payments will be based on the number of children in a family and the family's income from the previous year
- To receive the OCB, the primary caregiver(s) must file their income tax with the Canada Revenue Agency (CRA) who will administer the benefit
- A one-time payment of up to \$250 per child under age 18 was provided to all low-income families in July 2007
- OCB is funded entirely by the Province
- Families receiving either Ontario Works (OW) or Ontario Disability Support Program (ODSP) will be eligible for the OCB

### Social Assistance Restructuring

As part of the implementation of the OCB, the Province is also restructuring social assistance, which will affect between 25,000 and 30,000 Ontario Works families in Toronto.

Below outlines the key changes to social assistance:

- Restructuring of the Ontario Works Benefit rates as follows:
  - The 'Basic Needs' amount for children will be removed
  - Back-to-School and Winter Clothing Allowances will be removed from social assistance
  - A sole support parent supplement and age-related supplement for families with children 13 and older will remain
- The National Child Benefit Supplement (NCBS) will no longer be deducted from social assistance benefits
- Shelter, health and employment benefits for social assistance families will not be impacted by the restructuring

- For social assistance families that do not receive the full OCB the Province is establishing a Transition Child Benefit (TCB)

### Transitional Child Benefit

In certain circumstances, families on social assistance may either not receive an OCB payment or will receive less than the full OCB amount, including the following situations:

- 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 significant income change
- Is facing administrative delays for receipt of the OCB

To ensure that no family on Social Assistance is worse off as a result of the implementation of the OCB, the Province has introduced a Transitional Child Benefit (TCB). The TCB is fully funded by the Province and administered by municipalities through the social assistance system. It is estimated that in Toronto between 5,000 and 7,000 OW families will qualify for the TCB.

Initially, those families that do not receive any OCB will receive the TCB for four months. It is expected that CRA will be able to process any new income tax returns within that time period, thereby ensuring a family will be eligible for the OCB. However, for those recipients that either are not eligible to receive the OCB (such as refugee claimants) or do not receive the full OCB, they will continue to receive the TCB beyond this four month period as long they are making reasonable efforts to pursue the OCB.

In addition to administering the Transitional Child Benefit, a one-time payment will be provided to families as a transitional support to offset the 2008 impact of consolidating the Winter Clothing and Back-To-School benefits into the OCB.

### National Child Benefit Supplement

In July 1998, the federal government introduced the Canada Child Tax Benefit (CCTB) which combined existing federal programs assisting low income families, and introduced the NCBS. At that time, the Province of Ontario as well as most other provinces and territories agreed to count the NCBS as chargeable income, in effect deducting monthly NCBS benefits from social assistance payments. As well, they agreed to reinvest any savings from these deductions into programs and services that support NCBS program objectives.

As part of the social assistance cost sharing agreement in Ontario, NCBS savings are allocated on an 80 provincial/20 municipal basis. Municipalities were required by the province to reinvest their savings into programs and services that meet NCBS program objectives established jointly by the federal and provincial governments. In the past, TSS has invested in a range of initiatives that provide critical supports to low income families with children in the City of Toronto including an eviction reduction strategy, additional child care spaces, support for the City's Welcome Policy and other initiatives aimed at assisting

vulnerable families living in the City's priority neighbourhoods (e.g. Investing In Families, Investing In Neighbourhoods).

With the restructuring of social assistance, the Province has confirmed that municipalities are expected to continue to use savings from the restructuring of social assistance to maintain those initiatives previously funded through the NCBS deductions. TSS will report back on the impact of these changes through the 2009 budget process.

**Comments:**

As a result of the restructuring of social assistance, Ontario Works families will see the amounts and source of their incomes change. They will receive lower benefits through social assistance, but new income through the OCB that compensates for this reduction (see Attachment 2). Social assistance recipients will first notice a change to their August assistance payments. Attachment 3 compares what different family types on Ontario Works received prior to the OCB and what they will receive the first year the OCB is issued on a monthly basis.

To support the successful introduction and implementation of the OCB in the City of Toronto, TSS is taking a number of steps to inform, prepare and engage social assistance recipients, community stakeholders and TSS staff.

