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Minister of Finance

Ministre des Finances

Ottawa, Canada K1A 0G5

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Mr. Wayne Helgason, Board Chair
Mr. Marcel Lauziere, President Canadian
Council on Social Development
100-190 O'Connor Street
Ottawa, ON K2P 2R3

Dear Messrs. Helgason and Lauziere:

Thank you for your correspondence of March 30, 2007 regarding the Canada Social Transfer (CST), and for providing me with your organization's views on funding for social programs. The analysis and recommendations of stakeholders, such as the Canadian Council on Social Development, offer important guidance, particularly during the preparation of the federal budget. Please excuse the delay in replying.

Canada's new Government recognizes that major federal transfers, such as the CST, are important to ensure adequate support for shared priorities that foster a strong economic union and equal opportunities for all Canadians. CST funding touches the lives of every Canadian, supporting provinces and territories in delivering social assistance and social services that reduce poverty and protect vulnerable Canadians, helping our universities and colleges be among the best in the world, and creating early childhood development programs and flexible child care spaces for the benefit of our youngest Canadians.

Budget 2007 introduces important improvements to the CST by enhancing the sustainability, predictability, transparency and accountability of funding to provinces and territories. Reflecting the recommendations of many stakeholders, Budget 2007 proposes to strengthen support through the CST to approximately \$9.5 billion in 2007-08. As a result of an increase of \$687 million, the CST will provide more fair, equal per capita

Canada

cash support, ensuring equal treatment of all Canadians, regardless of their place of residence. This funding will grow by a further \$1 billion in 2008-09 through increased investments in post-secondary education and support for children, and is set to grow by three percent annually thereafter as a result of an automatic escalator being added to the CST.

Budget 2007 also proposes to address calls for improved transparency by publicly identifying funding in each supported priority area - social programs, post-secondary education, and support for children. In 2007-08, of the approximately \$9.5 billion in cash transfers to the provinces and territories, about \$6.2 billion is identified for social assistance and social services, \$2.4 billion for post-secondary education, and \$850 million for children. At the same time, while federal support is being made more transparent, the block-fund nature of the CST is being maintained, ensuring provinces and territories continue to have flexibility to invest CST funds according to the needs and priorities of their respective residents.

The Government shares your view that engaging Canadians to find common principles, measure and monitor outcomes, and share innovation and best practices is important. Canadians want to know how governments are funding key priorities, and what results they are getting for these significant taxpayer-funded investments. We are committed to working with our partners - provinces, territories, social service and education institutions and other stakeholders - to strengthen accountability to Canadians by enhanced reporting on results, and by making these reports accessible to Canadians. As outlined in the Budget, over the coming year, the Minister of Human Resources and Social Development will enter into discussions with provinces and territories on how best to make use of new investments proposed in Budget 2007 for post-secondary education and child care through the CST, as well as ongoing engagement on other social priorities.

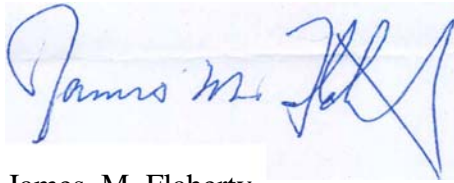
In addition to funding to provinces and territories through the CST, Budget 2007 fulfills the Government's commitment to introduce a Working Income Tax Benefit (WITB) to help people over the "welfare wall" and make work pay for low-income Canadians. The \$550 million WITB will provide up to \$500 for individuals and \$1,000 for families to reward and strengthen incentives to work for an estimated 1.2 million low-income Canadians

Canada's new Government recognizes the importance of addressing social pressures in Canada. The proposed measures to strengthen support to provinces and territories through the CST, the creation of WITB, and ongoing support through a range of other programs will help to reduce poverty, protect vulnerable Canadians, increase incentives

to work, and create early childhood development programs and flexible child care spaces that are responsive to the needs of Canadians. Canada's new Government will continue to work with provinces and territories, and stakeholders, on these and other important social priorities.

Thank you for communicating your concerns.

Sincerely,

A handwritten signature in blue ink, appearing to read "James M. Flaherty", is written over a light blue rectangular background.

James. M. Flaherty