Supporting Education… Building Canada

Child Poverty and Schools

Federal Budget 2009

Summary/Implications for Teachers and Education

Canadian Teachers' Federation
Fédération canadienne des enseignantes et des enseignants

January 2009

Introduction

What a difference a year can make. Last year we used a number of adjectives to describe the budget: “modest”, “thrifty”, “prudent”. For the top 10% in income, who had seen their buying power soar in the previous decade, it was described as “reassuring”. For the other 90% in income, those who in a decade of outstanding economic growth had seen their earning power stay relatively stagnant, we described it as “cautionary”. And finally, for those who traditionally relied on a strong central government to provide a bulwark of support in potentially difficult economic times, we described the budget as “ominous”.

During the opening of Canada’s 40th Parliament in November 2008, Finance Minister Jim Flaherty indicated that Canada would have a $30 million surplus in the existing fiscal year, and was not going into a major recession. Canada’s economy was strong, and would weather the international economic storm that had originated in the US Subprime housing debacle. The Subprime crisis had evolved, through the utilization of such tools as derivatives (Credit Default Swaps) and ABCPs (asset backed commercial paper, “collateralized debt obligations”) into a total contamination of the world economy. The November Economic and Fiscal Update of Minister Flaherty not only refused to recognize the looming fiscal storm, offering no economic stimulus, but contained nasty, partisan cuts and projected changes that would turn Canada’s parliamentary system on its ear. With rapier-like speed a coalition of old enemies was formed and only a last second reprieve by way of a proroguing of government by the Governor General saved the day for the Harper Government.

On Monday, January 26, Governor General Michaëlle Jean read another throne speech, to open the second session of the 40th Parliament, and the difference was marked. The tone was serious, conciliatory. The speech was one of the shortest in memory, about eight minutes. The only thing more surprising than the shortness of the speech was the content, or lack off. Indeed, more was known about the budget before the Throne Speech was even delivered.

The following day, Tuesday January 27, Minister Flaherty stood in the House and delivered a Budget address that would have been seen as impossible two short months earlier. The government had, belatedly, seen the light, and for the first time in a decade Canadians would hear the words “deficit” and “recession”. The Budget Mr Flaherty announced would see Canada have, in the next two fiscal years, deficits of $34 and $30 billion, with projected deficits totalling $85 billion into the spring of 2013. Forty billion dollars of this deficit would be a two year stimulus to the economy in an attempt to pull Canada out of the worst economic downturn in decades. What caused such a dramatic turnaround in a little over two months, and more importantly, what is the potential impact of this budget on the gloomiest fiscal forecast since the Great Depression?

What has happened is that the Harper Government, belatedly, is acknowledging the numbers, and they are horrific. The Market has dropped about 40% in the last year; people lost 40% of their retirement portfolios. Pension plans, both private and public, are in trouble and changes are proposed to give plans more time to recover before valuations threaten to cause company bankruptcies. Housing prices in many areas continue to plummet, housing starts continue to decline. Worldwide organizations call for an economic stimulus of at least 2% of GDP to jump start the economy. Unemployment continues to grow with 77,000 jobs lost in Canada in November alone. Over 300,000 more people are expected to lose their jobs in 2009. Already we have lost 350,000 manufacturing jobs in Canada over the last five years. The “Big Three” automakers are in trouble and bailouts are projected. American and Canadian consumers owe more money than they earn yet consumer spending is seen as the potential financial saviour.

