

# Cost Estimate of Election Campaign Proposal

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Short title: Increasing the Canada Social Transfer (CST)

Description: This policy would increase the rate of growth in the Canada Social Transfer (CST) in order to eventually restore it to the same percentage of nominal GDP as it would have been prior to federal reductions to health and social transfers in 1996.

To reach this benchmark, the rate of growth in the CST would increase to 6% on an annual basis. Once the benchmark is reached, the growth rate would follow increases in nominal GDP with a minimum annual growth rate of 3%.

Operating line(s): Canada Social Transfer

Data sources:	<u>Variable</u>	<u>Source</u>
	CST amounts and forecast	PBO EPC baseline
	Nominal GDP amounts and forecast	PBO EPC baseline
	Legacy Canada Health and Social Transfer (CHST) amounts	Fiscal Reference Tables, Finance Canada, Government of Canada
	CST percentage of legacy CHST	The Canada Social Transfer: Past, Present and Future Considerations, Library of Parliament

Estimation and projection method: This estimate first required a benchmark to reflect funding levels prior to the 1996 establishment of the CHST. When introduced, the CHST replaced three categories of transfers: the Canada Assistance Plan, transfers for education support, and transfers for insurance and medical care. These categories were summed to represent pre-1996 CHST funding levels. The CST portion of this sum was assumed to be 38%, reflecting the percentage of the amount of the CST at the time of its decoupling from the CHST in 2004. This amount was then divided by nominal GDP in the 1995-1996 fiscal year to establish a CST benchmark as a percentage of nominal GDP.

The proposed increase in the CST was calculated by increasing the 2019-2020 CST amount by 6% annually until it reached the pre-1996 CST benchmark, then increasing by nominal GDP with a minimum 3% growth rate.

The incremental fiscal cost was calculated as the difference between the projection with the proposed increases in CST and the PBO baseline CST projection.

Uncertainty assessment: The estimate has moderate uncertainty. Nominal GDP forecasts and projected CST baseline amounts are sensitive to the economic outlook.

### 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	-	437	915	1,433	1,997	2,610	3,275	3,993	4,248	4,414

#### 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