

# Cost estimate of Election Campaign Proposal

Publication date: 2019-09-29

Short title: Post-secondary education measures

Description: Modifying the Canada Student Loans Program (CSLP) to:

- Increase Canada Student Grants (CSG) by 40% or up to \$1,200 more per year, increasing the current maximum annual amount from \$3,000 to \$4,200;
- Increase current Repayment Assistance Plan (RAP) zero payment threshold from \$25,000 to \$35,000 for single borrowers (family size of one). Similar increases to the current RAP zero payment thresholds are also made across all family sizes;
- Increase the current interest free non-repayment period from 6-months to 24-months to students with outstanding federal loan balances in repayment; and
- Provide students borrowers with outstanding federal balances in repayment, and with children four years old and younger, an interest free non-repayment period until their youngest child reaches the age of five.

These proposed measures will start in the 2020-21 loan year.

Operating line(s): Transfer payments, Personal income tax

Data sources:	<u>Variable</u>	<u>Source</u>
	CSLP revenue and expenses	PBO's Student Financial Assistance model
	CSG and Canada Student Loan disbursements	Needs Assessment Report System database, Canada Student Loans Program, Employment and Social Development Canada
	Federal portion of RAP affordable payments	Repayment Assistance Plan database, Canada Student Loans Program, Employment and Social Development Canada
	Historical and projected RAP principle and interest payments, RAP utilization rates	Actuarial Report on the Canada Student Loans Program, Office of the Chief Actuary
	First year RAP uptake rate	Canada Student Loans Program Statistical Review, 2016-2017, Employment and Social Development Canada
	Income distribution of graduates	2013 National Graduates Survey, Statistics Canada

Student loan interest paid and demographic statistics	SPSD/M <sup>1</sup> (version 27.1)
Student Loan Tax Credit	Report on Federal Tax Expenditures - Concepts, Estimates and Evaluations 2019, Finance Canada

Estimation and projection method:

PBO's Student Financial Assistance model was used to estimate and project CSLP net expenses under current policy parameters and the impact of each proposed measure. Historical loan values attributed to student movements through the different periods of a loan lifecycle determined any change in value of outstanding federal student loans. For more information on PBO's internal model, see PBO report "[Projecting the Revenues and Expenses of Canada Student Loans Program](#)".

CSLP administration data was used to estimate the impact of increasing CSG by up to 40% and increasing the current RAP zero payment threshold from \$25,000 to \$35,000. SPSPD/M was used to estimate the percentage of federal loan balances in repayment and children four years old and younger.

Additional months of non-repayment were added to PBO's Student Financial Assistance model to measure the impact of measures changing the non-repayment period. The current repayment length of 114 months (or 9.5 years) did not change.

The resulting impact to the Student Loan Tax Credit was also estimated.

Uncertainty assessment:

The cost estimate has moderate uncertainty. The universe of CSLP administration data is available to determine historical costs and the model is a top-down approach. However, some proposed changes require assumptions using other data sources. There are small annual variations in student support expenditures, but the value of student support provided is influenced by the labour market and the broader economy.

Some historical results are available to anticipate a behavioral response to some proposed changes. A behavioural response is not anticipated for the measure that provides an interest free non-repayment period to student borrowers with federal student loan balances in repayment and with children four years old and younger.

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<sup>1</sup> This analysis is based, in part, on Statistics Canada's Social Policy Simulation Database and Model (SPSD/M). The assumptions and calculations underlying the SPSPD/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.

### 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	-	172	780	951	1,030	1,168	1,234	1,270	1,305	1,310

### Supplementary information

\$ millions	Description	Operating line	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Cost of proposal	Post-secondary education measures	Transfer Payment	0	182	796	968	1,048	1,188	1,256	1,292	1,328	1,333
	Student Interest Tax Credit	Personal income tax	0	-10	-16	-17	-18	-20	-22	-22	-23	-23
Total net cost			0	172	780	951	1,030	1,168	1,234	1,270	1,305	1,310

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