

Better finances,
better lives



Budget 2000

Improving the
Quality of Life of
Canadians and
Their Children

February 28, 2000



Department of Finance
Canada

Ministère des Finances
Canada

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Budget 2000

Canada is now in an era of budget surpluses.

When the Government first took office in 1993, it set out a plan to restore the nation's finances, build a stronger, more innovative economy and improve the quality of life for all Canadians. The plan is working.

The deficit is eliminated, the debt burden is falling, our unemployment rate is at its lowest level in more than 20 years and disposable income is rising.

With a growing economy and our nation's finances in order, this budget charts a course to greater prosperity for all Canadians in the 21st century. Today's better finances will be used to help build better lives for all Canadians, now and for future generations.

Crucial to a higher quality of life is ensuring that we continue to increase resources for post-secondary education and improve our system of universal health care.

A key component of the Government's plan is to cut taxes. This will mean more money in the pockets of Canadians, stronger economic growth and enhanced job creation.

Canadians know that much of our future success hinges on building a stronger, more innovative economy. Developing the know-how, products, skills and services to keep the economy growing is essential to improving our quality of life.

That is why this budget:

- announces a \$2.5-billion supplement in the Canada Health and Social Transfer (CHST) – the fourth consecutive federal enrichment of the CHST – to help provinces and territories meet what Canadians have clearly identified as their highest priorities: health and education;
- puts forward a five-year plan to reduce taxes by at least \$58 billion, immediately restores full indexation of the personal income tax system to protect taxpayers against inflation and cuts tax rates for the first time in 12 years;
- proposes initiatives to promote leading-edge research and innovation in universities, research hospitals and the private sector; develop new environmental technologies and improve environmental practices; and strengthen provincial and municipal infrastructure; and
- increases significantly the income support available to parents by increasing the Canada Child Tax Benefit and enhancing parental benefits.

For further information on budget measures other than those explained in this booklet, please contact the Distribution Centre at the address provided on the last page, or visit the Department of Finance Canada Web site at <http://www.fin.gc.ca/>

*Better finances,
better lives*

Improving the Quality of Life of Canadians and Their Children

Highlights

Post-Secondary Education and Health Care

- Canada Health and Social Transfer (CHST) payments will be increased by \$2.5 billion to help the provinces and territories fund post-secondary education and health care. This is the fourth consecutive federal enhancement of the CHST, providing an additional \$1 billion in 2000-01 and \$500 million in each of the following three years.
- Starting in 2000-01, CHST cash will reach \$15.5 billion, almost 25 per cent higher than in 1998-99.
- The provinces and territories will have flexibility on when they draw upon the \$2.5 billion that is being added to the CHST. They can draw upon it to meet the most pressing needs in universities and hospitals, or at any time over the course of four years, as they see fit.
- Total CHST, cash and tax transfers combined will reach an all-time high of close to \$31 billion in 2000-01.

Highlights *(cont'd)*

Support for Families With Children

- In order to increase and broaden support for families with children, the Canada Child Tax Benefit will be increased by \$2.5 billion a year by 2004, bringing to over \$9 billion its annual support for low- and middle-income families with children. This will mean a maximum benefit of \$2,400 for a first child and \$2,200 for a second child.
- The duration of employment insurance maternity and parental leave will be doubled from six months to one year to give new parents the opportunity to spend more time with their newborn or newly adopted children. As well, the leave will be made more flexible and accessible. This measure will provide additional benefits of about \$900 million a year.
- As in last fall's Speech from the Throne, the federal government invites the provincial and territorial governments to agree by December 2000 on an action plan to support early childhood development.

Assistance for Canadians With Disabilities

- Building on previous budget measures, the federal government will extend support and implement additional tax initiatives to expand opportunities for persons with disabilities, and help them deal with medical and care-related costs.
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Introduction

The purpose of the plan outlined in this budget – sound financial management, lower taxes and investing in skills, knowledge and innovation – is to ensure that Canada will be a leader in the new world economy and that all Canadians will share in the benefits of economic growth. It is by these means that a continually improving quality of life will be secured for Canadians and their children.

Quality of life has many dimensions. It means access to timely and quality health care, and improved access to post-secondary education. Quality of life also means healthy children, secure families, vibrant communities and being able to learn and adapt. It includes sharing the benefits of economic prosperity with those who need special support for daily living or to participate in the job market. It also encompasses participation, particularly by youth, in community life and cultural and amateur sport activities. Amateur sport, because of its important role in the development of Canada's youth, should and will continue to receive government support.

Investments in quality of life are not just a matter of good social policy, they also represent sound economic policy.

With respect to health care and access to skills and knowledge, Canada's governments have a long-standing partnership. Most recently, in the 1999 budget, the federal government made its largest single investment ever: \$11.5 billion over five years through the Canada Health and Social Transfer (CHST) to support provincial and territorial health care services, and \$1.4 billion over three years for better health information, research and innovation, prevention and services. This budget increases CHST payments by another \$2.5 billion to help the provinces and territories fund post-secondary education and health care. This is the fourth consecutive federal enhancement of the CHST.

The 1998 budget announced the \$1.5-billion-a-year Canadian Opportunities Strategy to improve access to skills and knowledge through better financial assistance for students, support for research and lifelong learning, and incentives for families to save for their children's higher education. The 1999 budget added

\$1.8 billion over three years in support of the Strategy as well as other knowledge and innovation measures. This budget adds further tax assistance for students and substantial new support for research.

With respect to children, the federal government has made a number of important investments in the past three years.

