

Federal Budget 2009 Analysis

Introduction

This fact sheet is not intended to be a comprehensive analysis. Rather, it is a mix of information and analysis focusing on areas of greatest impact and interest to those living on low or modest incomes.

National Child Benefit Supplement (NCBS) & Canada Child Tax Benefit (CCTB)

Budget 2009 takes an approach to the National Child Benefit Supplement and Canada Child Tax Benefit that significantly weakens the principle that families with the lowest incomes should receive the highest benefits. Benefits for families with incomes of \$25,000-\$35,000 will increase by \$218 per child annually, with lesser increases at higher income levels. However, families making \$20,000 annually or less receive **no increase whatsoever**. This is the group that is most likely

unemployed or underemployed, putting children in these families at the greatest risk of living in poverty.

The NCBS and CCTB were created to help eradicate child poverty, and yet the families with the **greatest financial need** received no increase. No justification or explanation of this decision was given in Budget 2009. Moreover, the increases fall well short of what is needed even for those families that do qualify.

Working Income Tax Benefit (WITB)

The Working Income Tax Benefit (WITB) serves as an incentive for low income Canadians, **especially those on social assistance**, to seek employment. This benefit was first introduced in the Federal budget of 2007, with an annual budget of \$550 million. This amount has been doubled in Budget 2009 which allots another \$580 million to the program.

The WITB is a refundable tax credit which low-income earners start receiving once they earn \$3,000 per year.

Once the family income earner(s) start making more than \$9,720 annually, this amount steadily decreases until the earner is making \$25,700 annually, at which point the benefit stops. The maximum yearly amount that a low income family can receive per year is \$1,680, which is an increase of \$636 from existing benefit levels.

The enhancements to the WITB are positive for low income working families.

Employment Insurance (EI)

Budget 2009 made several changes to the Employment Insurance (EI) program. The number of weeks that one can receive EI benefits has been increased from 45 to 50 weeks for those communities with the highest unemployment rates. Albertans can draw benefits for a maximum of 41 weeks, up from 36 weeks. Budget 2009 also has placed a freeze on premium rates employers and employees will have to pay into EI for years 2009 and 2010.

While the length of time for EI eligibility has been increased, the actual rates have not. The EI rates are

based on 55 % of employment income up to \$3,254 every four weeks; which would equal EI benefits of \$1,728 every four weeks. Individuals who make less than \$3,254 per month would receive less from EI, and many social policy experts have argued that this amount is too low for many unemployed families who rely on this income.

Canada's EI has also received much criticism for its unusually strict qualification requirements. Eight in ten unemployed Albertans are not able to qualify for EI. There was nothing in Budget 2009 to change this.



Income Tax Reductions

Budget 2009 will reduce personal income taxes by \$4.3 billion over the next three years, by increasing the basic personal exemption and the two lowest tax brackets by 7.5% above 2008 levels, which is an increase three times higher than if normal indexation had been applied. The basic personal exemption will increase

from \$9,600 to \$10,300. The qualifying amount for the lowest tax bracket will increase from \$ 37,885 to \$40,726. The qualifying amount for the second lowest tax bracket will increase from \$75,769 to \$81,452. An estimated 32% of these reductions will be received by people earning \$40,726 or less.

Aboriginal Communities and Housing

Budget 2009 invests \$515 million over two years to improve infrastructure on First Nations. There has been widespread national and international criticism of living conditions on First Nations. Particular concern has been expressed about the number of children living in absolute poverty on reserves. Infrastructure spending will focus on three areas: schools, water, and critical community services.

Budget 2009 intends to encourage Aboriginal communities to move towards private housing and

ownership. To promote this, \$300 million is being invested in the First Nations Market Housing Fund (FNMHF). FNMHF was created in 2007 to provide loans to on-reserve Aboriginal people to purchase their own homes, if they meet certain criteria.

Budget 2009 also acknowledges that there is a great need for housing on First Nations that is not met by the FNMHF. \$400 million has been allocated for new housing projects, remediation projects, and complementary housing activities.

Affordable Housing

Budget 2009 commits a one time \$1 billion investment for renovations and environment retrofitting to about 200,000 social housing units in Canada. (There are approximately 630,000 social housing units in Canada.) However, to receive this money the provinces must contribute an equal amount into these projects. \$400 million has been allocated for social housing for low-income seniors (50-50 cost share only). In addition, the Budget provides \$75 million for social housing for persons with disabilities (50-50 cost share only). Lastly,

\$200 million is dedicated to social housing in the northern territories. This money will not be on a cost sharing basis.

With the exception of funding for several targeted groups, there is no new money allocated to build new social housing units. The total investment in affordable housing is substantially less than the projected \$3 billion cost of the Home Renovation Tax Credit which can be for things like repaving driveways and laying sod.

Concluding Comments

While Budget 2009 has invested significant spending into social programs, the ESPC has concerns about funding gaps that remain unaddressed. For example, the Working Income Tax Benefit is based on the assumption that unemployed Canadians are not working because of a lack of incentive, and does not take into account other barriers to employment, such as a lack of affordable childcare. Childcare is not addressed in Budget 2009.

In addition, Budget 2009 has made many commitments to social housing that hinge on provincial and territorial contribution. As Canada adapts to the economic recession, the provinces may not be able to free up the millions of dollars needed for social housing programs while still meeting their budgetary commitments in other areas.

Finally, while Budget 2009 does allot funds for social spending, there is little indication of long term commitment to strategies that comprehensively address low income issues in Canada.