



# Economic feasibility of education savings options

**Final report**

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## SUMMARY

	Expand Ontario's Newborn Registration 5-in-1 Service bundle nationwide	Disbursing Canada Learning Bond funds through the Canada Student Loans Program	Establishing a new Canada Education & Training Account
Key features	<p>Integrated newborn registration into one form to:</p> <ul style="list-style-type: none"> <li>Register the birth of a child;</li> <li>Apply for a birth certificate;</li> <li>Apply for a Social Insurance Number;</li> <li>Apply for the Canada Child Benefit; and</li> <li>Request a referral to a RESP promoter.</li> </ul>	<ul style="list-style-type: none"> <li>Provide CLB benefits to postsecondary students who meet CLB criteria except for being named as the beneficiary of a RESP account</li> <li>Application and disbursement through the Canada Student Loans Program</li> </ul>	<ul style="list-style-type: none"> <li>Deposit CLB funds not distributed into a new public account, Canada Education &amp; Training Account, for CLB-eligible youth from 2018 onwards</li> <li>The fund can be withdrawn for education and training or moved to a RESP account</li> </ul>
Potential impacts	<ul style="list-style-type: none"> <li>Increases RESP uptake</li> <li>Increases CLB uptake (11.8 percentage points)</li> </ul>	<ul style="list-style-type: none"> <li>Improves access to CLB funds</li> <li>Increases postsecondary enrolment of lower-income students (by 12.8 percentage points)</li> <li>May improve RESP uptake</li> </ul>	<ul style="list-style-type: none"> <li>Improves access to CLB funds</li> <li>May improve RESP uptake</li> <li>May improve future postsecondary enrolment</li> </ul>
Potential beneficiaries	<ul style="list-style-type: none"> <li>All newborn babies (291,000 to 294,000) with a free birth certificate</li> <li>Additional CLB beneficiaries: 9,000 to 9,200 per year</li> </ul>	<ul style="list-style-type: none"> <li>All CLB eligible youth who were not named RESP beneficiaries (about 137,000 to 144,000 per year)</li> </ul>	<ul style="list-style-type: none"> <li>All CLB eligible youth who were not named RESP beneficiaries since 2018 (about 1.8 million for years 2018-2021, 1.2 to 1.1 million each year for 2022-2028)</li> </ul>
Potential costs	<ul style="list-style-type: none"> <li>\$4.6 to \$8.1 million for increased CLB payments for those outside Ontario</li> <li>\$13.3 to \$13.7 million to provide birth certificates</li> <li>0.2 to 1.2 million to administer the services outside of Ontario</li> </ul>	<ul style="list-style-type: none"> <li>Additional CLB fund disbursed: \$136.7 million in 2022 to \$114.0 million in 2028</li> <li>\$1.0 to \$1.2 million to administer the program</li> </ul>	<ul style="list-style-type: none"> <li>CETA fund of \$1,263.3 million in 2021 for the transitional years. \$183.5 million in 2022 to \$163.7 million in 2028</li> <li>Administration cost: \$10.54 million in 2021 and \$1.53 to \$1.37 million per year from 2022 to 2028</li> </ul>

## INTRODUCTION

Over the past two decades, Canada and several provinces have promoted education savings as one of their key policies to help young Canadians access postsecondary education. The major vehicle for education savings is the Registered Education Savings Plan (RESP) which is the foundation of Canada Education Savings Programs (CESP). RESPs allow investment and savings to grow tax-free until withdrawal. As an incentive for RESP holders to save each year, the federal government provides a Canada Education Savings Grant (CESG) that provides a top up worth 20 per cent of savings annually. Lower-income families holding RESPs may be eligible for additional incentives to save from the additional amount of the Canada Education Savings Grant and Canada Learning Bond (CLB). The Canada Learning Bond is available to RESP beneficiaries from low-income families born on or after January 1, 2004. The CLB provides an initial payment of \$500, and \$100 for each subsequent benefit year of eligibility, up to the benefit year in which the beneficiary turns 15, to a maximum of \$2,000. The yearly eligibility is determined by the adjusted income of the beneficiary's primary caregiver in the previous year and the key action to be taken by the beneficiary's caregiver to receive the CLB is to open a RESP account.<sup>1</sup> The additional amount of CESG is worth an extra 10 per cent or 20 per cent on the first \$500 contributed to a RESP each year, with the match rate determined by family income in that year.

In theory, the CLB incentivizes opening of the RESP account. Partners of ESDC, such as Momentum, have been promoting awareness and knowledge about the RESP and CLB programs among lower-income families. Their efforts have contributed to the increasing CLB take-up rate over the years. Nonetheless, despite the incentive of CLB and the efforts of organizations promoting RESPs, the CLB's take up remains low. Only 1.5 million of the 3.6 million children eligible for CLB (up to 2019) had ever received CLB funding. Behavioural barriers, such as application complexity and the juggling of competing priorities by new parents, may have contributed to the low take-up rates. The presence of such barriers implies a limit to how much increasing incentives or awareness will further CLB's take-up. Given low take-up of CLB could be reducing access to postsecondary education for young Canadians from lower-income families, initiatives focused on overcoming behavioural barriers may be needed.

Building on research to date, the Public Policy team at Momentum has identified three policy alternatives to address barriers to RESP enrolment. These three alternatives could make it easier for families to save for their children's education and benefit from federal funding through the

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<sup>1</sup> The application process to receive CLB requires multiple steps such as obtaining proofs of ID (for parents and child), getting a Social Insurance Number, filing tax and/or applying for Canada Child Benefit. The multi-step process contributes to the complexity of opening a RESP account and receiving CLB.

Canada Learning Bond, Canada Education Savings Grant and corresponding provincial programs where they exist. These alternatives provide a range of options, from replicating promising practices in lowering the barriers to RESP enrolment to eliminating the barriers completely. The first alternative is to **expand Ontario's Newborn Registration 5-in-1 Service bundle nationwide** which simplifies the process of applying for the child's Social Insurance Number and RESP. The second alternative is to **distribute the Canada Learning Bond funds through the Canada Student Loans Program** for all CLB-eligible postsecondary students who have not been named as a beneficiary of a RESP. The third alternative is to expand the approach of the second alternative to create a new **public Canada Education & Training Account** for all CLB-eligible children from 2018 onwards.

Momentum has asked Social Research and Demonstration Corporation (SRDC) to conduct an economic feasibility study of these three alternatives. This report presents estimates of the costs to the Federal Government of each of these policy alternatives and their benefits to families in various provinces and territories. The most inexpensive alternative is the 5-in-1 bundle, though a substantial portion of its administrative costs go towards families ineligible for the CLB. At the same time, its impact on CLB take-up is only moderate. The other two policy alternatives appear as more expensive to the Federal Government, though most of the costs are represented by transfers to CLB-eligible students, i.e., money to which they are entitled (had they been named as beneficiaries of a RESP). The alternative to distribute CLB funds through the Canada Student Loans Program provides an additional steady stream of funding only to those who attend postsecondary programs while the more ambitious Canada Education & Training Account involves a substantial up-front transferral of CLB funding to public accounts so that the funds are accessible to those who are eligible for CLB from 2018-2021.

Since the individual-level information identifying CLB-eligible children is not publicly available, this study relies on a combined approach of estimation, simulation, and projection to understand the potential costs that may be involved in implementing the three policy alternatives. To the extent possible, the SRDC research team collected all available summary information about the costs of the Ontario 5-in-1 bundle, CLB programs, and various Federal Government entitlement programs from public records. The team also made use of population representative simulation results by applying Statistics Canada's Social Policy Simulation Database and Model (SPSD/M) to account for the eligible and ineligible population. The details of the simulation and projection are documented in Appendix A while the summary results are presented first, in the next section. The report follows this with a discussion and presentation on the costs of each policy alternative.

## POPULATION IN SCOPE

### MAXIMUM NUMBER OF CLB-ELIGIBLE CHILDREN AND POTENTIAL CLB PAYMENTS

This section provides a summary of SRDC’s estimated numbers of CLB-eligible children and the associated CLB funds from 2004 to 2030. The estimation combines published statistics from the CLB program with SRDC’s simulation and projections using Statistics Canada’s SPSD/M. The technical details of the simulation process and assumptions are documented in Appendix A. The resulting dataset from SRDC’s simulation and projection forms the basis for the policy alternative analysis in next section.

From 2004 to 2030, 119,417 to 2,329,132 children between the age 0 and 15 would be eligible for the CLB in each year provided each is the named beneficiary of a RESP account. The distribution by provinces and territories reflects their population sizes. Ontario and Quebec combined account for 65 per cent of the total number of potential CLB-eligible children by the year 2030. Each year’s number grows steadily from 2004 to 2019 because there is a new cohort each year while there is no cohort aging out of eligibility. This changes from 2020 onwards when each year the oldest cohort reaches 16 years old and ages out of eligibility and the total number reaches a “steady state” approximating 2.3 million in Canada.<sup>2,3</sup>

Each year, between 119,417 to 276,634 children are eligible for CLB for the first time and they would qualify for the \$500 first CLB payment provided they are named as the beneficiary of a RESP account (Table 2). They are either newborn in each year or (if older) their families’ adjusted income moves for the first time within the eligibility threshold.