- In 1997, Canada's governments initiated the National Child Benefit System, an unprecedented partnership to combat child poverty by helping to protect benefits for low-income parents who enter and stay in the workforce. The federal government, for its part, has invested \$1.7 billion a year in this system. The 1999 budget also provided an additional \$300 million in support for modest- and middle-income families with children. This brings to \$7 billion a year the total federal support to low- and middle-income families delivered through the Canada Child Tax Benefit.

- Canada's governments are also working on a National Children's Agenda to co-ordinate efforts of governments, communities and individual Canadians to make Canada a better place for all of its children.

- The federal government significantly enriched the Canada Prenatal Nutrition Program, the Community Action Program for Children and the Aboriginal Head Start Program.

This budget increases the Canada Child Tax Benefit by \$2.5 billion a year by 2004, thus bringing to over \$9 billion annual benefits for low- and middle-income families with children.

For persons with disabilities, the Government introduced the Opportunities Fund in 1997 as a pilot project to help Canadians with special needs prepare for, find and keep jobs. The Government also uses the tax system to help persons with disabilities participate as fully as possible in all aspects of life. This budget extends support and introduces new tax initiatives for persons with disabilities.

Increasing Support for Post-Secondary Education and Health Care

Action

\$2.5 billion more in Canada Health and Social Transfer support for post-secondary education and health care.

Federal Transfers to Provinces and Territories

The federal government transfers approximately \$40 billion a year to the provinces and territories through three major programs to help them provide vital services to Canadians:

- the Canada Health and Social Transfer (CHST), which supports health care, post-secondary education, social assistance and social services;
- Equalization, which provides extra funds to less prosperous provinces to enable them to offer public services that are reasonably comparable to those elsewhere in the country; and
- Territorial Formula Financing, which recognizes the unique challenges and higher costs of providing public services in the north.

Canada Health and Social Transfer

The CHST is the largest federal transfer, providing support in the form of cash and tax transfers to the provinces and territories. The federal government has already acted three times to strengthen the CHST. This budget announces a fourth consecutive enhancement of the CHST.

- In 1996, the Government took action to end the projected decline in CHST cash due to the growing value of tax transfers with the introduction of an \$11-billion cash floor.
- In 1998, as soon as a balanced budget was at hand, the Government increased the CHST cash floor to \$12.5 billion from \$11 billion.
- In the 1999 budget, the Government announced the single largest investment it has ever made – an \$11.5-billion increase in funding specifically for health care over five years (Table 1).

This increased CHST cash to \$14.5 billion in 1999-2000. Combined with the value of tax transfers, total CHST is \$29.4 billion this year – higher than in 1993-94 (Table 2).

This budget announces an additional \$2.5 billion in CHST support, providing an added \$1 billion in 2000-01 and \$500 million a year in each of the following three years for post-secondary education and health care. Combined with last year's \$11.5-billion investment, this means that the cash component of the CHST will reach \$15.5 billion in each of the next four years. This represents an increase of almost 25 per cent from the 1998-99 level.

The \$2.5-billion CHST supplement will be allocated to the provinces and territories on an equal per capita basis. The supplement will be accounted for by the Government in this fiscal year and paid into a third-party trust upon passage of amendments to the CHST legislation. However, the provinces and territories will have flexibility on when they draw upon the \$2.5 billion that is being added to the CHST. They can draw upon it to meet the most pressing needs in universities and hospitals, or at any time over the course of four years, as they see fit. It is anticipated that the provinces and territories will draw down this supplement in a gradual manner such that cash support will increase by \$1 billion in 2000-01, \$500 million in 2001-02, \$500 million in 2002-03 and \$500 million in 2003-04 (Table 1).

At the same time, the tax transfer component of the CHST continues to provide increased support to the provinces and territories. The CHST tax transfer is an important part of the federal government's ongoing support for provincial and territorial social programs, including post-secondary education and health. The tax transfer occurred in 1977 when the federal government agreed with the provincial and territorial governments to reduce its personal and corporate income tax rates, allowing them to raise their tax rates by the same amount. As a result, revenue that would have flowed to the federal government began to flow directly to the provincial and territorial governments – and continues to grow in line with growth in the Canadian economy.

Table 1
Canada Health and Social Transfer (CHST)
 1999-2000 to 2003-2004

	1999- 2000	2000- 2001	2001- 2002	2002- 2003	2003- 2004	5 years
	(billions of dollars)					
Budget 2000 increase ¹		1.0	.5	.5	.5	2.5
Budget 1999 increase	2.0	2.0	2.5	2.5	2.5	11.5
Includes:						
CHST		1.0	2.0	2.5	2.5	8.0
CHST supplement ²	2.0	1.0	0.5			3.5
Budget 1998 cash	12.5	12.5	12.5	12.5	12.5	62.5
Total CHST cash	14.5	15.5	15.5	15.5	15.5	76.5
CHST tax transfers ³	14.9	15.3	15.8	16.5	17.2	79.7
Total CHST	29.4	30.8	31.3	32.0	32.7	156.2

¹ The \$2.5-billion cash supplement will be paid to a third-party trust and accounted for in 1999-2000 by the federal government. Payments will be made in a manner that treats all jurisdictions equitably, regardless of when they draw down funds over four years.

² The \$3.5-billion cash supplement was paid to a third-party trust and accounted for by the federal government in 1998-1999.

³ All figures for 2000-01 onward, with the exception of CHST cash, are projections.

Note: Numbers may not add due to rounding.

The \$2.5-billion investment, combined with growing tax transfers, means that total support through the CHST will reach a new high of close to \$31 billion in the coming fiscal year (Table 2).