Supporting Education…Building Canada: Child Poverty and Schools

In November The Canadian Teachers' Federation, as part of the pre-budget consultation process, made a submission to the House of Commons Standing Committee on Finance. Entitled "Supporting Education…Building Canada: Child Poverty and Schools" the brief outlined why teachers saw child poverty as such an important issue to be addressed, and made recommendations on how to meet the challenge. The brief is available on the CTF web site (www.ctf-fce.ca) in its entirety. The following is a summary of the recommendations as framed in two major strategies:

Strategies and policy recommendations that could have a positive impact on inequitable educational opportunities linked to family socio-economic status include:

- an increased minimum wage;
- a restoration of broad eligibility for Employment Insurance;
- a major investment in social housing;
- improved accessibility and affordability of post-secondary education and training;
- political commitment to a national poverty reduction strategy for Canada;
- the inclusion of child and youth services as part of federal/ provincial/territorial agreements concerning immigrants and refugees;
- adequate funding for First Nation child welfare agencies to deliver in-home support and prevention services to First Nation children and their families.

Specific strategies for ensuring all children are better provided for include:

- a universal child care system providing high quality care for all children;
- restrictions on the growth of for-profit corporate child care;
- mechanisms to ensure that funding intended for the support of child care and early intervention is spent solely for that purpose;
- investment in other early childhood education initiatives designed to help develop school readiness;
- support for school boards and relevant community agencies in their attempts to coordinate health, recreation, and social services at school sites.

We know as educators the impact that poverty has on our communities, our children, and our classrooms. When times were good we implored governments to take advantage of the good times, to address the needs we saw. What challenges will we face now? What follows is an analysis of the parts of the budget that have the most likely impact on classrooms, teachers and their students.

The budget introduced by Finance Minister Jim Flaherty provides significant funding to stimulate the economy. There is no doubt that at least some of the spending will address some of the needs outlined in our submission to the Department of Finance in the fall of 2008. What follows are excerpts from the Department of Finance press release, and comments on the potential impact.

Immediate Action to Build Infrastructure

"Expanding and accelerating the recent historic federal investment in infrastructure with almost $12 billion in new infrastructure stimulus funding for roads, bridges, broadband internet access, electronic health records, laboratories and border crossings across the country. This will support economic growth and employment this year and next while also bolstering Canada's long-run productive capacity."

There is no doubt that infrastructure spending will be a major shot in the arm for the economy. It is estimated that $1 billion spending on infrastructure creates 16,000 jobs and raises the GDP by $1.78 billion.

The downside to this is that much of the potential spending is contingent on matching monies from provincial and municipal governments. Will there be pressure to invite/ encourage public-private partnerships as part of the process which exists in present infrastructure programs? There is a fear that this potential benefit will not happen quickly enough, or at all, to provide the stimulus anticipated.

Action to Reduce Taxes and Freeze EI Rates

"Providing $20 billion in personal income tax relief that will benefit Canadians over 2008-09 and the next five fiscal years as well as continued low Employment Insurance rates."

All Canadians will benefit from a tax cut but there is some downside. Compared to infrastructure expenditure $1 billion in personal tax cuts is estimated to create 7,000 jobs and raise the GDP by $720 million. In looking at similar efforts last year in the United States it was noted that those in the upper income bracket simply put the savings in a savings account, and if they did spend it was more likely to be on imports instead of local products. More specific information on the impact on families follows in the section addressing child poverty.

Action to Stimulate Housing Construction

"Providing $7.8 billion to build quality housing, stimulate construction and enhance energy efficiency. Measures include a renovation tax credit providing an estimated 4.6 million Canadian families up to $1,350 each, funding for energy retrofits, investments for social housing to support low-income Canadians, seniors, persons with disabilities and Aboriginal Canadians, and low-cost loans to municipalities."

Enhanced supports for low income housing are a good thing, but the majority of this money is for individual families to build a deck or pave the driveway. Only $1 billion is targeted to provide upgrades to existing low income units. The funding for home renovation is contingent upon individua's having sufficient resources to complete home renovation projects.

Action to Improve Access to Financing and Strengthen Canada's Financial System

"Providing up to $200 billion through the Extraordinary Financing Framework to improve access to financing for consumers and allow businesses to obtain the financing they need to invest, grow and create new jobs."

