

## THE ALBERTA CHILD AND FAMILY BENEFIT: WHO GAINS AND WHO LOSES?

On October 24<sup>th</sup>, Alberta’s new UCP government introduced its highly-anticipated first budget.

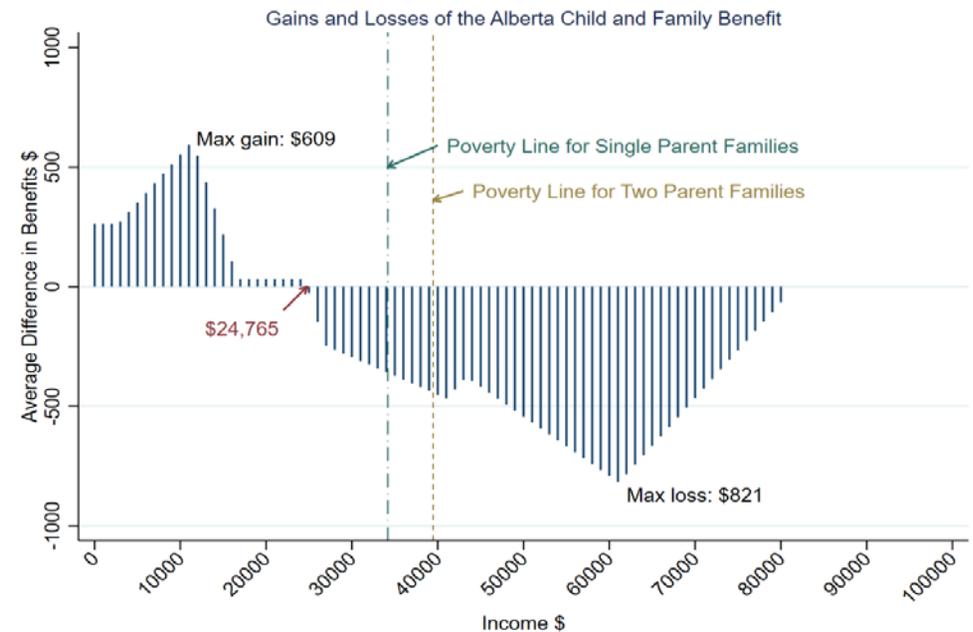
Alongside pledges to get people back to work and reverse the province’s fiscal course, the UCP government articulated in its inaugural budget a commitment to making life better for Albertans—including creating better and smarter public services. In the words of the government, programs will be redesigned methodically and responsibly, and in a way that will ensure vulnerable Albertans continue to receive support.

One such program is the Alberta Child and Family Benefit (ACFB), which will consolidate the Alberta Child Benefit (ACB) and Alberta Family Employment Tax Credit (AFETC). According to the government, the ACFB will deliver increased financial support to low-income families and result in simplified payments.

Child benefits are a way to provide recompense for the cost of raising a family and are proven tools for reducing child poverty. The province’s continued investment in such policies should be applauded. Yet, the transition to the ACFB is more complex—and has deeper implications—than a merger of existing programs with a top-up for low-income families.

A closer look at the ACFB shows that, once it is phased in, many families will receive less financial support than they did previously.

In the figure, we show how the ACFB will impact the annual benefit payment for families with two children. Though the ACFB does increase support to families with the lowest incomes by as much as \$609 a year, eligible families who earn more than \$25,000 will see their benefit payments decline, in some cases by up to \$821 a year. Some of these families are living in poverty or are just above the poverty line, a fact that calls into question the claim that the new ACFB more effectively supports



Source: Alberta Treasury Board and Finance (2019). *Fiscal Plan, 2019-23*. Milligan, Kevin (2019), *Canadian Tax and Credit Simulator*. Database, software and documentation, Version 2019 (Working version).

Note: Figures for families with one, three, and four children can be found in the appendix.

vulnerable families. For example, a two-child, two-parent family that is right at the poverty line will receive nearly \$500 less a year under the new program.

One positive outcome of merging the ACB and AFETC is families will now receive one combined payment four times a year. However, failure to coordinate these payments with either the Canada Child Benefit (paid monthly) or the GST/HST tax credit (paid quarterly) is a missed opportunity.

The province estimates that the ACFB will provide 190,000 families roughly \$290 million in benefits each year, which translates to a \$50 million reduction in child benefit spending. While the most vulnerable families will receive a small increase, many Albertan families will find that the new ACFB does not in fact make life better.

## Gains and Losses of the Alberta Child and Family Benefit