Governments – both federal and provincial – recognize the need to ensure that the provision of health services continues to meet Canadians' needs in the future. This is of particular importance as Canada's baby boomers approach and then move into their senior years. To this end, federal and provincial health ministers have agreed to meet in the spring this year.

Table 2
Canada Health and Social Transfer (CHST)
1993-1994 to 2003-2004

	Cash ²	Tax transfers ³	Total
	(billions of dollars)		
CAP/EPF¹			
1993-94	18.8	10.2	29.0
1994-95	18.7	10.7	29.4
1995-96	18.5	11.4	29.9
CHST			
1996-97	14.7	12.2	26.9
1997-98	12.5	13.3	25.8
1998-99	12.5	14.2	26.7
1999-00	14.5	14.9	29.4
2000-01	15.5	15.3	30.8
2001-02	15.5	15.8	31.3
2002-03	15.5	16.5	32.0
2003-04	15.5	17.2	32.7

¹ CAP – Canada Assistance Plan. EPF – Established Programs Financing.

² Based on an assumed gradual drawdown of the \$2.5-billion cash supplement over four years starting in 2000-01 and of the \$3.5-billion supplement over three years starting in 1999-2000.

³ All figures for 2000-01 onward, with the exception of CHST cash, are projections.

Note: Numbers may not add due to rounding.

Growing Economy, Growing Transfers

The strong performance of the Canadian economy has significantly increased the value of other major transfers to the provinces and territories. Equalization to less prosperous provinces is up \$500 million for this year over last year's budget projection, taking entitlements to \$9.8 billion from the \$9.3 billion previously projected. Territorial Formula Financing is nearly \$100 million higher this year than projected, taking entitlements to about \$1.4 billion from about \$1.3 billion previously projected (Table 3).

Table 3

*Total Federal Transfers to the Provinces and Territories
1993-1994 to 2003-2004*

	CHST ¹	Equalization	Territorial Formula Financing	Total transfers ²
	(billions of dollars)			
1993-94	29.0	8.1	1.2	37.4
1994-95	29.4	8.6	1.2	38.3
1995-96	29.9	8.8	1.2	39.0
1996-97	26.9	9.0	1.2	36.1
1997-98	25.8	9.7	1.2	35.7
1998-99	26.7	9.6	1.2	36.5
1999-00	29.4	9.8	1.4	39.4
2000-01 ³	30.8	9.5 ⁴	1.4	40.6
2001-02	31.3	10.0	1.4	41.6
2002-03	32.0	10.3	1.5	42.6
2003-04	32.7	10.7	1.5	43.7

¹ Cash plus tax transfers.

² Equalization associated with CHST tax transfers appears in both Equalization and CHST entitlements. The total has been adjusted to avoid double counting.

³ All figures for 2000-01 onward are projections.

⁴ First official Equalization estimate for 2000-01. Experience shows that first estimates generally tend to understate Equalization and are subsequently revised upward.

Note: Numbers may not add due to rounding.

Total transfers to the provinces and territories will reach an estimated \$39.4 billion this year and will continue to grow over the next four years, allowing the provinces and territories to strengthen post-secondary education, health care and other social programs important to Canadians (Table 3).

Ensuring Access to Post-Secondary Education Through Canada Student Loans

The Canada Student Loans Program has played an important role in expanding access to post-secondary education since 1964. Through loans and other financial assistance, the program helps over 350,000 needy Canadian students annually access post-secondary education.

Canada Student Loans are administered and delivered, on behalf of the federal government, by financial institutions under an arrangement that expires on July 31, 2000. The federal government will take the necessary steps to ensure that the program continues to serve Canadian students after July 31, 2000.

Investing in Canada's Children

Actions

Canada Child Tax Benefit to increase by \$2.5 billion a year by 2004, reaching \$2,400 for a first child.

Families with children to benefit the most from the tax relief measures in the budget.

Duration of employment insurance maternity and parental leave to double from six months to one year to give new parents the opportunity to spend more time with their newborn or newly adopted children.

Federal government invites provinces and territories to develop together by December 2000 a national action plan on early childhood development.

Improved Support for Families With Children

Parents want the best possible start in life for their children. Current evidence suggests that the early years of childhood are especially vital to a child's future ability to develop and to learn. Governments help parents meet their children's needs in two basic ways: by providing them with income support and by offering a range of services.

To support parents and families, this budget further enriches the Canada Child Tax Benefit and significantly reduces taxes for low- and middle-income families with children. It also makes an important contribution to early childhood development by extending parental benefits and reiterating the invitation made in the 1999 Speech from the Throne for all governments to reach agreement by December 2000 on an action plan for early childhood development.

Canada Child Tax Benefit

The federal government's primary program for helping parents meet the costs of raising children is the Canada Child Tax Benefit (CCTB).

In its last three budgets, the federal government has increased its investment in the CCTB by a total of \$2 billion, bringing the total annual commitment to \$7 billion. Currently, the CCTB provides families with benefits of up to \$1,805 for the first child and \$1,605 for each additional child. Beyond a family income of \$21,000, these benefit levels are gradually reduced. Families with incomes above \$67,000 generally receive no benefits. At present, about 3.2 million families receive the CCTB, including some 80 per cent of children in Canada.

The plan set out in this budget is to add \$2.5 billion a year to the CCTB by 2004, bringing the Government's total annual investment in the CCTB to over \$9 billion. The goal, by 2004, is to raise the maximum amount of CCTB benefit to \$2,400 for the first child and \$2,200 for the second child. This will be done in several steps.