Again, potentially a good plan, but some would question why this should be even necessary if the Canadian banking system is as solid as proclaimed.

Action to Help Canadians

"Providing $8.3 billion for the Canada Skills and Transition Strategy, which includes extra support for Canadians most affected by the economic downturn, including enhancements to Employment Insurance and more funding for skills and training."

This has great potential and could be a major support in communities hardest hit by the recession. Unfortunately, enhancements to Employment Insurance fall short of correcting systemic inequities and removing the 2-week waiting period.

Action to Support Businesses and Communities

"Protecting jobs and supporting sectoral adjustments during this extraordinary crisis with $7.5 billion in extra support for sectors, regions and communities. This includes targeted support for the auto, forestry and manufacturing sectors, as well as funding for clean energy."

The manufacturing sector has already lost over 300,000 jobs in Canada; forestry has been hard hit as well. Opportunities exist for new businesses to develop in the alternative energy sector.

Employment Insurance

The Employment Insurance Premium rate has been frozen at $1.73 per $100 for each of 2009 and 2010. For 2010 and beyond, the Canada Employment Insurance Financing Board will be mandated to not recover any deficit to the EI fund created as a result of new initiatives created in the 2009 budget. EI Initiatives include:

- Additional funds used to strengthen EI benefits including:
    - An extra 5 weeks of employment insurance (maximum of 50 weeks) will be available at the end of the current EI entitlement.
    - Extending the Wage Earner Protection Program to include severance and termination pay (Note: the maximum insurable earnings remain the same)
    - Extend work sharing agreements by 14 weeks in each of the next 2 years.
    - $20 million over 2 years to enhance the student summer job program.
- Additional funds totalling $1.9 billion over two years in a number of programs for training and education initiatives.
- Establishment of an expert panel to examine the feasibility of extending EI maternity and paternity benefits to self-employed individuals.

Not addressed in the budget was the elimination of the 2-week waiting period for EI or the discrepancy in regard to regional differences in the ability to qualify for benefits.

Assistance for Children Living in Poverty

- Personal income tax relief for all taxpayers:
    - Basic personal exemption increased by 7.5% to $10,320 in 2009
    - The first personal income tax bracket (15% rate) has been raised by 7.5% to $40,726 in 2009.
    - The second personal income tax bracket (22% rate) has been raised by 7.5% to $81,452 in 2009.
- Expand the Working Income Tax Benefit plan by $580 million for 2009 and subsequent years. One billion dollars over 2 years for renovating and retrofitting social housing. Funds will flow through existing Canada Mortgage Housing Corporation (CMHC) agreements subject to 50-50 cost sharing with the provinces or territories.
- Application of the new upper limit for the first personal tax bracket to the income test for the national child benefits

Additional Support to Low—and Middle-Income Families with Children Example — Single Parent with Two Children — July 2009 to June 2010

Family Income	Existing Benefits		Additional Benefits		New Total
	NCBs	CCTB	NCBs	CCTB	
$20,000	$3,913	$2,680	$0	$0	$6,593
$25,000	$3,181	$2,680	$436	$0	$6,296
$30,000	$2,031	$2,680	$436	$0	$5,146
$35,000	$881	$2,680	$436	$0	$3,996
$40,000	$0	$2,633	$166	$47	$2,846
$45,000	$0	$2,433	$0	$76	$2,509
$50,000	$0	$2,233	$0	$76	$2,309

Note: Totals may not add due to rounding.

Health Care

- $500 million to Canada Health Infoway to encourage the greater use of electronic health records.
- $305 million over the next two years to improve health outcomes for First Nations and Inuit individuals.