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<sup>2</sup> The economic downturn associated with the COVID-19 pandemic would increase the total number of potential CLB-eligible children in 2020. The extent of its impacts is difficult to estimate at the time of writing. Using the preliminary modelling data from SPSD/M v28.0, it is expected that the number of eligible children would increase by 19.2 per cent for the year 2020. However, the effect on CLB payments for 2020 is unclear since the number of the additional CLB-eligible children who would be eligible for the first time is unknown.

<sup>3</sup> “Steady state” refers to the 16 cohort-years eligible for CLB. The actual population number eligible for CLB is not a constant since it depends on the performance of the economy, the income thresholds set for CLB, and evolving demographics in the population.

**Table 1** Estimated total number of potential CLB-eligible children by year and province/territory

Calendar year	Province / Territory													Canada
	Alberta	British Columbia	Manitoba	New Brunswick	Newfoundland and Labrador	Northwest Territories	Nova Scotia	Nunavut	Ontario	Prince Edward Island	Quebec	Saskatchewan	Yukon	
2004	15,314	8,730	6,829	2,853	2,586	226	3,478	349	48,400	500	25,662	4,315	128	119,417
2005	26,833	24,370	12,742	5,034	4,933	477	10,828	738	103,240	1,081	53,123	8,700	271	252,469
2006	34,504	40,042	21,282	8,379	8,036	745	15,488	1,135	168,660	2,126	80,056	15,288	437	396,335
2007	45,727	56,435	26,509	11,268	7,175	958	17,654	1,538	218,874	2,969	116,505	19,030	568	525,419
2008	58,695	69,636	31,377	15,454	9,671	1,299	23,334	2,029	296,816	3,597	173,835	22,533	725	709,283
2009	87,034	99,942	39,311	19,653	11,095	1,695	31,561	2,670	392,572	4,963	223,698	27,517	973	942,683
2010	109,477	117,917	48,378	23,280	13,707	1,934	35,673	3,183	446,073	5,849	274,554	31,787	1,139	1,112,952
2011	115,180	131,070	57,592	27,381	14,205	2,162	40,856	3,580	518,702	6,110	314,838	35,216	1,277	1,268,169
2012	123,927	148,521	62,391	32,044	15,340	2,360	45,326	3,921	570,371	6,998	342,983	39,213	1,393	1,394,788
2013	133,015	149,020	66,784	34,648	15,530	2,511	45,546	4,265	636,760	7,091	373,741	42,175	1,478	1,512,565
2014	152,458	152,305	72,975	36,463	15,364	2,717	49,202	4,668	691,047	7,400	421,214	45,108	1,597	1,652,516
2015	175,001	169,144	77,785	41,051	17,220	2,906	52,991	5,132	737,820	7,918	459,279	49,142	1,738	1,797,127
2016	210,507	195,130	86,578	44,574	20,184	3,130	56,997	5,534	784,982	8,643	491,316	54,571	1,882	1,964,028
2017	213,971	194,757	92,413	45,269	20,796	3,211	59,644	5,709	811,440	9,037	522,307	59,380	1,936	2,039,872
2018	226,645	205,938	97,765	49,345	23,333	3,455	62,779	6,125	863,142	9,018	568,014	63,386	2,080	2,181,025
2019	236,691	217,765	103,325	52,425	24,839	3,659	66,091	6,487	917,446	9,260	603,362	66,514	2,203	2,310,069
2020	238,358	219,295	103,778	52,245	23,952	3,639	64,435	6,452	915,952	9,380	590,944	66,791	2,191	2,297,412
2021	239,764	217,033	104,067	51,267	23,432	3,640	63,608	6,453	917,009	9,413	592,574	67,455	2,192	2,297,905
2022	241,322	217,949	104,878	50,922	22,627	3,654	63,245	6,478	921,576	9,406	594,224	68,288	2,200	2,306,769
2023	242,896	219,428	105,273	49,663	21,837	3,660	63,019	6,490	924,792	9,448	593,413	68,845	2,204	2,310,967
2024	242,870	219,922	105,737	48,887	21,298	3,633	62,453	6,441	910,160	9,332	591,128	69,425	2,187	2,293,473
2025	241,095	219,539	105,203	48,587	20,857	3,613	61,392	6,405	908,257	9,281	585,907	68,666	2,175	2,280,979
2026	242,651	220,281	105,990	48,297	20,462	3,613	61,011	6,405	914,904	9,315	584,730	69,593	2,175	2,289,427
2027	244,363	221,298	106,812	48,048	20,348	3,577	60,969	6,453	922,408	9,350	583,756	70,494	2,175	2,300,051
2028	246,205	222,013	107,599	47,675	20,207	3,577	60,672	6,548	929,447	9,350	582,498	71,370	2,175	2,309,336
2029	248,124	222,563	108,350	47,509	19,953	3,541	60,545	6,548	936,987	9,350	581,037	72,271	2,175	2,318,953
2030	250,043	223,222	109,065	47,219	19,755	3,541	60,545	6,595	944,742	9,453	579,778	72,997	2,175	2,329,132

**Sources:** Simulation and projection by SRDC using Statistics Canada's SPSPD/M v28.0, Population Projection (Table 17-10-0057-01), and figures from ESDC's Canada Education Savings Program Annual Statistical Review from 2004-2019.  
**Note:** Sum of the estimated numbers for the provinces and territories may not match that of Canada due to rounding errors.



**Table 2** Estimated total number of potential first time CLB-eligible children by year and province/territory

Calendar year	Province / Territory													Canada
	Alberta	British Columbia	Manitoba	New Brunswick	Newfoundland and Labrador	Northwest Territories	Nova Scotia	Nunavut	Ontario	Prince Edward Island	Quebec	Saskatchewan	Yukon	
2004	15,314	8,730	6,829	2,853	2,586	226	3,478	349	48,400	500	25,662	4,315	128	119,417
2005	17,402	23,209	6,611	3,672	1,936	275	4,317	425	43,363	744	34,833	8,503	156	145,399
2006	23,134	22,800	9,734	3,905	2,736	349	4,966	521	68,250	796	41,705	8,245	215	187,356
2007	23,531	22,602	9,858	4,244	2,912	331	5,047	601	72,765	819	43,758	8,596	201	195,265
2008	25,064	24,502	10,633	4,415	3,031	386	5,500	551	76,945	839	46,540	8,965	174	207,545
2009	28,064	27,895	11,470	4,754	3,087	380	5,721	620	84,279	909	51,004	9,615	244	228,042
2010	29,839	28,849	11,771	4,461	2,993	357	5,836	725	92,593	960	54,653	9,611	239	242,887
2011	30,733	28,587	12,421	4,359	2,875	374	5,717	642	93,284	954	54,746	10,055	225	244,972
2012	31,320	27,569	12,536	4,353	2,483	382	5,469	649	89,980	822	51,837	9,829	224	237,453
2013	30,672	27,247	11,851	4,249	2,611	335	5,655	684	89,564	823	53,725	9,355	192	236,963
2014	29,604	26,215	12,696	4,350	2,476	350	5,124	668	87,817	925	52,897	9,510	204	232,836
2015	30,573	27,694	12,257	4,456	2,620	329	5,452	759	92,034	927	53,757	10,055	234	241,147
2016	36,546	30,096	14,519	5,255	2,807	371	6,377	665	100,354	1,139	59,019	12,509	237	269,894
2017	34,589	26,534	13,622	4,691	2,667	332	6,118	634	91,360	1,068	52,151	11,453	207	245,426
2018	37,703	29,261	13,519	5,271	2,383	379	6,634	782	105,508	1,095	57,300	10,949	262	271,046
2019	37,968	29,536	13,141	5,381	2,522	334	6,835	737	108,932	1,092	57,281	10,358	253	274,370
2020	38,236	29,743	13,199	5,363	2,432	332	6,664	733	108,755	1,106	56,102	10,401	252	272,867
2021	38,461	29,437	13,235	5,262	2,379	332	6,578	733	108,880	1,110	56,257	10,505	252	272,925
2022	38,711	29,561	13,339	5,227	2,297	334	6,541	736	109,422	1,109	56,413	10,634	253	273,978
2023	38,963	29,762	13,389	5,097	2,217	334	6,517	737	109,804	1,114	56,336	10,721	253	274,477
2024	38,959	29,829	13,448	5,018	2,162	332	6,459	732	108,067	1,100	56,120	10,811	251	272,399
2025	38,675	29,777	13,380	4,987	2,118	330	6,349	728	107,841	1,094	55,624	10,693	250	270,915
2026	38,924	29,877	13,480	4,957	2,078	330	6,310	728	108,630	1,099	55,512	10,837	250	271,918
2027	39,199	30,015	13,585	4,932	2,066	326	6,305	733	109,521	1,103	55,420	10,978	250	273,180
2028	39,494	30,112	13,685	4,893	2,052	326	6,275	744	110,357	1,103	55,300	11,114	250	274,283
2029	39,802	30,187	13,780	4,876	2,026	323	6,261	744	111,252	1,103	55,162	11,255	250	275,425
2030	40,110	30,276	13,871	4,847	2,006	323	6,261	749	112,173	1,115	55,042	11,368	250	276,634

Sources: Simulation and projection by SRDC using Statistics Canada's SPSD/M v28.0, Population Projection

(Table 17-10-0057-01), and figures from ESDC's Canada Education Savings Program Annual Statistical Review from 2004-2019.