**Families Receiving Social Assistance:**

To assist families through the restructuring process, a comprehensive communication strategy has been developed. The strategy includes:

- in-person interviews – staff will conduct between 25,000 and 30,000 one-on-one OCB orientations as well as financial reviews with social assistance families
- direct mail-outs – three separate mail-outs will be sent to 75,000 OW recipients to encourage them to file their income taxes to be eligible for the benefit as well as to inform them about the change to social assistance
- communication material – pamphlets, posters and an information video has been developed and is being used in the City's public spaces. The division's internet site as well as its local office telephone system includes OCB information.

In collaboration with CRA and other community partners, TSS is providing families with information on free tax clinics in their communities. TSS has begun and will continue to hold up to 30 free tax clinics in its local offices, providing more than 750 OW families with the opportunity to receive one-on-one support in completing their 2007 personal income taxes.

**Community:**

To engage community agencies across the city who provide services to families with children on social assistance who may receive the OCB, TSS is holding information sessions and providing communication packages with legal clinics, interval homes, housing help centres, Client Advisory Groups (CAGs) and Neighbourhood Action Partnerships (NAPs). Over 40 city-wide community groups have been invited to divisional

information sessions and another 250 plus agencies are being contacted by TSS local offices and provided with either information on the OCB and/or an OCB presentation.

Other City partners potentially impacted by the OCB, such as Children Services, Toronto Community Housing Corporation, Toronto Public Health and Shelter, Support and Housing Administration, will be also provided with an orientation by Divisional staff.

#### City Staff:

To prepare staff on the OCB implementation, a two phase training plan has been developed that will be supported by information sessions and tools (e.g. OCB intranet page, quick facts, Q&As etc.). Over 1,800 staff from across TSS were involved in the Phase 1 training held in February/ March 2008. Follow-up training is currently being planned for up to 1,275 priority staff from across the division with a focus on the technical components of the OCB implementation. Phase 2 training is expected to be complete by June 2008.

#### **Conclusions:**

The introduction of the OCB represents a significant development for Ontario in addressing child poverty and assisting some of most vulnerable in society. The City of Toronto has long advocated for the creation of such a benefit to be delivered separate from the social assistance system to all low-income families regardless of their source of income. Recognizing the importance of the OCB and its role in the restructuring of social assistance, the Division will continue to work closely with the clients, community, City partners and provincial staff to ensure the successful implementation of the OCB for families on social assistance in the City of Toronto.

#### Attachments:

Attachment 1 – Annual and Monthly Maximum OCB payment

Attachment 2 – Restructuring of Social Assistance in Ontario

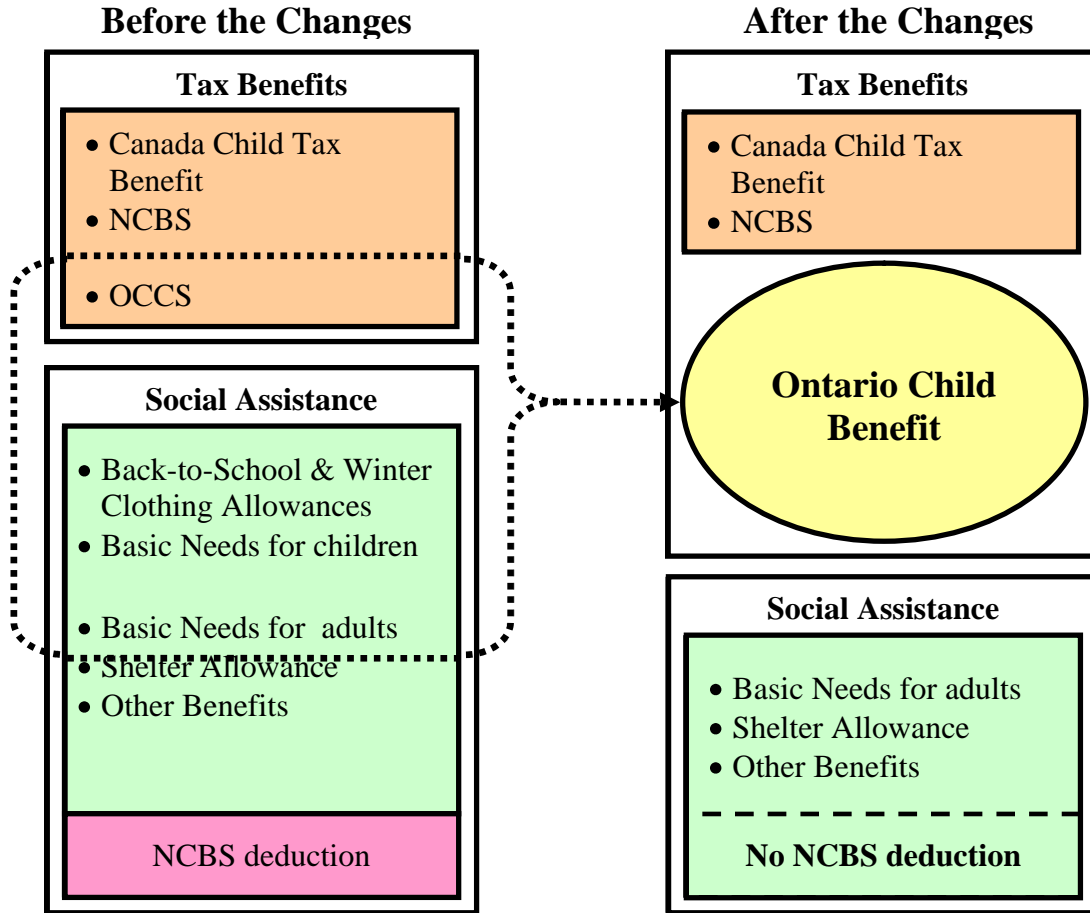
Attachment 3 – Maximum Annual Benefits for Families on OW for December 2007 and August 2008