Other Provisions for Individuals

- An additional $50 billion to the Insured Mortgage Purchase Program, increasing the overall size of this program to $125 billion.
- Creation of the Canadian Secured Credit Facility, with up to $12 billion to support financing of vehicles and equipment for consumers.
- Enhanced disclosure and improved business practices in respect of credit cards issued by federally regulated financial institutions.
- An independent task force to make recommendations on a cohesive national strategy on financial literacy.
- $50 million over two years for a national foreign credential recognition framework in partnership with provinces and territories.
- Up to an additional $150 of annual tax savings for low- and middle-income seniors through a $1,000 increase to the Age Credit amount.
- A temporary Home Renovation Tax Credit that will provide up to $1,350 in tax relief, reduce the cost of home renovations.
- An additional $300 million over two years to the ecoENERGY Retrofit program to support an estimated 200,000 additional home retrofits.
- Increasing the Home Buyers' Plan Registered Retirement Savings Plan withdrawal limit to $25,000 from $20,000 along with up to $750 in tax relief to help with the purchase of a first home.

Aboriginal Canadians

- An additional $200 million over three years to support Aboriginal skills development and training. This funding will enhance the Aboriginal Skills and Employment Partnership initiative and create a new fund.
- An additional $100 million over three years in the Aboriginal Skills and Employment Partnership (ASEP) initiative. The new Budget 2009 investment will support partnership-based projects that are expected to support the creation of up to 6,000 jobs for Aboriginal Canadians.
- $75 million invested in the new two-year Aboriginal Skills and Training Strategic Investment Fund. This will support short-term, focused initiatives designed to help Aboriginal Canadians get the specific training they require to benefit from employment opportunities, including those generated by the stimulus package.
- A further $25 million for 2009–10 to maintain current Aboriginal Human Resources Development Strategy (AHRDS) funding until the new overall strategy is put in place in April 2010.

Canadians Living in the North

- $200 million over two years in dedicated funding for the territories to support renovation and the construction of new housing units.
- $50 million over two years in support of economic development in the North, a new Regional Economic Development Agency and a renewed Strategic Initiative for Northern Economic Development.

Strengthening Partnerships with Aboriginal Canadians

- $305 million over the next two years to improve health outcomes for First Nations and Inuit individuals.
- $20 million over the next two years to extend partnerships with provinces to further improve child and family services on reserves.

Investments in First Nations Infrastructure

- $515 million over two years for "ready-to-go" First Nations projects in three priority areas: schools, water and critical community services.

School Construction On Reserve

- A two-year targeted funding of $200 million for the construction of 10 new schools on reserve and three major school renovation projects.

First Nations Housing

- $400 million over the next two years to support on-reserve housing, dedicated to new social housing projects, remediation of existing social housing stock and to complementary housing activities. These funds will flow through Canada Mortgage and Housing Corporation (CMHC) and Indian and Northern Affairs Canada.

Northern Housing

- $200 million over two years in dedicated funding to support the renovation and construction of social housing units. The Yukon and Northwest Territories will receive $50 million each while the remaining $100 million will be allocated to Nunavut, where the need for new social housing is greatest. Funding will be provided to the territories through the Canada Mortgage and Housing Corporation.

Water and Wastewater Projects

- Two-year targeted funding of $165 million for the completion of drinking water and wastewater infrastructure projects to address health and safety priorities in 18 First Nations communities across the country.

Critical Community Services Infrastructure

- $135 million will be provided over the next two years for the construction and renovation of health services infrastructure for First Nations, including health clinics and nurses' residences. Over 40 new projects and approximately 230 remediation projects will be completed during the next two years.
- $15 million will be provided to address the remediation of critical policing infrastructure in some of these communities.

Post-Secondary Education

- Dedicating up to $2 billion to repair, retrofit and expand facilities at post-secondary institutions.