Note: Sum of the estimated numbers for the provinces and territories may not match that of Canada due to rounding errors.

With the estimated total number of potential first-time CLB-eligible children and potential returning CLB-eligible children, it is possible to calculate the maximum amount of CLB payments the federal government could have to pay. Table 3 presents the estimated actual and potential CLB payments from 2004 to 2028, while Table 4 presents the cumulative potential CLB

payments to all CLB-eligible children. For Canada as a whole, the cumulative payment grows from 2019's 3.45 billion dollars to 2030's 7.19 billion dollars. Similar to the distribution of the population, 64 per cent of potential CLB payments goes towards Ontario and Quebec recipients by the year 2030.

**Table 3** Estimated annual potential CLB payments (in million dollars) by province/territory

Calendar year	Province / Territory													Canada
	Alberta	British Columbia	Manitoba	New Brunswick	Newfoundland and Labrador	Northwest Territories	Nova Scotia	Nunavut	Ontario	Prince Edward Island	Quebec	Saskatchewan	Yukon	
2004	7.657	4.365	3.415	1.426	1.293	0.113	1.739	0.174	24.200	0.250	12.831	2.157	0.064	59.708
2005	9.644	11.721	3.919	1.972	1.268	0.158	2.810	0.244	27.669	0.406	19.246	4.271	0.089	83.407
2006	12.704	13.124	6.022	2.400	1.898	0.214	3.535	0.322	44.166	0.531	24.688	4.827	0.130	114.576
2007	13.985	14.684	6.594	2.824	1.882	0.228	3.784	0.394	50.993	0.624	29.154	5.341	0.137	130.648
2008	15.895	16.764	7.391	3.311	2.180	0.284	4.533	0.423	60.460	0.695	35.999	5.839	0.142	153.946
2009	19.929	21.152	8.519	3.867	2.344	0.321	5.445	0.515	72.969	0.860	42.771	6.598	0.195	185.485
2010	22.883	23.331	9.546	4.112	2.568	0.336	5.902	0.608	81.644	0.969	49.317	7.023	0.210	208.450
2011	23.811	24.542	10.728	4.482	2.571	0.366	6.372	0.615	89.184	0.993	53.382	7.544	0.218	224.806
2012	24.921	25.880	11.254	4.946	2.527	0.389	6.720	0.652	93.029	1.029	55.033	7.853	0.229	234.460
2013	25.570	25.801	11.419	5.164	2.597	0.385	6.817	0.700	99.502	1.038	58.864	7.960	0.225	246.042
2014	27.087	25.717	12.376	5.386	2.527	0.412	6.970	0.734	104.231	1.110	63.280	8.315	0.241	258.386
2015	29.729	27.992	12.681	5.888	2.770	0.422	7.480	0.817	110.596	1.163	67.431	8.936	0.267	276.171
2016	35.669	31.551	14.465	6.559	3.141	0.461	8.251	0.819	118.640	1.320	72.739	10.461	0.283	304.360
2017	35.233	30.089	14.690	6.403	3.146	0.454	8.412	0.825	117.688	1.331	73.091	10.519	0.276	302.158
2018	37.746	32.298	15.184	7.043	3.286	0.497	8.932	0.925	128.517	1.340	79.721	10.718	0.313	326.521
2019	38.856	33.591	15.589	7.395	3.493	0.499	9.343	0.944	135.317	1.363	83.249	10.795	0.322	340.755
2020	39.130	33.827	15.657	7.370	3.368	0.497	9.109	0.938	135.097	1.380	81.535	10.840	0.320	338.888
2021	39.361	33.478	15.701	7.231	3.295	0.497	8.992	0.939	135.253	1.385	81.760	10.947	0.320	338.961
2022	39.617	33.619	15.823	7.183	3.182	0.499	8.941	0.942	135.927	1.384	81.988	11.082	0.321	340.268
2023	39.875	33.847	15.883	7.005	3.071	0.500	8.909	0.944	136.401	1.390	81.876	11.173	0.322	340.887
2024	39.871	33.924	15.953	6.896	2.995	0.496	8.829	0.937	134.243	1.373	81.561	11.267	0.319	338.307
2025	39.579	33.864	15.872	6.854	2.933	0.493	8.679	0.932	133.962	1.366	80.840	11.144	0.317	336.464
2026	39.835	33.979	15.991	6.813	2.877	0.493	8.625	0.932	134.942	1.371	80.678	11.294	0.317	337.710
2027	40.116	34.136	16.115	6.778	2.861	0.488	8.619	0.939	136.049	1.376	80.543	11.440	0.317	339.277
2028	40.418	34.246	16.234	6.725	2.841	0.488	8.577	0.952	137.088	1.376	80.370	11.583	0.317	340.647
2029	40.733	34.331	16.347	6.701	2.806	0.483	8.559	0.952	138.200	1.376	80.168	11.729	0.317	342.065
2030	41.048	34.433	16.455	6.661	2.778	0.483	8.559	0.959	139.343	1.391	79.995	11.847	0.317	343.567

Sources: Simulation and projection by SRDC using Statistics Canada's SPSPD/M v28.0, Population Projection (Table 17-10-0057-01), and figures from ESDC's Canada Education Savings Program Annual Statistical Review from 2004-2019.

Note: Sum of the estimated numbers for the provinces and territories may not match that of Canada due to rounding errors.

**Table 4** Estimated cumulative potential CLB payments (in million dollars) to all CLB-eligible children by year and province/territory

Calendar year	Province / Territory													Canada
	Alberta	British Columbia	Manitoba	New Brunswick	Newfoundland and Labrador	Northwest Territories	Nova Scotia	Nunavut	Ontario	Prince Edward Island	Quebec	Saskatchewan	Yukon	
2019	381.32	362.60	163.79	73.18	39.49	5.54	97.04	9.71	1,358.81	15.02	820.80	119.16	3.34	3,449.80
2020	420.45	396.43	179.45	80.55	42.86	6.04	106.15	10.65	1,493.90	16.40	902.33	130.00	3.66	3,788.69
2021	459.81	429.91	195.15	87.78	46.15	6.53	115.14	11.59	1,629.16	17.79	984.09	140.94	3.98	4,127.65
2022	499.43	463.53	210.97	94.96	49.34	7.03	124.08	12.53	1,765.08	19.17	1,066.08	152.03	4.30	4,467.92
2023	539.30	497.37	226.85	101.97	52.41	7.53	132.99	13.47	1,901.48	20.56	1,147.96	163.20	4.62	4,808.80
2024	579.17	531.30	242.81	108.86	55.40	8.03	141.82	14.41	2,035.73	21.93	1,229.52	174.47	4.94	5,147.11
2025	618.75	565.16	258.68	115.72	58.33	8.52	150.50	15.34	2,169.69	23.30	1,310.36	185.61	5.26	5,483.57
2026	658.59	599.14	274.67	122.53	61.21	9.01	159.13	16.27	2,304.63	24.67	1,391.03	196.90	5.58	5,821.28
2027	698.70	633.28	290.79	129.31	64.07	9.50	167.75	17.21	2,440.68	26.05	1,471.58	208.34	5.89	6,160.56
2028	739.12	667.52	307.02	136.03	66.91	9.99	176.32	18.16	2,577.77	27.42	1,551.95	219.93	6.21	6,501.21
2029	779.86	701.85	323.37	142.73	69.72	10.47	184.88	19.12	2,715.97	28.80	1,632.12	231.66	6.53	6,843.27
2030	820.90	736.29	339.82	149.40	72.50	10.96	193.44	20.08	2,855.31	30.19	1,712.11	243.50	6.85	7,186.84

**Sources:** The 2019 figures are adopted from the Canada Education Savings Program Annual Statistical Review 2019. The figures from 2020 to 2030 are estimations by SRDC.

**Note:** Sum of the estimated numbers for the provinces and territories may not match that of Canada due to rounding errors.

## POLICY ALTERNATIVES UNDER CONSIDERATION

### EXPAND ONTARIO'S NEWBORN REGISTRATION 5-IN-1 SERVICE BUNDLE NATIONWIDE

The Ontario-Canada partnership enables new parents to register via a single online form: the birth of their child; apply for a birth certificate; apply for a Social Insurance Number; apply for the Canada Child Benefit; and request a referral to a RESP promoter. While several provinces streamline the process for parents to acquire the necessary documents and identification to open a RESP for their child and establish eligibility for the CLB, Ontario is unique in offering the referral to a RESP promoter of the parents' choosing. One policy alternative under consideration is to expand the 5-in-1 bundle to all provinces and territories.

Preliminary evidence suggests that Ontario's referral to RESP had a substantial impact on enrolment. Before its introduction, the ratio between the number of first-time CLB beneficiaries and the number of CLB-eligible children in Ontario was 53.5 per cent, in 2017.<sup>4</sup> After its introduction in 2018, the ratio jumped to 65.3 per cent. The substantial increase by 11.8 percentage points in CLB enrolment is likely applicable to other jurisdictions adopting a similar approach.

