

REGIONAL MUNICIPALITY OF OTTAWA-CARLETON
MUNICIPALITÉ RÉGIONALE D'OTTAWA-CARLETON

REPORT
RAPPORT

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TO/DEST. Co-ordinator
 Community Services Committee

FROM/EXP. Commissioner, Social Services Department

SUBJECT/OBJET **ONTARIO WORKS REGULATIONS: UPDATE ON CHANGES
ANNOUNCED BY THE MINISTER ON FEBRUARY 2, 1998**

DEPARTMENTAL RECOMMENDATION

That Community Services Committee and Council receive this report for information.

BACKGROUND

The Social Assistance Reform Act (SARA) received Royal Assent on November 28, 1997 with a provision that allows the various schedules, sections and subsections of the Act to be proclaimed at different dates. The Ministry has indicated that the Ontario Works Act, 1997 (Schedule A of SARA) and its regulations (OWA regulations) will be proclaimed effective April 1, 1998. In a news release dated February 2, 1998; the Minister of Community and Social Services announced some of the changes that will be brought about by OWA regulations. They include changes to:

1. shelter allowance for homeless persons on assistance;
2. the utility cost portion of shelter allowance;
3. welfare payments to recipients who board;
4. recipients who live with their parents;
5. minimum boarder charge;
6. health benefits; and
7. parents with joint custody.

The above noted changes generally point in the direction of increased financial hardship for recipients. This increased financial hardship may impact negatively on clients' ability to seek or maintain employment, as they will be preoccupied with meeting their basic needs of food and shelter. This report summarises the proposed changes and discusses any anticipated impacts on recipients and social assistance administration within the RMOC.

DISCUSSION

Shelter Allowance for Homeless Recipients

Currently, a single homeless person on assistance is paid an allowance of \$315 a month. Included in the \$315 is a minimum shelter allowance amount of \$120. This shelter allowance is paid irrespective of whether the money is actually used for shelter or not. As of April 1, 1998, recipients will be paid for their actual shelter cost up to a maximum of \$325.

This policy will significantly reduce homeless recipients' ability to meet their basic needs; in that their social assistance income will be reduced by 38% from \$315 to \$195 (i.e. from \$10.50 a day to \$6.50 a day). Experience in RMOC indicates that people do not deliberately stay homeless in order to receive the extra \$120. Therefore this policy will not necessarily encourage all homeless persons to obtain accommodation in order to benefit from the maximum shelter allowance of \$325. Any impact of this change on social assistance administration / budget within the RMOC is anticipated to be minimal.

Utility Costs

Persons on assistance currently receive an automatic minimum amount for utilities depending on family size. The minimum monthly utility cost paid to a single recipient for example is \$30. As of April 1, 1998; recipients will be paid for their actual utility costs up to a maximum shelter allowance.

Given that actual shelter cost plus actual utility cost must be equal to or less than the maximum shelter allowance, the real issue is whether there will be enough money to cover actual utility costs after the actual shelter cost has been deducted from the maximum shelter allowance. It is known that, after the 21.6% welfare rate reduction of 1995, the actual shelter plus utility costs of almost all recipients surpassed the maximum shelter allowance. Therefore, unless a new maximum shelter allowance is set at a level substantially higher than what currently exists, this policy may not increase what recipients are currently entitled to in terms of utility cost allowance. On the other hand, additional staff time will be required to process and verify utility cost claims.

Recipients Who Board

Boarders on assistance are currently paid an automatic minimum board and lodging amount even if their actual costs are lower. For example a single person on assistance whose actual board and lodging cost is \$150 is entitled to receive the minimum board and lodging allowance of \$207 under existing regulations. With the proclamation of OWA regulations on April 1, 1998; this person will receive payment equal to his/her actual board and lodging cost of \$150.

There are approximately 350 social assistance recipients in RMOC who are boarders. Out of the 350 cases, 30 or 8.9% are receiving the minimum board and lodging amount of \$207. The other 320 boarders are already being paid for their actual board and lodging costs up to the maximum of \$357. The Social Services Department (SSD) does not anticipate any significant savings arising out of this policy initiative. Given the number of clients potentially affected by the change any

increases in staff time to process and verify board and lodging cost claims are likely to be insignificant.

Recipients Living at Home

Under existing regulations, persons on assistance who live with their parents may be treated as boarders and are entitled to receive between \$207 and \$357 per month. The minimum allowance of \$207 is paid to a single recipient who lives at home and does not pay rent. As of April 1, this client group will no longer be considered as boarders. According to the news release, their monthly allowance could range from a minimum of \$50 for single recipients at home and not paying rent to a maximum of \$245. To qualify for this "living at home" allowance, the affected persons will have to prove that they had previously been financially independent beside meeting other eligibility requirements. The Ministry is in the process of developing the criteria that will be used to assess "financial independence".

It is not yet known how many RMOC recipients will be affected by this policy initiative. In practice however, most RMOC recipients who live with parents are not considered as boarders. Instead they are considered as sharing rent or renting rooms in which case the applicable shelter allowance becomes payable. If the new policy is applicable to all at-home recipients irrespective of whether they are sharing rent or renting a room; the affected recipients and their families (who may themselves be on assistance or a fixed income) may be plunged into financial hardship. It is anticipated that most individuals in this client group will choose to rent as a direct result of this policy and therefore may no longer benefit from the parental support and supervision they need to become self-sufficient. They will also no longer be making a contribution to the larger family unit's income when they move out. Since the 21.6% welfare rate reduction of 1995, most families have depended on "living at home" incomes for survival.