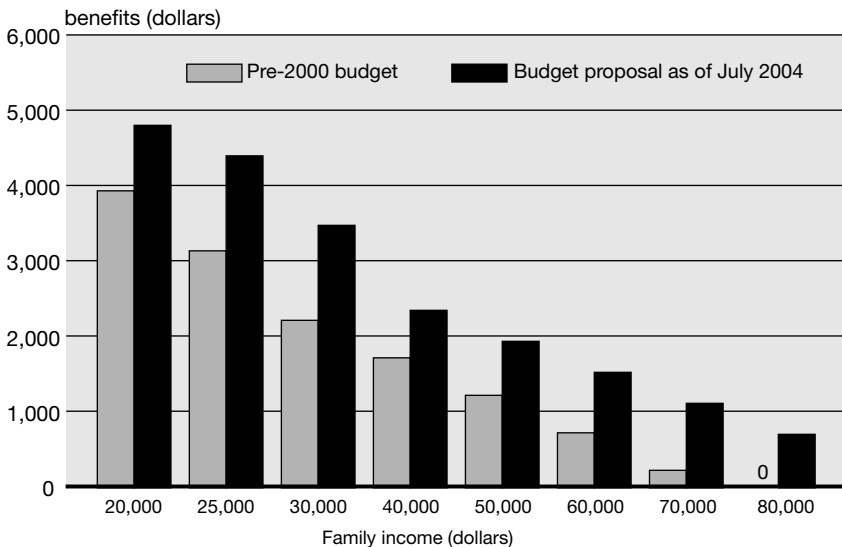
- First, this budget proposes to restore full indexation of the CCTB as of January 2000 so that its value keeps up with inflation. Although all families that receive the CCTB will gain from this measure, it will benefit low-income families proportionally the most.
- Second, this budget proposes to increase the CCTB in July 2000 by \$70 per child, including indexation, for all families that receive the CCTB. When combined with the previous increase of \$170 per child announced in the 1999 budget, which also takes effect in July 2000, maximum benefits will reach \$2,056 for the first child and \$1,853 for the second child.
- In July 2001, the CCTB supplement will be increased beyond indexation so that the total benefit for the first child reaches \$2,265, on the way toward the final total benefit target of \$2,400 by 2004.

■ As well, over the next five years, the Government will take a number of steps to increase benefits for middle-income families. It will do so by increasing the income levels where families receive full benefits, and by reducing benefits more gradually for families with incomes beyond those levels.

These measures will improve benefits for all families currently receiving the CCTB. Approximately \$1.3 billion in increased support will go to low-income families. In the three previous budgets, about 85 per cent of CCTB increases, totalling \$2 billion, were directed to low-income families, where needs were the greatest. With further improvements in the Government's finances, it is now possible to extend more of the CCTB increases to middle-income families with children: they will receive an additional \$1.2 billion in benefits.

Overall, low-income families will continue to receive the greatest support from the CCTB. Of the total investment of more than \$9 billion annually, \$6 billion will go to low-income families.

As Chart 1 shows, benefits for a family with two children and income of \$20,000 will increase from \$3,963 to \$4,832 by 2004. Middle-income families that now receive little or no support from the CCTB will see significant improvements as a result of the higher thresholds and the slower rates at which benefits will be reduced. For example, families with two children and an income of \$60,000 will see their benefits more than double from \$733 to \$1,541 by 2004.

Chart 1**CCTB Benefits¹ by Income Level for a Two-Child Family
(With one child under the age of 7)**

¹ Includes additional benefit available for children under 7 years of age for whom no child care expense is claimed.

Building on the National Child Benefit System

Since the 1997 landmark National Child Benefit (NCB) System, federal and provincial governments have acted together to combat child poverty by helping to protect benefits for low-income parents who enter and stay in the workforce. In the past, social programs have created a “welfare wall” – parents have had to choose between staying on welfare to retain important benefits for children or taking a job and losing child-related benefits.

To address this problem, in the 1998 budget, the federal government introduced an \$850-million NCB supplement to the CCTB, targeted to low-income families. This supplement was increased by another \$850 million in the 1999 budget. This enabled provincial governments,¹ in a co-ordinated movement, to adjust their income support programs and redirect funds in order to extend to low-income working parents a range of services and benefits for children formerly available only to families on welfare.

¹ The Government of Quebec chose not to participate in the NCB System but has acted on its own in a comparable way. In practice, Quebec residents have effectively benefited from the CCTB increases in the same way as other Canadians.

For example, in some jurisdictions, parents in low-paying jobs no longer lose services such as dental and vision care when they move from welfare to work.

Of the \$2.5-billion CCTB increase outlined in this budget, a projected \$850 million will go to the supplement. By July 2001, the supplement will be increased by \$200 per child, increasing federal assistance to families by approximately \$500 million annually. Thereafter, the supplement will continue to increase through indexation. By 2004, it is projected that indexation, plus an increase to \$35,000 in the threshold at which the supplement is fully eliminated, will provide an additional \$350 million. The federal government has consulted with provincial and territorial governments on the supplement and will continue discussions on provincial and territorial plans for further complementary investments in support of services for low-income families with children.

Total support for low-income families resulting from the enrichment of the CCTB will amount to a projected \$1.3 billion by 2004. This is composed of the projected \$850-million increase in the supplement and that part of the increase to the CCTB base benefit that goes to low-income families.

General Tax Relief for Families With Children

The increase in the CCTB in this budget is not the only measure benefiting families with children. They will also significantly gain from other general measures set out in the Five-Year Tax Reduction Plan.

Taking all these measures together, families with children will, on average, benefit from tax reductions of 21 per cent by 2004, compared to 15 per cent on average for all taxpayers.