It is forecast that there will be 291,000 to 294,000 newborn children per year in the rest of Canada outside Ontario, of which 77,000 to 78,000 would be eligible for CLB. If all jurisdictions outside Ontario implement the same newborn bundle in 2022 and the CLB enrolment increases by 11.8 percentage points permanently, the Federal Government will spend an additional \$4.6 million in CLB payments in 2022 and this number will gradually increase to \$8.1 million by 2028 (Table 5). Even though the number of CLB-eligible newborn children remains stable between 2022 and 2028, some of these children will be eligible again for CLB payments in subsequent years. Multiple year eligibility contributes to increasing CLB payments and this increase will only level off in 2038, 16 years after the newborn bundle's introduction.

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<sup>4</sup> The ratio between the number of first-time CLB beneficiaries and the number of first-time CLB-eligible children is not the participation rate of first-time CLB-eligible children. The CLB program could be retroactive. This ratio is used only as a proxy to understand policy impact.

**Table 5** Estimated increase in CLB payments (in millions of dollars) to RESP accounts by year and province/territory due to newborn referral

CLB payment year:	2022	2023	2024	2025	2026	2027	2028
Alberta	1.106	1.292	1.448	1.583	1.705	1.812	1.906
British Columbia	0.711	0.838	0.948	1.045	1.130	1.205	1.270
Manitoba	0.469	0.550	0.624	0.688	0.749	0.804	0.853
New Brunswick	0.134	0.156	0.175	0.192	0.208	0.222	0.234
Newfoundland and Labrador	0.047	0.053	0.059	0.063	0.067	0.072	0.075
Northwest Territories	0.012	0.015	0.017	0.018	0.020	0.021	0.023
Nova Scotia	0.228	0.267	0.301	0.315	0.340	0.363	0.382
Nunavut	0.022	0.026	0.029	0.032	0.035	0.038	0.040
Prince Edward Island	0.021	0.025	0.028	0.031	0.033	0.036	0.038
Quebec	1.574	1.835	2.052	2.243	2.436	2.610	2.766
Saskatchewan	0.261	0.302	0.340	0.372	0.404	0.432	0.457
Yukon	0.007	0.009	0.010	0.011	0.012	0.013	0.013
<i>Rest of Canada outside of Ontario</i>	<i>4.592</i>	<i>5.366</i>	<i>6.029</i>	<i>6.593</i>	<i>7.139</i>	<i>7.628</i>	<i>8.058</i>
<i>Ontario (counterfactual)</i>	<i>3.262</i>	<i>3.852</i>	<i>4.355</i>	<i>4.822</i>	<i>5.262</i>	<i>5.665</i>	<i>6.028</i>

**Sources:** Simulation and projection by SRDC using Statistics Canada's SPSD/M v28.0, Population Projection (Table 17-10-0057-01), and figures from ESDC's Canada Education Savings Program Annual Statistical Review from 2004-2019.

**Note:** Sum of the estimated numbers for the provinces and territories may not match that of Canada due to rounding errors.

Based on the projected number of newborn children in each of the years from 2022 to 2028, the cost of providing a free-of-charge birth certificate to support RESP applications amounts to \$13.3 to \$13.7 million per year (Table 6). Notice that birth certificate costs include payments for newborn children who are ineligible for CLB in the bundle, amounting to about \$10 million per year.

An alternative arrangement to lower the cost of providing birth certificates (to about \$3.7 million per year) is to provide a rebate of the birth certificate fee when the adjusted family income is below CLB's eligibility threshold instead of providing the certificate free-of-charge. It is, however, administratively complex meaning rebates do not generally align well with the idea

(that underlies the Newborn Registration 5-in-1 Service Bundle) of application process simplification.

**Table 6** Total costs of birth certificates if provided free-of-charge (in millions of dollars)

	Fee (\$)	2022	2023	2024	2025	2026	2027	2028
Alberta	20	1.150	1.154	1.159	1.169	1.177	1.185	1.194
British Columbia	27	1.667	1.672	1.671	1.668	1.674	1.681	1.687
Manitoba	30	0.742	0.747	0.751	0.755	0.760	0.766	0.772
New Brunswick	40	0.387	0.387	0.388	0.389	0.387	0.385	0.382
Newfoundland and Labrador	30	0.145	0.141	0.139	0.138	0.135	0.134	0.133
Northwest Territories	22	0.017	0.017	0.017	0.017	0.017	0.017	0.017
Nova Scotia	39	0.331	0.331	0.331	0.332	0.330	0.329	0.328
Nunavut	10	0.013	0.014	0.014	0.014	0.014	0.014	0.014
Ontario	25	4.723	4.776	4.830	4.886	4.922	4.962	5.000
Prince Edward Island	35	0.058	0.058	0.057	0.059	0.059	0.059	0.059
Quebec	33	3.416	3.431	3.440	3.441	3.434	3.428	3.421
Saskatchewan	40	0.663	0.666	0.668	0.673	0.683	0.691	0.700
Yukon	10	0.005	0.005	0.005	0.005	0.005	0.005	0.005
<i>Canada</i>		<i>13.318</i>	<i>13.399</i>	<i>13.471</i>	<i>13.544</i>	<i>13.594</i>	<i>13.657</i>	<i>13.711</i>

Sources: Simulation and projection by SRDC using Statistics Canada's SPSD/M v28.0 and Population Projection (Table 17-10-0057-01).

Note: Sum of the estimated numbers for the provinces and territories may not match that of Canada due to rounding errors.

SRDC requested specific information from the Ontario Government about the costs of setting up and operating its newborn bundle. Similar to government operations in other jurisdictions, the development of the required IT infrastructure was undertaken by the province “in house” – alongside other on-going IT developments – as part of digital government modernization. As a result, the development cost was an integral part of the internal IT budget making it impossible to identify the incremental costs of developing the platform. In terms of operations, Ontario and

Canada implemented an agreement concerning the exchange of data but the agreement's details, including its financial implications, were not released to SRDC in time for this report.

Since the 5-in-1 newborn bundle assists Canada in promoting the federal government's Canada Education Savings Program (CESP), it is reasonable to expect that the Federal Government's incremental program delivery cost for CESP will include transfers to Ontario to cover the portion of operational costs from the 5-in-1 newborn bundle that support promoting CESP. The summative evaluation of the CESP suggests that its delivery cost is about 1.0 per cent of CESP payments. Therefore, SRDC estimates that the 5-in-1 newborn bundle would add annually \$153,000 (in 2022) to \$1,210,000 (in 2028) to the delivery of the CESP (Table 7).

**Table 7** CESP's incremental delivery cost for additional RESP accounts by year and province/territory due to the 5-in-1 newborn bundle referral

	2022	2023	2024	2025	2026	2027	2028
Alberta	0.033	0.067	0.104	0.141	0.180	0.221	0.262
British Columbia	0.034	0.070	0.107	0.145	0.184	0.223	0.264
Manitoba	0.013	0.026	0.040	0.055	0.071	0.087	0.104
New Brunswick	0.004	0.009	0.014	0.019	0.024	0.029	0.034
Newfoundland and Labrador	0.002	0.004	0.006	0.008	0.010	0.012	0.015
Northwest Territories	0.000	0.001	0.001	0.002	0.002	0.003	0.003
Nova Scotia	0.005	0.011	0.017	0.023	0.029	0.036	0.042
Nunavut	0.001	0.002	0.003	0.004	0.005	0.006	0.007
Prince Edward Island	0.001	0.002	0.003	0.003	0.004	0.005	0.006
Quebec	0.051	0.105	0.160	0.218	0.277	0.339	0.401
Saskatchewan	0.009	0.018	0.027	0.037	0.048	0.058	0.069
Yukon	0.000	0.001	0.001	0.001	0.002	0.002	0.002
<i>Rest of Canada outside of Ontario</i>	<i>0.153</i>	<i>0.314</i>	<i>0.482</i>	<i>0.656</i>	<i>0.836</i>	<i>1.021</i>	<i>1.210</i>

**Sources:** Simulation and projection by SRDC using Statistics Canada's SPSP/M v28.0, Population Projection (Table 17-10-0057-01), and figures from ESDC's Canada Education Savings Program Annual Statistical Review from 2004-2019.

**Note:** Sum of the estimated numbers for the provinces and territories may not match that of Canada due to rounding errors.

In general, less than half of the cost of expanding the 5-in-1 bundle is represented by CLB funds transferring into CLB-eligible children's RESP accounts in the first seven years. The costs of administration and the birth certificates are substantial components of the service bundle's delivery cost. The service bundle will benefit all families with newborn children regardless of their eligibility for the CLB or what their intention to open a RESP account would have been in the absence of the service bundle.

## DISBURSING CANADA LEARNING BOND FUNDS THROUGH THE CANADA STUDENT LOANS PROGRAM

The first cohort of CLB-eligible youth are set to graduate high school in 2022. For those who have not had a RESP account opened in their name, Momentum has proposed changes to the application process for Canada Student Grants and Loans to include a screen for CLB eligibility and then to distribute amounts equivalent to CLB entitlements accordingly. The federal government, in coordination with the provinces and territories, already has infrastructure in place to transfer funding directly to verified PSE institutions and programs on behalf of eligible students. The process helps promote PSE enrolment (and thus the CLB payout) among students from low-income families as awareness of the additional financial resources grows over time. If parents realize that they or others have lost or significantly hindered the interest-earning potential from depositing funds into a RESP the consequence may be increased opening of RESP accounts.

