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2012 Federal Budget

March 29, 2012

Federal Finance Minister Jim Flaherty tabled the 2012 [Federal Budget](#) this afternoon. The tone of today's federal budget was urgent but optimistic focusing their vision for the country on opportunities for innovation, job creation and continuing, in their words, "on a path that sees Canada rise above global economic crisis by exercising moderate restraint."

The government has outlined \$5.2 billion a year in savings across all federal programs, representing 6.9 percent of a total review base of \$75.3 billion. Program spending expenses have been outlined at a rate of \$245.3 billion for 2012-2013. They will do this without raising taxes and say they will close the deficit by 2015, which is an election year.

Particular emphasis is put on reducing spending by eliminating what they call "waste" in government, pledging to make it leaner and more efficient. At the same time, this budget does see continue the modest increases to health and social transfers, along the scheduled changes to % growth rates already announced in December 2011 (see more below.) There is also significant attention paid to job creation and modernizing the Employment Insurance program.

Disappointingly, but not unsurprisingly, there is no mention of child care, homelessness or housing programs in terms of the 2012-2013 budget. There is a large annex to the budget that is the federal government's "final report" to Canadians on their stimulus spending of the previous years.

Details on what the budget papers said today in areas of interest to OMSSA members follow below. As with the provincial budget, there is no doubt that there will be some devils in these details, and OMSSA will include priority areas for follow-up in our government relations planning for the coming weeks and months.

Overview

- Delaying the age of eligibility for Old Age Security to 67 starting in 2023.
- 19,200 federal public sector jobs cut over 3 years.
- Eliminating the penny.
- \$150 million over two years for a new Community Infrastructure Improvement Fund to support repairs and improvements to existing community facilities.
- A First Nations education act and \$275 million to build and renovate schools on reserve, and renewal of the Urban Aboriginal Strategy .
- No significant tax changes for individuals.
- Legislation entrenching of 6 percent increase for the Canada Health Transfer and a 3 percent increase to the Canada Social Transfer.

Income security

Delay Old Age Security (OAS) and Guaranteed Income Supplement benefits for Canadians until age 67 with implementation starting in April 2023.

- Full implementation will not take effect until January 2029.
- The option of deferring the start of old age benefits for up to 5 years, a trade-off that will net recipients higher benefits when they are eventually claimed.

The government has committed to compensating provinces and territories for net additional costs they will face resulting from the increase in the age of eligibility for OAS. As well, the government will consult with provinces and territories on the impact for the changes to the OAS program on Canada Pension Plan (CPP) disability and survivor benefits.

Changes to the Employment Insurance (EI) including:

- Limiting EI premium rate increases to 5 cents each year until the EI Operating Account is balanced.
- \$21 million to enhance the content and timeliness of information on the job and labour market for Canadians searching for employment.
- Investing \$387 million over two years to align the calculation of EI benefit amounts with local labour market conditions
- Investing \$74 million over two years to ensure that EI claimants benefit from accepting work.

Job creation and skills training

- *Investing \$205 million to extend the temporary Hiring Credit for Small Business for one year – a credit of up to \$1000 per employer to help defray costs of hiring new workers and assist with the increase in EI premiums.*
- *Providing an additional \$50 million over two years to the Youth Employment Strategy to assist more young people, including youth at-risk and recent post-secondary graduates, in gaining tangible skills and experience.*
- *Providing \$6 million over three years to extend and expand the ThirdQuarter program to key centres across the country, assisting older workers with the particular challenges they face in finding employment. The program is targeted at older workers in vulnerable communities with populations of less than 250,000.*
- *Improving labour market opportunities for Canadians with disabilities by investing \$30 million over three years in the Opportunities Fund and by creating a panel on labour market opportunities for persons with disabilities.*

Health and Social Transfers

In December 2011, the government set the future growth path of transfers to provinces and territories. Today, the Finance Minister committed to introducing legislation that will ensure the current 6-per-cent annual escalator for the Canada Health Transfer, (CHT) will continue for five more years. Starting in 2017-18, the CHT will grow in line with a three year moving average of nominal GDP growth, with funding guaranteed to increase by at least 3 per cent per year. The CHT will be reviewed in 2024.