From a social assistance administration point of view, some additional staff time will be required to implement the financial independence criterion of eligibility. It is also anticipated that considerable time will be spent on the phone or meeting with parents who will question the rationale and benefits of this policy.

Minimum Boarder Charge

Social assistance recipients may generate income, often to offset their own housing cost, by providing boarding and lodging services. This income is taken into account in determining eligibility for assistance and the allowance to be paid. Under existing regulations the recipient who provides board and lodging services would have \$60 deducted from his/her social assistance entitlement if s/he receives a board and lodging income of \$150 or less per month. If the income received is higher than \$150, the required deduction is 40% of the amount received. These rates of deduction will change as of April 1. An amount of \$100 will be deducted for board and lodging incomes of \$250 or less. Board and lodging incomes in excess of \$250 will continue to attract the 40% deduction rate.

In December 1997, 162 RMOC recipients declared board and lodging incomes. Of the 162 cases, 74 had a board and lodging income of \$150 or less per month and therefore had their monthly

entitlements reduced by \$60. This implies a maximum net board and lodging income of \$90 (i.e. \$150 - \$60). Since recipients who are boarders will now be paid for their actual board and lodging costs (see sub-title "Recipients Who Board" above); recipients who provide board and lodging services can increase their charges in order to maintain their net income. For example a recipient who currently charges \$150 and has a net board and lodge income of \$90 may decide to increase his/her fees to \$190 so that the net income will remain at \$90 (i.e. \$190 - \$100).

In effect, this policy initiative may result in increased social assistance expenditure. Using the example given above, and assuming that the 74 affected recipients decide to increase their board and lodging fees from \$150 to \$190 per month the result would be an increase of \$35,520 (i.e. \$40 x 74 x 12) per year in social assistance costs. However, the costs of any adjustments in staffing and technology (e.g. the Decision Support System (DSS)) as a direct result of this policy is anticipated to be minimal.

Health Benefits

Under existing regulations, an individual who has enough earnings to leave social assistance may continue to receive health benefits (e.g. a drug card) if his/her assistance entitlement is reduced to \$2.50 per month. The new OWA regulations will require that only persons who are fully eligible for social assistance may receive health benefits. According to the news release, persons who are not eligible for social assistance but require assistance for drug costs may access the Trillium Drug Program.

There are currently about 119 recipients in RMOC who are receiving the \$2.50 monthly payment. The SSD does not know how many of the 119 cases actually claim health benefits and what portion of the Department's health benefit budget is attributable to this client group. Depending on the eligibility requirements of the Trillium Drug Program, its accessibility to the general public as well as its deductible policy; low wage earners and the elderly on fixed incomes may find themselves at considerable risk. This may result in a steady stream of health related emergency requests to the SSD; which if approved will be at 100% Regional cost. The extent of such emergency requests will in turn determine any necessary adjustments to staffing and technology.

The SSD has learned that beside health benefits, other items of service called Special Assistance or Supplementary Aid are likely to be drastically reduced or eliminated altogether for low income persons who are not eligible for social assistance.. These include such things as vision and dental care; some essential furniture and appliances, assistance for certain medical needs, vocational training fees and other goods and services which are not provided through the General Welfare basic allowance. These benefits are often linked to recipients' basic needs and efforts toward low wage jobs or living independently in their own homes.

Parents With Joint Custody

According to the news release, there is currently no consistency in how social assistance benefits are paid to separated or divorced parents with joint custody of their child or children. In some cases, the full children's benefit is paid to one of the parents. In other cases, each of the two parents receives the full children's benefit. The new OWA regulations will require that, where separated or divorced parents on assistance have joint custody of their children, only the primary caregiver (as defined in the Federal Income Tax Act) shall receive the full children's benefit.

There are currently about 630 joint custody welfare cases in RMOC. These cases attract a total children's benefit payment of approximately \$100,260 per month; (i.e. approximately \$159 per case per month). The SSD cannot immediately estimate how many dependants are involved and what proportion of the 630 cases involve the payment of full children's benefits to both parents. While it is not SSD policy to pay the full children's benefit to both parents, experience indicates that the authority to make such payments often arise out the legal agreements associated with joint custody settlements.

The new policy will obviously result in a financial shortfall for the non-primary caregiver who will have no assistance benefits to shelter, feed and cloth his/her child or children. It is anticipated that this policy will worsen child poverty among the affected children. It may also attract reaction from the affected non-primary caregiver parents and their lawyers.

CONCLUSION

The above noted policy changes generally point in direction of increased difficulty in recipients' ability to afford basic needs. This will ultimately translate into increased child poverty, limited opportunities for recipients to seek / maintain employment and for the elderly to live independently. In addition, many of the changes will require additional verification of applications, follow-up and reassessment of cases and therefore add a degree of complexity to the process of social assistance administration.

The SSD is particularly concerned because of the potential negative impact of the proposed changes on recipients; especially given the fact that the emphasis on program integrity does not appear to translate into any substantial budgetary gains; at least not in the short-run.

FINANCIAL IMPLICATIONS

It is difficult to estimate the exact dollar value of all the above policy initiatives at this time. However, it is anticipated that the overall municipal and provincial cost implications will be modest.

CONSULTATION

This is an information report to Committee and Council. No public consultation is considered necessary at this time.

*Approved by
Dick Stewart*

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