It is assumed that the implementation of this new policy starts in fall 2022. It is also assumed that opening a RESP remains the *primary* option for accessing the CLB.

To calculate the potential cost (to the federal government) and benefits (to CLB-eligible PSE-aged youth in each province or territory) from 2021 to 2028, several assumptions have been made:

1. SRDC assumes that all PSE attending youth will withdraw all available CLB funds in the calendar year in which they reach the age of 18. According to Hango (2011), a majority of PSE enrolment happen within the first 15 months of high school graduation (at the age of 17/18) and only a few start PSE after 28 months from graduation. Assuming withdrawal at the age of 18 likely overstates the actual payouts in the first two years because there will be delayed withdrawals. SRDC predicts the discrepancy will be smaller in subsequent years as earlier cohorts' delayed withdrawals will be largely completed and only a smaller number of eligible students from later cohorts would delay their withdrawals.
2. SRDC assumes that the proportion of CLB funds deposited into RESP accounts for a cohort is the same for all children within the province/territory (regardless of the cohort) for the year when each cohort reaches the age of 15.



3. SRDC assumes that the proportion of CLB funds deposited into RESP accounts for each year grow at a diminishing annual provincial/territorial rate, from the level recorded in 2019-2020 through to zero by 2029-2030. This is reflecting the expected increase in RESP take-up rate as parents realize the loss of interest-earning potential.
4. Frenette (2017) found that the PSE enrolment rates of 19-year-old youth increased by family income quintile: 47.1 per cent, 57.2 per cent, 64.9 per cent, 71.2 per cent, and 78.7 per cent. SRDC assumes that those CLB-eligible youth without a RESP account will have family income in the first two quintiles while those with a RESP account have family income in the fourth quintile, i.e., those CLB-eligible youth without a RESP account *would have* attended PSE at the rate of 52.15 per cent (average of 47.1 per cent + 57.2 per cent) while those with a RESP account *would have* attended PSE at the rate of 71.2 per cent.
5. SRDC also assumes that the availability of the CLB fund to CLB-eligible youth without a RESP account has the effect of *increasing* PSE enrolment from 52.15 per cent to the level estimated by Frenette (2017) for students in the middle quintile of PSE enrolment: 64.9 per cent. The 12.75 percentage point increase is likely the upper bound of the policy's impact based on evidence from SRDC's Future to Discover project (which promised lower-income students in grade 9 a grant of \$8,000) (Hui & Ford, 2018).
6. Given that the distribution of the CLB fund through Canada Student Loan Program is mechanically similar to the income tested Canada Student Grant, SRDC expects that the changes involved in the application and assessment process will be integrated within annual adjustments to the Canada Student Loan Program system. The marginal cost of the one-time development and implementation costs would be effectively zero.
7. The 2019 CSLP Actuarial Report shows that the administrative expenditure on CSLP is about \$8.34 for every \$100 of student related expenses (grants and loans). It is assumed that distributing CLB funds through the CSLP program involves similar application and verification handling from CRA and CSLP as if it were part of the existing CSLP grants and loans, so it incurs the same amount of administrative expenses proportional to the CLB fund distributed.

We found that the first seven birth cohorts of children eligible for CLB comprises 287,483 (for the 2010 cohort) to 351,590 people (for the 2004 cohort) (o). Some of these children have already received CLB benefits in their RESP account. The distribution of CLB funds through the Canada Student Loan Program could potentially benefit those without a RESP account

(approximately 141,000 for the 2004 cohort, 137,000 for the 2007 cohort and 144,000 for the 2010 cohort).<sup>5</sup>

The amounts of potential CLB payments for each year from 2022 to 2028, assuming all CLB-eligible children from each cohort enroll in a PSE program and withdraw their entitled CLB fund, are presented in Table 9. The amounts of potential CLB payments are presented as the absolute maximum the federal government would spend even though some would not make use of the CLB funds they would be eligible to use. The federal government has already deposited CLB funds into the RESP accounts of the corresponding cohorts, and this varies from \$143.7 million for the 2004 birth cohort to \$175.7 million for the 2010 birth cohort. On the other hand, the estimated maximum liabilities to be paid through CSLP decrease from \$213.7 million in 2022 for the 2004 birth cohort to \$175.7 million in 2028 for the 2010 birth cohort. The actual payouts will depend on the PSE enrolment of CLB-eligible children in these cohorts.

Using SRDC assumptions for PSE enrolment, the estimated CLB payments to PSE students from 2022 to 2028 are presented in Table 10. SRDC estimates that the likely payments to RESP accounts increase from \$102.3 million in 2022 for the 2004 birth cohort to \$125.1 million in 2028 for the 2010 birth cohort. On the other hand, the estimated direct payments through CSLP decreases from \$138.7 million in 2022 for the 2004 birth cohort, to \$114.0 million in 2028 for the 2010 birth cohort. These disbursements through CSLP represent the additional costs incurred to the federal government while the breakdowns by province and territories represents the benefits received by the eligible students.

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<sup>5</sup> Since the published CLB take up rate statistics are not broken down by birth cohort, it is difficult to estimate the potential number of CLB-eligible children who had no RESP account. Approximate numbers are estimated according to the payout rates.

**Table 8** Total number of CLB-eligible children by birth cohort / payment year

Birth cohort:	2004	2005	2006	2007	2008	2009	2010
CLB payment year:	2022	2023	2024	2025	2026	2027	2028
Alberta	40,986	40,012	36,913	36,540	36,254	39,615	39,153
British Columbia	44,953	43,940	38,913	36,862	35,287	33,819	32,440
Manitoba	16,930	16,012	15,365	14,445	13,727	14,250	14,057
New Brunswick	7,428	6,983	6,375	5,879	5,776	5,611	5,723
Newfoundland and Labrador	6,218	5,863	5,766	4,252	3,896	3,568	3,206
Northwest Territories	579	529	475	441	417	414	398
Nova Scotia	8,220	7,315	6,981	6,555	6,622	6,492	6,510
Nunavut	996	942	871	821	803	810	791
Ontario	123,838	116,837	113,062	109,925	108,454	110,743	107,941
Prince Edward Island	1,508	1,384	1,231	1,193	1,189	1,186	1,141
Quebec	83,754	78,360	70,214	66,129	64,531	63,837	63,384
Saskatchewan	15,834	15,412	14,256	13,046	12,176	12,606	12,429
Yukon	347	326	296	279	272	272	266
<i>Canada</i>	<i>351,590</i>	<i>333,916</i>	<i>310,718</i>	<i>296,368</i>	<i>289,404</i>	<i>293,224</i>	<i>287,438</i>

**Sources:** Simulation and projection by SRDC using Statistics Canada's SPSPD/M v28.0, Population Projection (Table 17-10-0057-01), and figures from ESDC's Canada Education Savings Program Annual Statistical Review from 2004-2019.

**Note:** Sum of the estimated numbers for the provinces and territories may not match that of Canada due to rounding errors.

**Table 9** Estimated potential CLB payments (in million dollars) earmarked for 2004 to 2011, by province/territory – with RESP account growth

Birth cohort:	2004	2005	2006	2007	2008	2009	2010
CLB payment year:	2022	2023	2024	2025	2026	2027	2028
<b>Deposits to RESPs</b>							
Alberta	14.316	15.239	15.831	17.033	18.191	19.999	20.376
British Columbia	20.653	21.695	21.576	22.133	22.724	22.974	23.137
Manitoba	5.079	5.283	5.509	5.646	5.811	6.172	6.318
New Brunswick	2.465	2.652	2.777	2.863	2.987	3.095	3.215
Newfoundland and Labrador	1.540	1.545	1.603	1.426	1.418	1.398	1.340
Northwest Territories	0.080	0.092	0.101	0.110	0.119	0.127	0.132
Nova Scotia	2.642	2.878	3.203	3.418	3.746	3.938	4.128
Nunavut	0.021	0.024	0.027	0.029	0.032	0.034	0.036
Ontario	53.006	55.167	57.857	60.225	62.678	64.990	65.803
Prince Edward Island	0.413	0.429	0.426	0.445	0.463	0.482	0.470
Quebec	39.502	40.557	40.974	42.062	43.598	44.897	45.703
Saskatchewan	3.744	3.952	4.019	4.024	4.112	4.376	4.461
Yukon	0.094	0.101	0.106	0.111	0.117	0.123	0.126
<i>Canada</i>	<i>143.734</i>	<i>149.732</i>	<i>154.385</i>	<i>159.777</i>	<i>166.255</i>	<i>172.996</i>	<i>175.660</i>
<b>Potential payments through CSLP</b>							
Alberta	20.657	19.806	18.749	18.586	18.480	19.110	18.501
British Columbia	19.088	18.012	16.249	15.269	14.501	13.698	13.025
Manitoba	11.128	10.634	10.294	9.890	9.630	9.757	9.607
New Brunswick	5.822	5.503	5.156	4.829	4.642	4.487	4.404
Newfoundland and Labrador	4.023	3.754	3.655	3.075	2.917	2.763	2.562
Northwest Territories	0.526	0.494	0.466	0.446	0.433	0.425	0.411

Birth cohort:	2004	2005	2006	2007	2008	2009	2010
CLB payment year:	2022	2023	2024	2025	2026	2027	2028
Nova Scotia	7.171	6.484	6.170	5.765	5.644	5.398	5.235
Nunavut	0.995	0.977	0.956	0.944	0.948	0.956	0.947
Ontario	82.197	78.612	76.485	74.527	73.236	72.307	70.289
Prince Edward Island	1.101	1.064	0.992	0.981	0.973	0.974	0.921
Quebec	52.294	49.682	46.833	45.217	44.425	43.697	42.813
Saskatchewan	8.607	8.373	7.927	7.460	7.225	7.350	7.219
Yukon	0.264	0.250	0.235	0.225	0.220	0.216	0.209
<i>Canada</i>	<i>213.694</i>	<i>203.525</i>	<i>193.788</i>	<i>186.963</i>	<i>183.016</i>	<i>180.748</i>	<i>175.726</i>

Sources: Simulation and projection by SRDC using Statistics Canada's SPSP/M v28.0, Population Projection (Table 17-10-0057-01), and figures from ESDC's Canada Education Savings Program Annual Statistical Review from 2004-2019.

