

Cost Estimate of Election Campaign Proposal

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Short title: Increasing federal spending on early education and childcare

Description: This policy entails increasing federal spending by \$1 billion annually until public spending on early childhood education and care (ECEC) reaches a benchmark of 1% of GDP.

This benchmark level of public spending applies to children aged 0-6 years. 'Public' here refers to both federal and provincial levels of government.

As directed by the requestor, PBO establishes a baseline level of ECEC spending that includes only total Canada Child Benefit transfer amounts for families with children aged 0-6 and total provincial budget allocations for regulated childcare. This baseline therefore explicitly excludes provincial and federal transfers toward ECEC through the taxation system (deductions and credits) or spending on ECEC through provincial education systems.

Operating line(s): Children's benefits.

Data sources:	Canada Child Benefit: Total Transfers to Families with Children aged 0-6	SPSD/M 27.1, Statistics Canada
	Total Provincial Budget Allocations for Regulated Childcare	Friendly et. al., 2018, Early Childhood Education and Care in Canada - 2016, Table 13, Childcare Resource and Research Unit
	Nominal GDP Projections	PBO EPC Baseline
	Consumer Price Index (CPI)	PBO EPC Baseline

Estimation and projection method: The proposed policy aims to increase spending on ECEC each year in increments of \$1 billion until total public spending reaches a benchmark of 1% of GDP. It was assumed that the profile of total public spending on ECEC was made up of two elements: the Canada Child Benefit and provincial allocations for regulated childcare.

PBO calculated the proportion of the Canada Child Benefit accruing to families with children aged 0-6 years on a per-child basis using SPSP/M. Projections for the Canada Child Benefit were based on the relevant growth rate assumptions in SPSP/M.¹

¹ This analysis is based, in part, on Statistics Canada's Social Policy Simulation Database and Model (SPSP/M). The assumptions and calculations underlying the SPSP/M simulation results were prepared by the Office of the Parliamentary Budget Officer (PBO) and the responsibility for the use and interpretation of these data is entirely that of the PBO.

Provincial budgetary allocations for regulated childcare were obtained from the report titled “Early Childhood Education and Care in Canada – 2016” published by the Childcare Resource and Research Unit. Projections for provincial allocations for regulated childcare were based on demographic projections by Statistics Canada for persons aged 0-6 and PBO inflation forecasts.

Current spending on ECEC was found to be below the 1% benchmark. Taking into account the baseline projection for spending on ECEC, the spending profile proposed in this measure would not reach the 1% benchmark within a 10-year horizon.

Uncertainty
assessment:

The estimate has moderate uncertainty. The calculation of current spending on ECEC is sensitive to the selection of transfers, expenditures and tax deductions. Projections for nominal GDP growth and inflation (the CPI) are highly sensitive to the economic outlook. Demographic projections are equally sensitive to a variety of factors, such as birth, death and immigration rates.

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	-	1,000	2,000	3,000	4,000	5,000	6,000	7,000	8,000	9,000

Supplementary information

	Description	Operating line	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	2028- 2029
Total spend	CCB		10,628	10,926	11,138	11,431	11,708	11,942	12,154	12,397	12,645	12,898
	Provincial allocations		5,030	5,174	5,337	5,516	5,712	5,924	6,136	6,340	6,536	6,724
	Proposed spend		-	1,000	2,000	3,000	4,000	5,000	6,000	7,000	8,000	9,000
Gap between total spend and 1% of GDP			7,411	6,832	6,371	5,809	5,284	4,822	4,419	4,023	3,660	3,333

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.

"-" = PBO does not expect a financial cost