- By 2004, a one-earner family of four earning up to about \$35,000 will pay no net federal income tax.²
- By 2004, a one-earner family of four with \$40,000 in income will have its taxes reduced by \$1,623 or 48 per cent. Next year, its net federal income taxes will be reduced by \$582.
- By 2004, a two-earner family of four with \$60,000 in income will see its taxes cut by \$1,546 or 27 per cent. Next year, this family's federal taxes will be reduced by \$501.

² Net taxes are defined as taxes payable minus refundable tax credits (such as the CCTB and the goods and services tax credit).

Employment Insurance Parental Benefits

To assist parents in balancing work and family responsibilities, the Speech from the Throne made a commitment to give parents the opportunity to take more leave from work to spend with their newborn or newly adopted children. Parental leave under the employment insurance (EI) program will be extended and benefits made more flexible and more accessible.

Including the standard two-week waiting period for benefits, the EI program currently provides up to six months of maternity and parental leave benefits, made up of:

- 15 weeks of maternity benefits for recovery from child birth; and
- 10 weeks of parental benefits available to both adoptive and biological parents.

Maternity and parental benefits are similar to regular EI benefits: they range from 55 per cent of insurable earnings up to a maximum of 80 per cent for low-income families eligible for the Family Income Supplement. In 1998-99, the EI program provided \$1.2 billion in maternity and parental benefits.

This budget proposes that the maximum amount of child-related leave be doubled to one year from six months (including the standard two-week waiting period). This will be done by increasing the number of weeks of parental leave (which can be claimed by either parent or divided between them) by 25 weeks, from 10 to 35 weeks. The extended benefits will be available to parents eligible for EI with a child born or adopted on or after December 31, 2000.

In addition, benefits will be made accessible to more parents by lowering the entrance requirements from 700 to 600 insurable work hours. Parents will now be eligible for benefits with as little as 12 hours a week of work over the course of a year. This eligibility change will apply to sickness benefits as well.

Further, parents will have greater flexibility in choosing whether one or both of them spend time at home with a new child. At present, when parents share the leave, two 2-week waiting periods apply. Under this proposal, the second waiting period will be waived.

Finally, parents will be allowed to work part-time while receiving parental benefits. This will help mothers make a gradual return to the workplace following their maternity leave, if they

so choose. It will also enable parents to maintain their skills and work contacts while taking parental leave. As is the case for regular EI benefits, they can have earnings of up to 25 per cent of their weekly benefit or \$50, whichever is higher, without affecting their EI benefits. All earnings above that limit will be deducted dollar for dollar from their weekly benefit.

These changes will benefit an estimated 150,000 families each year. Their incremental cost is estimated at \$900 million per year.

The Government will propose legislative changes so that permanent employees governed by the Canada Labour Code can benefit from the extension of parental leave by making sure that their jobs are protected during the extended leave periods. The federal Minister of Labour will continue to engage provinces in discussions over job security and parental leave.

National Children's Agenda

While parents and families have the primary role in raising children, communities and community groups all across Canada provide significant support as well. Governments collectively also have a supporting role.

All of Canada's governments – speaking through their First Ministers in 1997 – agreed to accelerate work on a National Children's Agenda. As a first step, governments³ together released in May 1999 a *Vision Paper* to guide the efforts of all sectors of Canadian society – Canadians, communities, employers and governments – in better meeting the needs of children. This vision proposes six priority areas: strengthening the family, early childhood development, economic security, readiness to learn, adolescent development and supportive communities. The federal government will continue to work with provincial and territorial governments on these six areas.

Early Childhood Development

In October 1999, Canada's federal, provincial and territorial Ministers of Social Services undertook to work with their health colleagues to move forward as quickly as possible on the early childhood development component of the Children's Agenda.

³ Although the Government of Quebec is not participating in the Agenda, it has stated that it agrees with its objectives.

As the next step in advancing the Children's Agenda, the federal government, as it did in its 1999 Speech from the Throne, invites all governments to work together to reach agreement by December 2000 on a national action plan to support early childhood development. This plan would set out common principles, objectives and fiscal parameters for all governments to increase their support for early childhood services.

Family Law

When families break up, the needs and best interests of children must be the highest priority. The 1996 budget announced the Child Support Initiative to benefit children by helping parents, lawyers and judges establish fair, predictable and consistent child support in divorce cases.

The federal government plans to work with the provinces and territories to improve family law so that it always puts the needs and best interests of children first. To facilitate this work, this budget allocates \$29 million to extend for two years the financial assistance it provides to the provinces and territories for family-related services such as parenting information and skills development, mediation and court-based support programs.

Opportunities for Canadians With Disabilities

Action

Extended support and improved tax assistance for Canadians with disabilities.

Some Canadians have unique needs and require special support. Approximately 4.2 million Canadians – one in six Canadians of all ages – have a disability. The federal government is committed to helping Canadians with disabilities participate in the labour force and deal with medical and care-related costs. This budget builds on numerous measures in previous budgets.

Opportunities Fund for Persons With Disabilities

This budget provides \$30 million a year to ensure continuation of the Opportunities Fund. The federal government introduced the Opportunities Fund in the 1997 budget as a pilot project to help persons with disabilities prepare for, find and keep jobs. The Fund has been well received by groups representing persons with disabilities. These groups have worked together with the federal and provincial governments and the private sector to develop projects that contribute to the Fund's objectives.

Health and Activity Limitation Survey

This budget provides funding of \$11.5 million over three years for the Health and Activity Limitation Survey. The survey will be carried out as part of the 2001 national census by asking detailed questions to persons who indicate that they experience some level of disability. Similar surveys were done in the 1986 and 1991 censuses.