Note: Sum of the estimated numbers for the provinces and territories may not match that of Canada due to rounding errors.

**Table 10** Estimated CLB withdrawn amounts by PSE students (in million dollars) for 2022 to 2028, by province/territory – with RESP account growth

Birth cohort:	2004	2005	2006	2007	2008	2009	2010
CLB payment year:	2022	2023	2024	2025	2026	2027	2028
<b>Withdrawn from RESP</b>							
Alberta	10.193	10.850	11.271	12.128	12.952	14.239	14.507
British Columbia	14.705	15.447	15.362	15.759	16.180	16.358	16.473
Manitoba	3.616	3.762	3.922	4.020	4.138	4.394	4.498
New Brunswick	1.755	1.888	1.977	2.038	2.127	2.203	2.289
Newfoundland and Labrador	1.096	1.100	1.141	1.015	1.010	0.996	0.954
Northwest Territories	0.057	0.065	0.072	0.079	0.085	0.091	0.094
Nova Scotia	1.881	2.049	2.280	2.434	2.667	2.804	2.939
Nunavut	0.015	0.017	0.019	0.021	0.023	0.024	0.025

Birth cohort:	2004	2005	2006	2007	2008	2009	2010
CLB payment year:	2022	2023	2024	2025	2026	2027	2028
Ontario	37.741	39.279	41.194	42.880	44.627	46.273	46.852
Prince Edward Island	0.294	0.306	0.303	0.317	0.329	0.343	0.335
Quebec	28.125	28.876	29.174	29.948	31.042	31.967	32.541
Saskatchewan	2.666	2.814	2.861	2.865	2.927	3.116	3.176
Yukon	0.067	0.072	0.075	0.079	0.084	0.088	0.090
<i>Canada</i>	<i>102.338</i>	<i>106.609</i>	<i>109.922</i>	<i>113.761</i>	<i>118.374</i>	<i>123.173</i>	<i>125.070</i>
<b>Disbursed through CSLP</b>							
Alberta	13.406	12.854	12.168	12.062	11.994	12.403	12.007
British Columbia	12.388	11.690	10.546	9.909	9.411	8.890	8.453
Manitoba	7.222	6.902	6.681	6.419	6.250	6.332	6.235
New Brunswick	3.779	3.572	3.346	3.134	3.013	2.912	2.858
Newfoundland and Labrador	2.611	2.436	2.372	1.996	1.893	1.793	1.663
Northwest Territories	0.341	0.321	0.302	0.290	0.281	0.276	0.267
Nova Scotia	4.654	4.208	4.004	3.742	3.663	3.504	3.398
Nunavut	0.646	0.634	0.620	0.613	0.615	0.621	0.615
Ontario	53.346	51.019	49.638	48.368	47.530	46.927	45.618
Prince Edward Island	0.715	0.690	0.644	0.636	0.632	0.632	0.597
Quebec	33.938	32.244	30.395	29.346	28.832	28.359	27.785
Saskatchewan	5.586	5.434	5.145	4.842	4.689	4.770	4.685
Yukon	0.171	0.162	0.153	0.146	0.143	0.140	0.136
<i>Canada</i>	<i>138.687</i>	<i>132.088</i>	<i>125.768</i>	<i>121.339</i>	<i>118.777</i>	<i>117.305</i>	<i>114.046</i>

Sources: Simulation and projection by SRDC using Statistics Canada's SPSD/M v28.0, Population Projection (Table 17-10-0057-01), and figures from ESDC's Canada Education Savings Program Annual Statistical Review from 2004-2019.

Note: Sum of the estimated numbers for the provinces and territories may not match that of Canada due to rounding errors.

Based on the assumed administrative efficiency of CSLP, SRDC estimates the associated administrative expenses to around one million dollars a year (Table 11). In total, it will cost the Federal Government \$115.0 to \$139.8 million per year extra for this policy alternative. Relative to the yearly deposit of CLB funds to the RESP accounts (e.g., the estimated deposit is \$156.8 million in 2022 and \$174.8 million in 2028), the increase in yearly expenses ranges from 97.3 per cent for 2022 to 65.5 per cent for 2028. Taking into consideration the assumed potential 12.75 percentage point increase in PSE enrolment, it may cost the Federal Government about \$3,100 to \$3,200 to induce each additional PSE enrolment.<sup>6</sup>

**Table 11** Estimated administrative expenses (\$)

Processing year:	2022	2023	2024	2025	2026	2027	2028
Administrative expenses	1,157,024	1,101,967	1,049,245	1,012,291	990,919	978,641	951,449

Sources: Simulation and projection by SRDC using Statistics Canada's SPSD/M v28.0, Population Projection (Table 17-10-0057-01), and figures from ESDC's Canada Education Savings Program Annual Statistical Review from 2004-2019.

Note: Sum of the estimated numbers for the provinces and territories may not match that of Canada due to rounding errors.

Given relatively low administrative expenses, most of the incremental cost for this policy alternative is the CLB funds transferred to eligible postsecondary students. The cost stream from the first seven years is also steadily decreasing from \$139.8 million given increasing RESP take-up.

## ESTABLISHING A NEW CANADA EDUCATION & TRAINING ACCOUNT

Momentum is interested in establishing a new Canada Education & Training Account (CETA), building on the Canada Learning Bond Account proposal from Dr. Jennifer Robson, which she outlined in her 2016 discussion paper for ESDC, *Enhancing Access to the Canada Learning Bond*. In particular, the federal government (through the Canada Revenue Agency) could open and maintain a CETA within the Public Accounts for all children eligible for the Canada Learning Bond that have not had a RESP account opened in their name. The implementation of this new CETA involves the following program parameters [taken from p. 33-37 of Robson (2016)]:

- Parents can continue to apply for benefits to be deposited into an eligible RESP account.

<sup>6</sup> The per enrolment cost is highly sensitive to the estimate of the impact of the policy on PSE enrolment.

- Starting January 1, 2022, newly eligible children whose parents do not apply for the benefit to be transferred into a RESP after two years (continuous or not) will have a CETA opened and maintained for them by the Government of Canada.
- Transitional rules would also apply to children with at least one year of CLB eligibility in a defined period before the start date for the revised program. For example, if this program were to be implemented effective January 1, 2022, the transitional rule might apply to children with any CLB eligibility during the last four benefit years.
- At anytime before a CLB beneficiary's 21st birthday a parent – or from age 18 the beneficiary themselves – may apply to transfer their CLB balance into a RESP.
- The Government of Canada would continue to deposit funds into the Government CETA account for the eligible child in each year that the child was deemed eligible for subsequent CLB payments, based on the Canada Child Benefit. Application for the Canada Child Benefit would be deemed to represent consent for the Government to evaluate eligibility for the CLB.
- Balances in individual CLB accounts would be communicated annually to families through the annual notice of assessment for child benefits.
- Funds would be paid out in one of two ways:
  - A parent or adult beneficiary can apply to transfer their CLB balance into a RESP; or
  - Money would be paid out through an integrated application process with Canada Student Loans and Canada Study Grants.
- In the circumstances where a CLB fund is not withdrawn into a RESP or paid directly as part of federal student aid, money will revert to the Consolidated Revenue Fund.

To calculate the potential cost (to the federal government) and benefits (to CLB-eligible PSE-aged youth in each province or territory) from year 2022 to 2028, SRDC made the following assumptions:

1. Since the earliest CLB birth cohort from 2004 would reach age 24 in 2028, SRDC assumes that no CLB fund as yet would have to revert to the Consolidated Revenue Fund.
2. SRDC assumes the CRA would set aside the funding for CETA if the CLB benefit is not deposited into a RESP. The two-year observation period for opening CETA is assumed to have no effect on the financial operation of the CETA account, for simplicity.