The Canada Social Transfer (CST), provides provinces and territories with financial support earmarked for post-secondary education, social assistance and social services, as well as programs for children. Legislation will also be introduced to continue the 3 per cent escalator for the CST for 2014-15 and subsequent years. The CST will be reviewed in 2024.

RDSP

The government also committed to improving the Registered Disability Savings Plan including:

- Provide greater access to RDSP savings for small withdrawals by replacing the requirement to repay any CDSGs and CDSBs paid into an RDSP within the 10 years preceding a withdrawal from the plan with a requirement to repay CDSGs and CDSBs at a fixed ratio to the amount withdrawn.
- Provide greater flexibility to make withdrawals from certain RDSPs by increasing the annual maximum withdrawal limit that applies to these RDSPs, and ensure that RDSP assets are used to support a beneficiary during their lifetime by requiring a minimum amount to be withdrawn from all RDSPs beginning the year a beneficiary attains 60 years of age.
- Provide greater flexibility for parents who save in Registered Education Savings Plans (RESPs) for children with disabilities by allowing investment income earned in an RESP to be transferred on a tax-free basis to an RESP beneficiary's RDSP.
- Provide greater continuity for long-term saving by RDSP beneficiaries who cease to qualify for the Disability Tax Credit in certain circumstances by extending the period that their plans may remain open.
- Improve the administration of the RDSP for financial institutions and beneficiaries by amending certain RDSP administrative rules.

Housing and Municipal/Community Infrastructure

- Introduce enhancements to the governance and oversight framework for CMHC, contributing to the stability of the house market as well as proposed legislative amendments to strengthen oversight of CMHC and to ensure its commercial activities are managed in a manner that promotes the stability of the financial system
- Community Infrastructure Improvement Fund allocating \$150 million over two years for improvements to existing community infrastructure. Allocations will be made on a cost-shared basis in partnership with municipalities, community organizations and not-for-profit entities
- Committed to continuing work with stakeholders to develop a new plan that moves beyond the Building Canada plan, set to expire in 2014.

OMSSA will work with partners to gather more information on the consultations outlined in the budget and allows for the flexibility to reflect specific community needs.

Immigration

Changes to Canada's immigration laws were reaffirmed in the budget today as part of the plan to address skills shortages while stimulating job creation in Canada. Changes include:

- Realigning the Temporary Foreign Worker Program to better meet labour market demands.
- Supporting further improvements to foreign credential recognition and to work with provinces and territories to identify the next set of target occupations for inclusion beyond 2012.

Aboriginal Canadians

- Provide \$275 million over three years to support First Nations education and build and renovate schools on reserve
- Work with partnership toward passing legislation that will establish the structures and standards to support education systems on reserve
- Commitment to improve the incentives in the on-reserve Income Assistance Program while encouraging those who can work to access training to gain the skills for employment.

- Providing \$27 million over two years to renew the Urban Aboriginal Strategy.
- Intent to explore with interested First Nations the option of moving forward with legislation that would allow private property ownership within current reserve boundaries.
- \$11.9 million in 2012-13 to support shelter services and violence prevention programming on reserves, bringing the total budget for the program to \$30.4 million for an additional year.

Other commitments

- Exempting pharmacists' professional services from the GST/HST
- Expanding the list of health care professionals who can order certain medical and assistive devices zero-rated under the GST/HST to reflect the increasing involvement of health care professionals such as nurses.
- Introducing measures to ensure that charities devote their resources primarily to charitable, rather than political activities, and to enhance public transparency and accountability in this area.
- Cutting the budget of the CBC by \$115 million by 2014-2015.

Additional Resources

[Finance Minister's budget speech](#)

[Government's budget brief](#)

[AMO's initial highlights of the federal budget](#)

[The Globe and Mail coverage of the federal budget](#)

[National Post coverage of the federal budget](#)

[CBC coverage of the federal budget](#)

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