The survey provides information to help governments make more informed policy decisions on disability issues and evaluate the impact of programs over time. For example, it provides information on the use of and need for various disability supports, the employment patterns of persons with disabilities, their sources and levels of income, and barriers experienced in their working and everyday lives. Groups representing persons with disabilities have been closely involved in the design of the survey and have expressed support for its continuation.

Access to Canada Study Grants for Persons With Learning Disabilities

The federal government will ensure that no student with a severe learning disability who would otherwise be eligible for a Canada Study Grant⁴ is denied access because of a lack of up-to-date documentation demonstrating the student's disability. The Government will recognize 75 per cent of the costs of one diagnostic assessment for learning disabilities (to a maximum of \$1,200) as an eligible expense under the Canada Study Grant for persons with disabilities. Students will pay up front for the assessment and be reimbursed through the Grant.

⁴ See supplementary information at the end of this booklet.

Enhanced Tax Assistance for Persons With Disabilities

The federal government uses the tax system to help persons with disabilities meet expenses and participate as fully as possible in all aspects of life. The disability tax credit (DTC) provides tax relief in recognition of the general costs arising from a severe disability, while the medical expense tax credit (METC) recognizes specific medical- and disability-related expenses. In recent budgets, the federal government has substantially improved tax assistance for medical expenses and introduced a new tax credit for caregivers.

This budget provides increased tax relief to persons with disabilities by broadening and enhancing the DTC and recognizing additional specific disability-related expenses.

- A supplement to the DTC of up to \$500 will be introduced to better recognize caregivers of children with severe disabilities. Eligibility for the DTC will also be broadened to include individuals with severe and prolonged disabilities requiring extensive therapy on an ongoing basis. Finally, the transfer rules for the DTC will be broadened to allow the transfer of unused amounts to an expanded list of supporting relatives (such as a brother, sister, aunt or uncle).
- In order to better recognize specific disability-related costs, the list of expenses eligible for the METC will be expanded to include the cost of modifications made to new homes to assist individuals with severe mobility impairments.
- To better recognize the generally higher costs of child care for children with disabilities, the limit on the child care expense deduction will be increased to \$10,000 from \$7,000 for children eligible for the DTC. To assist students with disabilities, the attendant care deduction will be expanded to include those attending an education institution.

These measures will increase tax assistance to persons with disabilities by an estimated \$45 million annually.

Quality of Life and Security for Seniors

Canada's pension and health care systems make important contributions to the quality of life and security of Canada's seniors. Past actions of the federal government to put the public pension system on a sound financial basis, as well as tax relief provided in this and previous budgets, mean more financial security for today's and tomorrow's seniors. Similarly, investments in this and previous budgets provide provinces with growing resources to sustain and improve health care services.

Canada's governments have taken action to ensure that the Canada Pension Plan (CPP) is financially sound and provides a secure base on which Canadians can plan for their retirements. As well, Old Age Security (OAS) and the Guaranteed Income Supplement continue to provide basic income security for low- and middle-income seniors. These benefits are already fully indexed to inflation in recognition of the particular importance of this protection for Canadians in retirement.

The full indexation of the personal income tax system being provided in this budget will specifically help seniors through:

- Automatic increases in the age credit and the income threshold at which the credit is reduced.
 - The age credit currently provides up to \$592 in tax assistance for a single senior and up to \$1,184 for a senior couple. Benefits are reduced when income exceeds \$25,921.
- Automatic increases of the income threshold where OAS benefits start to be reduced.
 - OAS benefits are currently reduced when income exceeds \$53,215.

Over the course of the Five-Year Tax Reduction Plan outlined in this budget, seniors also benefit through:

- A reduction in the middle tax rate to 23 per cent, starting with a reduction to 24 per cent in July 2000.
- Automatic increases in the goods and services tax (GST) credit and the income threshold at which it is reduced.
 - The GST credit currently provides a maximum benefit of \$304 for a single senior and \$398 for a senior couple. Benefits are reduced when income exceeds \$25,921.

- Increases in the amount individuals can receive tax free to at least \$8,000.
 - The tax-free amount is currently \$7,131.
 - Increases in the income amounts at which the middle and upper tax rates begin to apply to at least \$35,000 and \$70,000 respectively.
 - The income amounts are currently \$29,590 and \$59,180.
- By 2004, as a result of the Five-Year Tax Reduction Plan:
- A single senior with an income of \$15,000 will have their net personal income taxes reduced by 84 per cent or \$228.
 - A senior couple with an income of \$30,000 will have their net personal income taxes reduced by 45 per cent or \$546.
 - A senior couple with an income of \$60,000 will have their net personal income taxes reduced by 16 per cent or \$1,564.

Canadians know that they have a responsibility to prepare for their retirement. To do so, it is important for them to know what to expect from the public pension system.

In order for Canadians to make the best possible decisions regarding their personal savings for retirement, starting this year the Government will be sending to all CPP contributors annual statements of their contributions. As well, the Government is developing better information on the retirement income system; it will make this information available through these annual CPP mailings and other means.

To provide better opportunities for Canadians to diversify their personal retirement savings investments through registered pension plans and registered retirement savings plans, this budget proposes to raise the foreign content limit on those investments from 20 per cent to 25 per cent for 2000 and 30 per cent for 2001. This will also apply to the CPP.

With respect to health care, as outlined earlier, the federal government has made four consecutive investments in the Canada Health and Social Transfer to the provinces and territories. This means that in 2000-01, the transfer will reach an all-time high of close to \$31 billion. As well, the federal government has made significant investments in this and recent budgets to advance research and innovation in the health care field and to provide better health information to Canadians.