3. SRDC assumes that the proportions of CLB funds deposited into RESP accounts for each year grow at a diminishing annual provincial/territorial rate, from the level recorded in 2019-2020 to zero per cent by 2029-2030.
4. SRDC assumes that the proportions of CLB funds deposited into RESP accounts for each of the transitional years (2018 to 2021) would be the same as the cumulative participation rate up to the respective year.
5. For simplicity, SRDC assumes that all RESP accounts are opened on or before the first year of CLB eligibility and all RESP account holders would apply for the CLB benefit deposited into the RESP whenever eligible.
6. Given that the operation of the CETA through CRA is very similar to the Canada Child Benefit and RESP, it is expected that changes to CRA's system can be integrated within typical annual adjustments. The marginal cost of the one-time development and implementation would be effectively zero for CRA.
7. Given that the distribution of the CLB fund through Canada Student Loan Program is mechanically similar to the income-tested Canada Student Grant, SRDC expects that changes involved in the application and assessment process are integrated into annual adjustments to the Canada Student Loan Program system. The marginal cost of the one-time development and implementation would be effectively zero for CSLP.
8. To encourage educational savings through the RESP, CLB funds deposited into the CETA would generate no interest or investment return to the recipients. For simplicity, it is assumed holding the fund does not cost or benefit the government.
9. There is a common perception that CRA is highly efficient in processing taxes and benefits and it is the reason why CRA was chosen to handle the Canada Emergency Response Benefit (CERB) rather than the more costly Employment Insurance program. It is, however, very difficult to pinpoint the administrative cost efficiency of a CETA program operated by CRA accompanied by distribution through CSLP. As a conservative assumption, SRDC assumes that CETA will operate with the same administrative efficiency as if it were the CSLP program, and it incurs the same amount of administrative expenses proportional to the CLB funds deposited into CETA (at \$8.34 for every \$100 benefit).

Based on these working assumptions, Table 12 presents the estimated total number of CETA Beneficiaries by year and province or territory. The transitional years include approximately 1.82 million beneficiaries. For each year afterwards, the number of people receiving CETA deposits ranges from 1.24 million in 2022 to 1.11 million in 2028. For the whole period from the

transition to 2028, it is estimated that a total of 2,788,608 children would receive CLB funds deposited into their CETA account for years up to 2028.<sup>7</sup>

**Table 12** Total number of CETA beneficiaries

CLB payment year:	Transitional	2022	2023	2024	2025	2026	2027	2028
Alberta	204,539	125,921	122,406	118,676	114,734	112,999	111,926	111,514
British Columbia	144,737	88,974	85,477	82,147	79,074	76,989	75,572	74,631
Manitoba	95,400	66,767	65,653	64,768	63,467	63,156	63,053	63,118
New Brunswick	46,850	31,969	30,217	28,934	28,084	27,382	26,842	26,369
Newfoundland and Labrador	22,421	15,459	14,693	14,141	13,694	13,313	13,149	12,998
Northwest Territories	3,928	2,929	2,871	2,796	2,736	2,701	2,647	2,630
Nova Scotia	62,209	39,704	37,880	36,111	34,327	33,183	32,463	31,842
Nunavut	8,170	6,283	6,279	6,218	6,173	6,164	6,203	6,290
Ontario	734,412	509,695	498,316	479,332	469,099	465,093	463,283	463,040
Prince Edward Island	9,046	6,470	6,403	6,243	6,142	6,111	6,093	6,066
Quebec	427,963	307,850	299,492	291,560	283,386	278,347	274,536	271,718
Saskatchewan	66,537	44,359	43,877	43,516	42,440	42,525	42,705	42,986
Yukon	2,123	1,472	1,436	1,393	1,358	1,336	1,320	1,309
<i>Canada</i>	<i>1,824,501</i>	<i>1,243,816</i>	<i>1,210,932</i>	<i>1,171,867</i>	<i>1,140,703</i>	<i>1,125,031</i>	<i>1,115,260</i>	<i>1,109,727</i>

Sources: Simulation and projection by SRDC using Statistics Canada's SPSD/M v28.0, Population Projection (Table 17-10-0057-01), and figures from ESDC's Canada Education Savings Program Annual Statistical Review from 2004-2019.

Note: Sum of the estimated numbers from the provinces and territories may not match that of Canada due to rounding errors.

Table 13 shows that the costs to the Federal Government include a transitional lump-sum of \$1,263.3 million for the transitional CLB funds for the years 2018-2021 to start the program. After the start, the Federal Government would fund the CETA account with a total of

<sup>7</sup> Even though each year has over 1 million CETA beneficiaries from 2022 to 2028, many of the beneficiaries would receive CLB fund deposited into their CETA account for multiple years.

\$183.5 million in 2022, and gradually decrease the CETA funding year by year to \$163.7 million by 2028.

**Table 13** Estimated CLB payments and CETA deposits (in millions of dollars) from 2022 to 2028, by province/territory – with RESP account growth

CLB payment year:	Transitional	2022	2023	2024	2025	2026	2027	2028
<b>Deposit to RESP accounts</b>								
Alberta		18.945	19.780	20.388	20.744	21.284	21.741	22.111
British Columbia		19.895	20.662	21.252	21.667	22.103	22.479	22.734
Manitoba		5.750	5.978	6.181	6.297	6.462	6.602	6.711
New Brunswick		2.673	2.743	2.815	2.892	2.950	2.991	3.005
Newfoundland and Labrador		1.008	1.005	1.006	1.007	1.005	1.012	1.014
Northwest Territories		0.099	0.108	0.114	0.120	0.125	0.127	0.129
Nova Scotia		3.328	3.554	3.724	3.826	3.934	4.030	4.076
Nunavut		0.028	0.031	0.032	0.034	0.035	0.036	0.038
Ontario		60.750	62.902	63.544	64.773	66.344	67.718	68.792
Prince Edward Island		0.432	0.448	0.455	0.462	0.472	0.479	0.483
Quebec		39.512	40.554	41.333	41.740	42.273	42.665	42.880
Saskatchewan		3.883	4.052	4.205	4.256	4.393	4.510	4.606
Yukon		0.106	0.112	0.116	0.119	0.122	0.125	0.126
<i>Canada</i>		<i>156.795</i>	<i>162.265</i>	<i>165.446</i>	<i>168.200</i>	<i>171.758</i>	<i>174.767</i>	<i>176.953</i>
<b>Deposit to CETA</b>								
Alberta	136.232	20.672	20.095	19.482	18.835	18.550	18.374	18.307
British Columbia	98.067	13.725	13.185	12.671	12.197	11.876	11.657	11.512
Manitoba	65.861	10.073	9.905	9.772	9.575	9.528	9.513	9.523
New Brunswick	32.884	4.509	4.262	4.081	3.961	3.862	3.786	3.720
Newfoundland and Labrador	15.813	2.174	2.066	1.988	1.926	1.872	1.849	1.828

CLB payment year:	Transitional	2022	2023	2024	2025	2026	2027	2028
Northwest Territories	2.803	0.400	0.392	0.382	0.374	0.369	0.361	0.359
Nova Scotia	43.190	5.613	5.355	5.105	4.853	4.691	4.589	4.501
Nunavut	5.763	0.914	0.913	0.904	0.898	0.897	0.902	0.915
Ontario	509.802	75.177	73.498	70.698	69.189	68.598	68.331	68.295
Prince Edward Island	6.287	0.952	0.942	0.919	0.904	0.899	0.897	0.893
Quebec	303.142	42.476	41.322	40.228	39.100	38.405	37.879	37.490
Saskatchewan	44.792	7.199	7.121	7.062	6.888	6.901	6.931	6.976
Yukon	1.477	0.215	0.210	0.203	0.198	0.195	0.193	0.191
<i>Canada</i>	<i>1,263.308</i>	<i>183.474</i>	<i>178.623</i>	<i>172.860</i>	<i>168.263</i>	<i>165.952</i>	<i>164.510</i>	<i>163.694</i>

Sources: Simulation and projection by SRDC using Statistics Canada's SPSP/M v28.0, Population Projection (Table 17-10-0057-01), and figures from ESDC's Canada Education Savings Program Annual Statistical Review from 2004-2019.

Note: Sum of the estimated numbers from the provinces and territories may not match that of Canada due to rounding errors.

Finally, the estimated administrative expenses of CETA amount to \$10.54 million for the transitional years and \$1.53 to \$1.37 million per year from 2022 to 2028 (Table 14). Combined with the deposit to CETA, the CETA will cost the federal government \$1,273.8 million for the transitional years at first, and then the cost will decrease from \$185.0 million for the year 2022 to \$165.1 million for the year 2028. Relative to the yearly deposit of CLB funds to RESP accounts (e.g., the estimated deposit is \$156.8 million in 2023 and \$174.8 million in 2028), the increase in yearly expenses ranges from 111.0 per cent for 2023 to 93.3 per cent for 2028. The increase for 2022 is 930.4 per cent because of the transitional deposit to CETA for the non-participating CLB-eligible children in the years 2018-2021.

**Table 14** Estimated administrative expenses of CETA

Processing year:	Transitional	2022	2023	2024	2025	2026	2027	2028
Administrative expenses	10,539,362	1,530,660	1,490,192	1,442,118	1,403,767	1,384,481	1,372,456	1,365,647

Sources: Simulation and projection by SRDC using Statistics Canada's SPSP/M v28.0, Population Projection (Table 17-10-0057-01), and figures from ESDC's Canada Education Savings Program Annual Statistical Review from 2004-2019.

Note: Sum of the estimated numbers from the provinces and territories may not match that of Canada due to rounding errors.

