

# Cost Estimate of Election Campaign Proposal

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Short title: Eliminating Registered Education Saving Plan (RESP)

Description: The elimination of the RESP program implies the phasing out of two complementary measures: the Canada Education Savings Grant (CESG) and the Canada Learning Bond. The elimination of the program will affect new applicants as of September 2020. All existing participants will no longer receive CESGs but continue to defer taxes until the close-out of the savings account.

Operating line(s): Personal income tax revenues and transfer payments

Data sources:	<u>Variable</u>	<u>Source</u>
	Administrative Costs	Public Accounts <a href="https://open.canada.ca/data/en/dataset/9c4bcc95-bd73-4476-b86f-03553d489a45">https://open.canada.ca/data/en/dataset/9c4bcc95-bd73-4476-b86f-03553d489a45</a> Departmental Results Report-DRR (various years)
	Canada Education Saving Grants and Learning Bonds	Canada Education Savings Program 2017 Annual Statistical Review and <a href="https://open.canada.ca/data/en/dataset?portal_type=dataset&amp;q=cesp">https://open.canada.ca/data/en/dataset?portal_type=dataset&amp;q=cesp</a>

Estimation and projection method: Public Accounts and Departmental Results Report (DRR) data were used to estimate the administrative costs associated with RESP. Specifically, operating costs from Public Accounts and Full-Time Equivalents (FTE) from DRR were used to allocate costs related to RESP, inflated to account for future increases in wages. Historical trends in grant expenses were used to project potential savings from the elimination of the program.

The tax expenditure is calculated as the difference between tax revenue forgone from the non-taxation of investment income earned on RESP assets, and the taxes paid on RESP withdrawals. A marginal tax rate of 29% was applied to contributors' investment income to reflect associated contributors' withdrawal penalties, while a marginal rate of 15% was used for beneficiaries' withdrawals. Historical contribution and withdrawal amounts were used to generate an investment profile that best illustrates current RESP asset values.

Behavioural changes were not incorporated in the cost estimate and a slower initial savings profile for administrative costs was assumed.

Uncertainty  
assessment:

The estimate has moderate uncertainty. Depending on the phase-out period for RESP, savings related to administrative costs may not be realized as projected. There is also uncertainty arising from potential changes to savings behaviour.

### Cost of proposed measure

\$ millions	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Total cost	-	-665	-1,392	-1,478	-1,554	-1,632	-1,711	-1,792	-1,874	-1,958

### Supplementary information

\$ millions	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Administrative Costs	-	-	-11	-22	-22	-23	-23	-24	-24	-25
Grants (CESG, CLB)	-	-643	-1,336	-1,386	-1,436	-1,486	-1,535	-1,585	-1,635	-1,685
Tax Expenditure	-	-22	-45	-70	-96	-123	-152	-183	-215	-248

#### Notes:

Estimates are presented on an accruals basis as would appear in the budget and public accounts.

Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance. The program is assumed to take effect in 2020.

"-" = PBO does not expect a financial cost