Social Planning Council
of Cambridge and North Dumfries

Communiqué

2015 FEDERAL BUDGET

The Social Planning Council of Cambridge and North Dumfries is a recognized leader in promoting greater social and economic equity through research and community development.

www.spccnd.org

2015 Federal Budget:

On April 21st, the Federal Government announced the 2015 budget, entitled *Strong Leadership: A Balanced-Budget, Low-Tax Plan For Jobs, Growth And Security*. This budget is being promoted as balanced, fiscally responsible and making life easier for families. Despite this description, the budget has been characterized as 'an election budget,' where short term gains mask long term instability.

This communiqué will consider what is in, and perhaps more importantly, what is missing from the 2015 budget in regards to its impact on reducing poverty and improving the quality of life across Canada. In particular, it will explore the value and impact of a balanced budget, it will review the anticipated impact of the new tax saving measures and it will highlight alternative opportunities to improve the quality of life of all Canadians.

A Balanced Budget

With the government set to table legislation requiring budgets to be balanced, they proudly announced a balanced 2015 budget. After seven straight deficit budgets, the 2015 budget sets a new direction and reports a small surplus of $1.4 billion. In fact, the government was set to produce $30 billion in surplus budgets over the next five years. These surpluses will be used to fund the creation of the Family Tax Cut (better known as income-splitting, expansion of the Universal Child Care Benefit (UCCB), expansion of Tax Free Savings Accounts (TFSA) and infrastructure investment.

The budget surplus was generated through freezing Employment Insurance rates at higher levels, selling GM shares at a loss, dipping into contingency reserves and program cuts over successive budgets amounting to $14.5 billion a year. In addition, many monetary commitments such as urban infrastructure and increased defence spending will not come into effect until future years.

With weaker than expected economic growth, the budget should focus on stimulating the economy. Program cuts over successive budgets have lead to a weaker economy and job market. Meanwhile, nine years of tax cuts have resulted in business investment being exactly the same in 2014 as it was in 2000: 12.4% of GDP.

> *This budget provides choices for those who already have them—families earning over $200,000 a year. It does nothing to address the real challenges facing the average Canadian family—stagnant incomes, record high household debt, and a lack of affordable child care spaces.*
>
> -Kate McInturff, Canadian Centre for Policy Alternatives

A new Ipsos poll found that 59% of Canadians prefer a deficit budget that invests in jobs, the economy and social programs over a balanced budget. The government would have a greater impact on these areas by investing in social programs that have real and targeted results rather than tax cuts which largely benefit those who need it the least.

2015 Budget By The Numbers

$300 billion total budget

$1.4 billion surplus

$2 billion withdrawn from contingency fund. $1 billion remains.

$3 billion in lapsed program spending

$7.8 billion for family income-splitting and increases to the Universal Child Care Benefit

$70 million to double Tax Free Savings Account contributions. It will cost $4 billion annually in 30 years

$14.5 billion in successive budget cuts to programs

Child Care & Family Benefits

Recognizing the squeeze families are feeling today, the 2015 budget introduces an expansion of the Universal Child Care Benefit (UCCB) and income-splitting to make life more affordable.

Under the 2015 budget, the UCCB receives $2.3 billion in new funding and eligibility increases from 6 to 17 years of age. Investment in the UCCB is most welcome as high quality, affordable child care is difficult to find. However, the age expansion means that 51% of funds will go to families with children who have no child care expenses. A better investment that would resolve the need for more high quality, affordable child care spaces is to create a nationwide affordable childcare program.

The new income-splitting benefit is a recognition of the need to make life more affordable and gives families the opportunity to split their income for tax saving purposes. The government will invest $2.2 billion into this plan. The Parliamentary Budget Officer expressed concerns that it will only benefit 15% of Canadians, it is skewed towards high-income earning families and it excludes single-parent households. Low-income families do not benefit because they share the same income bracket.

Investments into social programs and social transfers to provinces and territories would have greater and more tangible outcomes towards making life more affordable.

> *When combined with the total cost of these three programs (income splitting, base UCCB and the enhanced UCCB) will be $7 billion a year. That is enough money to give all parents $7-a-day child care if they need it.*
>
> -David Macdonald, Canadian Centre for Policy Alternatives

Retirement Planning

The 2015 budget introduces expansions to the Tax Free Savings Account (TFSA) to encourage retirement planning.

The TFSA contribution limit is doubled to $10,000. Investment in retirement planning is crucial as a federal crisis is looming— 65% of seniors have less than $50,000 in retirement savings. This said, only 13% of seniors previously reached the TFSA contribution limit. In fact, over half of Canadian seniors do not have a TFSA. A more effective means of addressing the retirement crisis would be to restore Old Age Security eligibility to age 65 (from 67) and expand the Canada Pension Plan.

Affordable Housing

Each year across Canada, wait lists for affordable housing reach new record heights. Previous federal budgets indicated that future spending on social housing would decline. The 2015 budget offers a welcome surprise as it includes a commitment of $1.7 billion annually to maintain current levels of social housing.

In addition, the budget offers $150 million to non-profit and cooperative housing providers to pay down mortgages held with the Canada Mortgage and Housing Corporation (CMHC) without a penalty. The Budget also offers a new Home Accessibility Tax Credit worth up to $1,500 in tax relief for seniors and persons with disabilities.

The government is to be applauded for these new investments. That said, the current inventory of social housing does not address the backlog of families on waiting lists or those living in substandard housing. In the coming years, the government will need to ensure adequate availability and maintenance of social housing.

> *CHRA believes that this reversal would signal the federal government's understanding of the need to renew and support the system Canadians have built over decades, and is in line with asks contained in its Housing For All 2015 campaign.*
>
> -Canadian Housing & Renewal Association Executive Director Jody Ciufo

Healthcare

Healthcare continues to be a top priority for Canadians. The 2015 budget renews previous investments in and extends Employment Insurance Compassionate Care Benefits from six weeks to six months. However, the new federal transfer payment to provinces and territories is unsustainable and does not keep up with the country's growing demands for health care. The new funding formula creates a $36 billion cut from health care. With an aging population, it is paramount that the government renew the Health Accord and expand investment in this portfolio.

Additional Resources

Canadian Centre for Policy Alternatives
www.policyalternatives.ca

Parliamentary Budget Officer
http://www.pbo-dpb.gc.ca/

Federal Budget 2015
http://www.budget.gc.ca/

Canadian Housing & Renewal Association
http://www.pbo-dpb.gc.ca/

ACORN Canada
www.acorncanada.org

Ipsos
http://www.ipsos-na.com/

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