Compared to the above policy alternatives of distributing CLB funds through CSLP, the CETA involves a slightly higher yet decreasing stream of costs from 2022 to 2028. The major difference is the immediate transfer of the \$1,273.8 million transitional fund for CLB-eligible children from 2018-2021 to public accounts. The more costly program, however, comes with the advantage that CETA serves as an individual development account. The balance in each child's CETA or RESP is likely to have an anchoring effect (Frenette & Ford, 2012) that promotes participation in postsecondary education.

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## APPENDIX A: SIMULATING CLB ELIGIBILITY FROM 2004 TO 2030

SRDC simulated CLB eligibility of families with children born after January 1, 2004 using Statistics Canada's SPSPD/M to generate annual microdata files representing Canadians from 2014 through 2030. Since CLB payments affect only the taxable income of recipients when they withdraw from the RESP account for their postsecondary education, it is not part of the SPSPD/M default Black Box model. However, CLB eligibility can be readily calculated from the SPSPD/M microdata. SRDC used the following SPSPD/M simulation configurations:

- Common to all years simulated by SPSPD/M:
  - Sample restricted to Census Family with children born after January 1, 2004 and not older than 15 years.
  - Household weight provided by the SPSPD/M is used to calculate the number of children eligible for CLB.
  - The simulations cover only populations in the ten provinces. To impute the eligible numbers in Northwest Territories, Nunavut, and Yukon, the research team assumed that the ratios resident in these three territories to the rest of Canada were the same as the corresponding ratios calculated using published statistics of the cumulative eligible population for years 2005 to 2019. For 2004, the team used the ratios from 2005. For 2020 onwards, the team used the average ratios of 2018 and 2019 and projected forward.
- For years 2004-2015:
  - CLB eligibility of the family is identified by the non-zero amount of the National Child Benefit Supplement.
  - The calculation of National Child Benefit Supplement was undertaken separately for January–June and July–December because of the change in income thresholds.
- For year 2016:
  - The eligibility was estimated simulating the National Child Benefit Supplement using the 2015 parameters.

- For year 2017:
  - The eligibility of January–June was estimated by simulating the National Child Benefit Supplement using the 2015 parameters.
  - The eligibility of July–December was estimated by comparing the adjusted family income to the policy threshold according to the number of children aged 15 or under.
    - Adjusted family income was calculated as the sum of net income (Line 150) and total benefits received under the Federal Universal Child Care Benefit program by the head of the family and the spouse (if present).
  - Previous year income is discounted by the SPSD/M provided deflator.
- For years 2018-2025:
  - The eligibility is estimated by comparing adjusted family income to the policy thresholds given the number of children aged 15 or under.
    - Adjusted family income is calculated as the sum of net income (Line 150) and total benefits received under the Federal Universal Child Care Benefit program by the head of the family and the spouse (if present).
  - Previous two-year income (for the first half of the year) or the previous year (for the second half of the year) is discounted by the SPSD/M provided deflator.
  - Income thresholds for 2021 to 2025 were increased by the projected inflation factor provided by the SPSD/M.

## ADJUSTMENTS TO SPSD/M SIMULATED FIGURES TO ALIGN WITH PUBLISHED STATISTICS

The simulated CLB population from SPSD/M is only 56.7 per cent to 76.1 per cent of the annual CLB-eligible population in previously published statistics. Such discrepancy is expected with any simulation because of systematic differences in assumptions and in the population-representative database. Consistent differences throughout the years can be re-aligned by proportional multiplication using a constant factor. This is applied for years 2009 to 2013 where the simulated CLB population represented consistently around 77 per cent of the published statistics. However, close examination suggested that the published annual eligible population might be inaccurate for the earlier years. In particular, the published statistics on the eligible



population for each of year 2005 and 2006 alone imply it is larger than the published statistics on the *cumulative* eligible population of the same year, which is impossible. In order to bring the simulated eligible CLB population closer to the published statistics for Canada, four ad hoc adjustments and data imputations were made:

- It is assumed that the *distributions* of simulated CLB eligibility *across* provinces and ages are accurate and the simulation under-estimated the population consistently.
- For each of years 2009 through 2013, it is assumed that the published annual number of CLB-eligible children is accurate. The SPSD/M simulated numbers are increased proportionally to the actual published number of CLB-eligible children in the year.
- For years 2004 to 2008, it is assumed the published annual number of CLB-eligible children is inaccurate. The SPSD/M simulated numbers are multiplied by the average ratio between the published number of CLB-eligible children and SPSD/M simulated number of CLB-eligible children in years 2009 to 2013 (the ratio used is 1.30202405).
- For 2014 onwards, the SPSD/M simulated numbers are increased proportionate to the 2013 ratio (1.30512269).

## PROJECTION OF POPULATION FROM 2026 TO 2030

SPSD/M does not include data and model parameters for simulation after year 2025. Since the simulation results from 2004 to 2025 show steady numbers of cases meeting eligibility criteria, the research team assumed the distribution of the population of children eligible for CLB payments from 2026 to 2030 would be similar to that of 2025. SRDC also assumed the same provincial growth rate as for the population of children aged 0 to 15. Statistics Canada provides multiple population growth projection scenarios from 2020 to years beyond 2030 in Table 17-10-0057-01. The research team found that the population growth scenario M4 was closest to the population growth used in the SPSD/M for the years 2020-2025. The annual provincial growth rates for children aged 0 to 15 from M4 were used to calculate the CLB-eligible populations for 2026-2030 based on the simulated population from 2025.

## CALCULATION OF THE NUMBER OF FIRST-TIME CLB-ELIGIBLE CHILDREN

The government published the cumulative number of CLB-eligible children by province from 2005 to 2019. The difference between each year's figure and the immediate previous year's figure indicates the number of the first-time CLB-eligible children. With the simulated 2004

figures for CLB-eligible children, the research team was able to calculate the total CLB payments including first time CLB-eligible children receiving \$500 and for previously eligible children receiving \$100 for each year from 2004 to 2019.

The percentage of CLB-eligible children who were eligible for the first time \$500 payment was expected to be steady from year 2019 onwards if the incidence rate of first-time low income and birth rates remained steady. Given the assumed steady percentage of first-time eligibility, SRDC calculated the total CLB payments for each year from 2020 to 2030.

## CALCULATION OF THE CUMULATIVE CLB PAYMENTS TO CLB-ELIGIBLE CHILDREN WITH AND WITHOUT RESP ACCOUNTS

SRDC used the yearly estimated numbers of CLB-eligible children and the numbers of first-time CLB-eligible children to calculate the annual potential CLB payments ignoring the presence of RESP accounts. Then the annual numbers were used to calculate the cumulative potential CLB payments to all CLB-eligible children. With the ESDC published figures on actual cumulative CLB payments to CLB beneficiaries, the research team estimated the latest payout rates to RESP accounts by province and territory using 2019 cumulative payments.

Because the participation rates in CLB have been steadily increasing in the recent years, it is likely that the payout rates would also be steadily increasing in the coming years, although there is no information on whether and when the payout rates would level off. A working assumption for participation rates from 2020 onwards is adopted in each of the three policy alternative scenarios under consideration.

## VARIATION: EFFECTS OF COVID-19 PANDEMIC

The simulation and projection of CLB eligibility assumes that the Canadian economy and society evolve gradually according to recent years' trends without substantial disruption. The COVID-19 pandemic has had a substantial impact on the employment income of many Canadians in 2020 and likely the first part of 2021. Even with the quick introduction of various temporary government benefits, it was inevitable that more Canadian families than usual experienced low income in 2020 and possibly 2021. Indirectly, the numbers of children eligible for CLB payments would be expected to increase in 2020 and 2021 because of the pandemic. As a result, it is to be expected that our simulation and projection underestimate the number of CLB-eligible children for 2020 and 2021.

Unfortunately, it is very difficult to estimate the number of CLB-eligible children during the pandemic given the constantly changing severity of the pandemic, the variation in lockdown

measures that affect incomes, and the introduction and revisions of various pandemic income support measures. It is also unknown whether the pandemic will introduce a structural change in the economy that (semi)permanently displaces a group of workers. Economic modelling simulation and projection rely on stable evolution of the economy. There is no reliable economic modelling that could project the disruptive effects of a (hopefully) once-in-a-lifetime pandemic.

With that said, calculations based on the limited information from 2020 may shed light on the extent of the pandemic's impacts. The Version 3 COVID-19 update to the SPSD/M v28.0 includes comprehensive adjustments to the simulation database for the economy and government support benefits up to July 2020. With the conservative assumption that those who lost their jobs at the beginning of the pandemic and who had not returned to work by July 2020 had permanently lost their jobs for the remainder of 2020, SRDC re-calculated the number of CLB-eligible children. It is found that the COVID-19 pandemic could have the effect of increasing the number of CLB-eligible children by 19.2 per cent in Canada (12.8 per cent in New Brunswick and 56.0 per cent in Newfoundland and Labrador). However, it is unknown how many of the increase in the number of CLB-eligible children would be the first time CLB-eligible children. If all of the additional children made CLB-eligible because of COVID-19 were first time eligible, the potential CLB payments would increase by 65.1 per cent in Canada (ranging from 45.2 per cent in New Brunswick to 199 per cent in Newfoundland and Labrador).

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