Transfer Payments

- According to the 2009 Federal Budget, the Government will make adjustments to the Equalization program consistent with the O'Brien recommendations and within the principle-based structure set out in Budget 2007, which provide for long-term funding growth.
- Equalization will grow in line with the economy. The growth provision will also act as a floor to protect provinces against reductions in overall Equalization. The growth path will reflect a three-year moving average of nominal gross domestic product (GDP) growth.
- In order to provide provinces with certainty for their budget planning, they were informed of their Equalization amounts for 2009–10 on November 3, 2008 two months earlier than normal. The budget document indicates that Equalization amounts (in $Millions) for 2009-10 will be as follows: N.L. (465), P.E.I. (340), N.S. (1,571), N.B. (1,689), Que. (8,355), Ont. (347) and Man. (2,063). These payment levels—as well as associated transition payments—will be set out in legislation
- On November 3, the Government announced that, given Ontario's entry into Equalization, the fiscal capacity benchmark in the new Equalization program was being set at the average fiscal capacity of the Equalization-receiving provinces.
- According to the Government, complementary technical adjustments to ensure fairness in the CHT will also be introduced. All Equalization-receiving provinces, including Ontario, will receive the same per capita CHT cash, and no province with a high fiscal capacity will receive more than the average of the Equalization-receiving provinces, subject to transition protection. This transition protection will ensure that any province with a high fiscal capacity and currently receiving more CHT cash will be protected against real declines in CHT cash from amounts already announced

for 2008–09. These adjustments will facilitate a smooth transition to equal per capita CHT cash in 2014–15, as committed to in Budget 2007.

- According to the 2009 Federal Budget, the Canada Health Transfer will amount to $734 per capita in 2009-10 in all provinces except Saskatchewan ($822) and Alberta ($532).

Canada Deposit Insurance Corporation (CDIC)

- The Government proposes to increase CDIC's borrowing limit from $6 billion to $15 billion to reflect the growth of insured deposits since the last increase in 1992, and proposes to escalate this borrowing limit in the future in line with the growth in insured deposits.
- The Government proposes to designate tax-free savings accounts (TFSAs) as a separate category of deposits insurable by CDIC, similar to the treatment provided to registered retirement savings plans (RRSPs) and registered retirement income funds (RRIFs) under CDIC rules.

Other Items

- Funding for PreSchool Education: this budget includes increases to the National Child Benefit Supplement and the Canada Child Tax Benefit. However, Canada's record of fiscal support for this area continues to be an embarrassment. The Canadian Teachers' Federation continues to call for a re-instatement of funding agreements with provinces ($5 billion over 5 years) that would create 100,000 new licensed childcare spaces.
- Pay equity. The Harper government continues with intentions to remove existing pay equity provisions in the public service, making it potentially more difficult for women to address long standing issues in this area.
- Infringements on collective bargaining rights. The Harper Government continues to intend wage freezes for the public sector.

Summary and Conclusion

In looking at the various reviews and analysis of the budget one gets the impression that this is a catch-all budget, a shot gun spray approach aimed at being passed at all costs. Some see this as non-ideological, at the least a departure from right of center conservatism with which the Harper government has been characterised. We are less sure; despite the shift to deficit financing and economic stimulus, if you look closely you still see:

- a continuing move to download funding and decision making to the provinces/territories
- efforts to address problems through reduced taxation as opposed to Nationally funded and co-ordinated public programs
- no reduction in the race to cut corporate taxes
- encouragement to private over public initiatives
- a continuing desire to intervene in the collective bargaining process
- any support for pre-school education will continue to be through an individualized tax credit program as opposed to a national public enterprise

There are positive aspects of the budget. There is no question that an expenditure of at least this magnitude is necessary in light of the current economic situation. Some of our recommendations on poverty will be addressed, and more children will go to school fed and ready to learn than if nothing was done. The Conservative ideology is still present in the budget however as there is minimal attention paid to social programs and helping those most affected by the economic downturn. It remains to be seen if this indeed will be the stimulus that is needed to boost the Canadian economy. What will become of the time-specific enhancements to social programs instituted in this budget when we return to economic growth and find ourselves once again with a huge deficit to address? How equipped or willing will the Federal government be to ensure that all Canadians have equal opportunity, and equal access to social programs?