Assisting the Homeless

Action

\$753 million to help the homeless through partnerships with communities and federal initiatives.

In December 1999, the federal government announced a \$753-million contribution to help Canada's homeless persons.

The cornerstone of the new approach is the Supporting Communities Partnership Initiative, to which the federal government will allocate \$305 million of these funds over three years. Working closely with provincial and territorial governments, the federal government will help local communities design and put in place effective measures to help the homeless.

Funding for a range of existing federal programs will be increased to better serve the homeless and at-risk groups, including the Youth-at-Risk component of the Youth Employment Strategy, the Urban Aboriginal Strategy and the Shelter Enhancement Program. As well, the Canada Mortgage and Housing Corporation will invest an additional \$268 million over five years in the Residential Rehabilitation Assistance Program to support necessary housing repairs on units occupied by low-income individuals.

Table 4
Improving the Quality of Life for Canadians and Their Children

	1999- 2000	2000- 2001	2001- 2002	2002- 2003	Cumulative total
	(millions of dollars)				
Post-Secondary Education and Health Care					
CHST cash supplement ¹	2,500				2,500
Support for Families With Children					
Canada Child Tax Benefit ²		475	1,020	1,350	2,845
Parental benefits			571	916	1,487
Extension of parental leave to federal employees			21	34	55
Early Childhood Development		Discussions with provinces			
Family law			14	15	29
Total		475	1,627	2,315	4,417
Opportunities for Canadians With Disabilities					
Opportunities Fund		30	30	30	90
Health and Activity Limitation Survey		3	7	2	12
Access to Canada Study Grants for persons with learning disabilities	–	–	–	–	–
Enhanced tax assistance ²		15	45	45	105
Total		48	82	77	207
Assisting the homeless	63	235	220	220	738
Total including tax initiatives	2,563	758	1,928	2,612	5,361
Total excluding tax initiatives	2,563	268	863	1,217	2,411

¹ CHST supplement will be accounted for in 1999-2000 and will be paid to a third-party trust, on passage of authorizing legislation. Expected drawdown by provinces and territories is described in this chapter.

² Tax initiative.

Note: Numbers may not add due to rounding.

Supplementary Information

Various Federal Child- and Youth-Related Programs¹

Income Support

Child Care Expense Deduction

The Government provides to parents incurring child care costs about \$520 million per year in tax relief. Parents who work or study may deduct from their incomes up to a maximum of \$7,000 for a child under age 7 and up to \$4,000 for children aged 7 to 15.

Equivalent-to-Spouse Credit

The Government provides to parents living alone with a child and who do not pay child support about \$470 million annually in tax relief. For 2000, eligible parents are entitled to a tax credit of 17 per cent of \$6,140. This value will increase with indexation.

Children's Special Allowances

To support children living in foster homes, about \$80 million per year is paid to child care agencies on their behalf. An amount equivalent to the maximum Canada Child Tax Benefit (CCTB) is paid for each child in care. It will increase by \$20 million as a result of the proposed CCTB enrichments.

Goods and Services Tax Credit for Children

The goods and services tax (GST) credit is intended to offset some or all of the GST paid by low-income families. It provides up to \$105 per child. The value of the child-related portion of the GST credit exceeds \$425 million per year. The budget proposes to fully index the GST credit levels and thresholds.

Employment Insurance Family Income Supplement

The Family Income Supplement, which provides about \$110 million per year, is extended to employment insurance (EI) recipients who have children and an annual family income below \$26,000. It raises the benefit rate to as much as 80 per cent of insurable earnings, compared to 55 per cent for other EI recipients.

¹ Unless otherwise specified, spending estimates are the best available estimates for 1999-2000.

Canada Pension Plan – Children’s Benefits

The Canada Pension Plan (CPP) provides about \$400 million a year in benefits in respect of children of CPP disability benefit recipients and children of CPP contributors who die.

Canada Education Savings Grants

The Canada Education Savings Grant assists parents saving for their children’s higher education by providing a 20-per-cent top-up on the first \$2,000 of annual contributions made to registered education savings plans for beneficiaries up to age 18. Grants from the federal government are expected to reach about \$750 million next year.

Canada Millennium Scholarships

Each year for the next 10 years, up to 100,000 full-time students in universities, community colleges and CEGEPs will receive annual scholarships of \$3,000. With an initial endowment of \$2.5 billion, the Canada Millennium Scholarships will provide \$300 million in scholarships annually for 10 years, reducing student debts significantly.

Canada Study Grants

To help students with the greatest needs, the Canada Study Grants provide up to \$3,000 to over 30,000 post-secondary students with children. Study grants are also available for students with disabilities (up to \$5,000), high need part-time students, and women pursuing doctoral studies.

Canada Student Loans

The Canada Student Loans Program extends on average \$1.7 billion per year in loans to about 350,000 students pursuing post-secondary education. Changes introduced in the 1998 budget help students who have difficulty repaying their loans.

Tuition Fee Credit and Education Credit

To help post-secondary education students and the parents or others who support them, the tuition fee credit provides a 17-per-cent tax credit for students’ tuition fees. In addition, an education credit is available, based on an amount of \$200 per month for full-time students and \$60 per month for part-time students. Together, these credits provided \$850 million in assistance to students last year.

\$3,000 Exemption for Scholarship, Fellowship and Bursary Income

The 2000 budget enhances the Government's assistance to students by increasing from \$500 to \$3,000 the tax exemption for income from scholarships, fellowships and bursaries. This provision, which will apply to Canada Millennium Scholarships and Canada Study Grants, among others, will increase federal tax assistance to students by about \$30 million a year.

