

Welfare Rates Paid with Caseload Cuts

A spokesperson for the Ministry of Employment and Income Assistance has answered many of my questions regarding the Ministry's Service Plan and how it reconciles with the announced increase in income assistance rates. I am puzzled how the Ministry can fund a rate increase for temporary income assistance out of a budget that will be \$7 million less than last year. I am surprised by the answers, as they suggest that either the restated estimates for 2006-07 might not be accurate or that the assumptions provided in the budget documents regarding the change in the caseload between 2006-07 and 2007-08 are inaccurate. Before I elaborate on the calculations that lead me to those suspicions, here is the latest information from the Ministry:

- 40% of income assistance recipients do not receive the full shelter allowance because they pay less rent than the maximum allowed for reimbursement (\$325 for a single person);
- People on income assistance in subsidized social housing pay on average about \$240 a month;
- Some clients who live with their parents or relatives or close friends often pay considerably less--sometimes just a nominal payment to the home's expenses; sometimes they may pay nothing.
- The temporary assistance budget for 07/08 is less by \$7 million than last year's budget, as indicated in Service Plan. **(They do not agree that it is a "cut"; rather they emailed that it is the amount of money necessary to fund the total caseload that they expect to be in this category in the coming fiscal year, including the rate adjustments.)**

The points cited above are the reasons the Ministry gives for why its projected annual cost for the \$50 per month increase in the shelter allowance will be \$33 million in 2007-08, rather than more than \$60 million that I naively calculated. The Ministry uses the word "case" to refer to one welfare file, a single person, couple or family. The [Ministry reported](#) that in December 2006 there were 102,394 cases, which included 136,399 individuals. Using round numbers, 100,000 cases times \$50 times 12 months equals \$60 million or almost double what the government says the \$50 per month increase in the shelter allowance will actually cost.

While the Ministry reports that it expects a sufficient reduction in the number of people receiving temporary assistance so they can get by, despite the rate increase, with \$7 million less than last year's budget, under "material assumptions -expense" (Table A11) the budget documents report that they assumed there would be 41,870 temporary income assistance cases in 2007-08, down only 30 cases from a revised projection of 41,900 in 2006-07.

The original caseload estimate for temporary assistance in 2006-07 was 47,150. That is a reduction of 11.2% in the temporary assistance caseload in 2006-07; 11.2% of the original temporary assistance budget for 2006-07 of \$373.2 million is \$41.8 million but the Ministry only restated its 2006-07 estimates to \$365.4 million. The difference of \$34.0 million might account for part of the reason why the Ministry thinks it can reduce the temporary assistance budget by \$7 million and yet cover the rate adjustments with the remaining \$27.0 million. The \$365.4 million figure for the restated estimates for the temporary income assistance budget appears in both the Ministry's Service Plan and in the "Estimates Book" for Vote 26. If the true figure was \$331.4 million, it would amount to misleading the House to knowingly present an inaccurate restated estimate; consequently, the \$365.4 million probably doesn't include a pad of \$34.0 million, but someone must then explain how much was "saved" when the Ministry assumed a caseload of 47,150 and ended up with 41,870.

Page 29 of the budget documents reports that approximately 16,300 individuals on income assistance will benefit from the rate changes for single employable people, yet the Ministry's data show that there were 18,508 single employable people receiving assistance. They might be assuming that the average single temporary assistance caseload in 2007-08 will be 2,200 less than December 2006. That's an 11.9% reduction, even though the reduction between December 2005 and the average for 2006 was just 6%. While the caseload has declined steadily over the past 11 years, there is bound to be a point of diminishing returns.

Table 1.6 on page 28 of the budget documents reports that the government's estimate of the cost of rate adjustments for 2007-08, in addition to the shelter increase, is \$15 million for families with children and \$11 million for the increase in the support allowance for single employable persons. It would take a 3.0%

reduction in the temporary assistance caseload to pay for the \$11 million increase in the support allowance, and a 5.0% reduction to pay for both that and the \$7 million budget reduction. There then remains the question of what is necessary to pay for the increase in the shelter allowance for people receiving temporary assistance. If that cost is only half of naive assumption of the caseload times \$50 per month, the annual cost assuming a \$25 per month average uptake for the December 2006 caseload is \$8.9 million. It would take a further 2.5% reduction in the caseload to pay for that, for a total reduction of 7.5%.

If the restated 2006-07 temporary assistance estimates are based on 41,860, it will take a reduction of over 3,100 cases to be consistent with the budget, not the reduction of only 30 cases indicated on page 158 of the budget documents. That again draws into question the credibility of the restated 2006-07 estimates, as well as the ability of the Ministry to achieve its target caseload reductions.

The Ministry needs to come clean on what it really expects expenditures to be for temporary assistance in the year ending March 31, 2007. It needs to say what it really expects the change in the temporary assistance caseload to be; a reduction of just 30 as shown in Table A11 raises suspicions. The Ministry should also release information on what it knows about the housing situation of its clients, including a distribution of rents paid by clients. In short, the Ministry should try to be open, honest, transparent and accountable.

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