## Attachment 1 - Annual and Monthly Maximum OCB payment

The following chart shows both the annual and monthly breakdown of the maximum OCB payment per child throughout the five-year phase-in period:

<b>Maximum Ontario Child Benefit Payment Per Benefit Year and Month</b>					
Year	2007*	2008	2009	2010	2011
Annual Benefit**	\$250	\$600	\$805	\$900	\$1,100
Monthly Benefit	–	\$50.0	\$67.08	\$75.0	\$96.67
*A one time lump sum payment per child below 18 in July **Maximum annual benefit per child for families with a net income of up to \$20,000 a year					

Attachment 2 – Restructuring of Social Assistance in Ontario



**Attachment 3 – Maximum Annual Benefits for Families on OW for December 2007 and August 2008**

<b>Maximum Annual Benefit Per OW Family Type as of December 2007</b>						
Family Type	Ontario Works <sup>1</sup>	CTB <sup>2</sup>	NCBS <sup>3</sup>	Winter Clothing <sup>4</sup>	Back-to-School <sup>5</sup>	Annual Total
Single Parent, one child (0-6)	\$12,348.00	\$1,283.04	\$525.00	\$111.00	\$73.00	\$14,340.04
Single Parent, two children (age 5 and 13)	\$14,520.00	\$2,566.08	\$1,028.88	\$222.00	\$207.00	\$18,543.96
Couple, two children (age 13 and 16)	\$16,116.00	\$2,566.08	\$1,028.88	\$222.00	\$268.00	\$20,200.96
<sup>1</sup> OW includes basic allowance and shelter allowance <sup>2</sup> Canada Tax Benefit provides \$106.92 for one child per month and \$213.84 for two children per month. <sup>3</sup> Maximum NCBS deduction factored in. \$121.91 deducted per month for one child and \$226.42 deducted per month for two children <sup>4</sup> Winter clothing is \$111 annually per dependant <sup>5</sup> Back-to-school is \$73 for children under 13 and \$134 for children over 13 annually						

<b>Maximum Annual Benefit Per OW Family Type as of August 2008</b>					
Family Type	Adult Portion <sup>1</sup>	Child Portion			Annual Total
	Ontario Works <sup>2</sup>	OCB <sup>3</sup>	CTB	NCBS <sup>4</sup>	
Single Parent, one child (0-6)	\$10,848.00	\$600.00	\$1,283.04	\$1,987.92	\$14,718.96
Single Parent, two children (age 5 and 13)	\$11,604.00	\$1,200.00	\$2,566.08	\$3,745.92	\$19,116.00
Couple, two children (age 13 and 16)	\$13,212.00	\$1,200.00	\$2,566.08	\$3,745.92	\$20,724.00
<sup>1</sup> Adult portion does not factor in other mandatory and discretionary benefits <sup>2</sup> OW includes basic allowance and shelter allowance <sup>3</sup> A maximum monthly OCB payment of \$50.00 per dependent under 18 for eligible families and \$600.00 annually. OCB incorporates Back-to-School and Winter Clothing Allowances. <sup>4</sup> NCBS is no longer deducted as chargeable income.					