Credit for Payment of Interest on Student Loans

In order to ease the burden of student debt, a 17-per-cent tax credit is provided in respect of the interest portion of payments on Canada Students Loans and similar provincial student loan programs. This measure provided about \$135 million in assistance last year.

Services*Canada Prenatal Nutrition Program*

To help ensure pregnant women have healthy babies, the Canada Prenatal Nutrition Program provides \$37.5 million annually in food supplementation, nutrition counselling and other services to at-risk pregnant women.

Community Action Program for Children

The Community Action Program for Children provides \$56 million a year to community groups delivering services addressing the developmental needs of young children at risk. A similar program, called Brighter Futures, is directed at First Nations and Inuit children. It costs \$76 million a year.

Aboriginal Head Start

The Aboriginal Head Start program helps prepare young Aboriginal children living on and off reserve for their school years. It costs \$47.5 million annually.

First Nations – Education

The federal government provides about \$900 million annually for instructional services for First Nations students residing on reserve and about \$200 million per year for the construction and the maintenance of on-reserve school facilities.

First Nations – Social Services

The federal government provides about \$270 million in support for on-reserve children in families relying on social assistance and about \$240 million for other child and family services.

Cadet Program

The Cadet Program provides young people between 12 and 18 years of age with experiences in teamwork, leadership, time management and other skills. It costs about \$140 million annually.

Youth at Risk

To help youth lacking job skills, the Youth at Risk program funds projects and other initiatives providing work experience to these young people. The federal government contributes about \$150 million per year.

Youth Employment Strategy

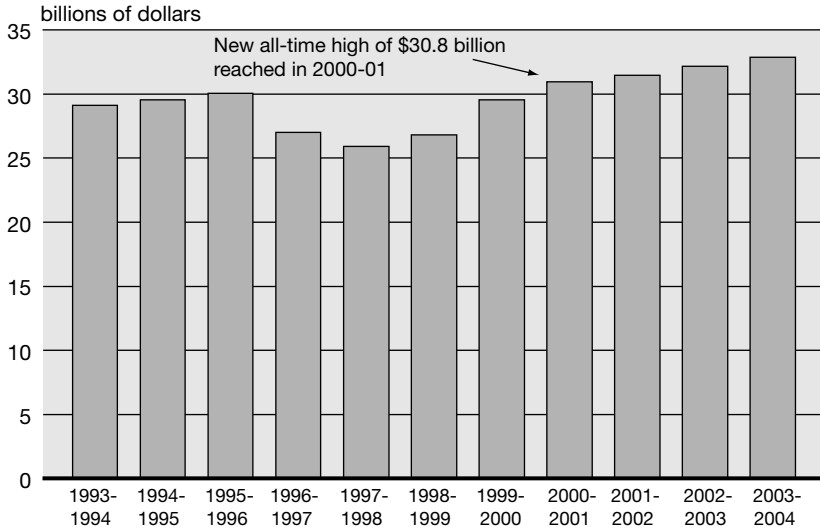
The Youth Employment Strategy provides young Canadians with summer employment, internships, and career and labour market information services. The Government's investment in this program is \$155 million a year.

SchoolNet

SchoolNet helps to connect Canadian schools and classrooms to the Internet so that students benefit from the enhanced learning experiences that new technologies can provide. In the 1998 budget, the federal government provided \$205 million over three years for connecting both schools and communities to the Internet through SchoolNet and the Community Access Program.

Chart 2

*Canada Health and Social Transfer (CHST)¹
1993-1994 to 2003-2004*



¹ Includes \$3.5-billion CHST supplement for health care as notionally allocated over three years in the 1999 budget. The \$2.5-billion CHST supplement provided in this budget is notionally allocated over four years. Provinces and territories can draw it down at any time over the four years. All figures for 2000-01 onward are projections. Figures prior to 1996-97 are for transfers under the Canada Assistance Plan and the Established Programs Financing program.

Table 5

*Projected Total Transfers to Provinces and Territories
1999-2000 to 2003-2004*

	1999- 2000	2000- 2001 ⁴	2001- 2002	2002- 2003	2003- 2004	5 years
	(billions of dollars)					
CHST cash ¹ (current)	14.5	14.5	15.0	15.0	15.0	74.0
Budget 2000 ²		1.0	.5	.5	.5	2.5
Total CHST cash	14.5	15.5	15.5	15.5	15.5	76.5
CHST tax transfers	14.9	15.3	15.8	16.5	17.2	79.7
Total CHST	29.4	30.8	31.3	32.0	32.7	156.2
Equalization	9.8	9.5	10.0	10.3	10.7	50.3
Territorial Formula Financing	1.4	1.4	1.4	1.5	1.5	7.2
Total ³	39.4	40.6	41.6	42.6	43.7	207.9

¹ Includes \$3.5-billion CHST supplement for health care as notionally allocated over three years in the 1999 budget.

² The \$2.5-billion CHST supplement provided in this budget is notionally allocated over four years. Provinces and territories can draw it down at any time over the four years.

³ Equalization associated with CHST tax transfers appears in both Equalization and CHST entitlements. The total has been adjusted to avoid double counting.

⁴ All figures from 2000-01 onward, except for CHST cash, are projections.

Note: Numbers may not add due to rounding.

How Can I Get More Information on Budget 2000?

Information is available on the Internet at <http://www.fin.gc.ca/>

You can also obtain copies of this brochure or other budget documents from the

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