

Cost estimate

Publication date: 2019-04-30

Short title: Making Canada Student Loans More Accessible

Description: Revising Canada Student Loans Program (CSLP) rules and restrictions to improve Program accessibility for students. The proposed changes include:

- Increase the cap on the Canada Student Grant for Services and Equipment for Students with Permanent Disabilities (CSG-PDSE) from \$8,000 to \$20,000 per year, starting in 2019-20;
- Expand eligibility for the Severe Permanent Disability Benefit (SPDB) so that more student borrowers with severe permanent disabilities can qualify for loan forgiveness, starting in 2019-20;
- Make it easier for student borrowers who are out of study for at least five years and using the Repayment Assistance Plan for Borrowers with a Permanent Disability (RAP-PD), to receive additional loans and grants, starting in 2020-21;
- Expand access to loan rehabilitation for student borrowers who have defaulted on their student loan, to regain access to student financial assistance, starting in 2019-20;
- Provide interest-free and payment-free leave in six-month stackable periods, for a maximum of 18 months, for borrowers taking temporary leave from their studies for medical or parental reasons, including mental health leave, starting in 2020-21;

In addition, increasing compensation to provinces and territories for their costs stemming from these proposed changes by \$20.0 million over five years starting in 2019-20, and after that, \$4.0 million per year ongoing.

Operating line(s): Transfer payments

Data sources:	<u>Variable</u>	<u>Source</u>
	CSLP grants, loans, loans forgiven and outstanding loan amounts	PBO student financial assistance model
	CSLP administrative and survey data, as well as program documentation	Employment and Social Development Canada and the Office of the Chief Actuary
	Demographic, employment and income profiles of Canadians with disabilities aged 15 years and over	Statistics Canada, Canadian Survey on Disability, 2017
	Postsecondary education student transition rates and reasons for leaving	Academic literature

Estimation and projection method: Each proposed change was estimated separately. Projected eligible student borrowers were based on projected expenditures for the student financial support and the type of student borrowers identified. Increases or decreases in student financial support was estimated by applying average amounts to projected eligible student borrowers. Historical student

movements through the different periods of a loan lifecycle determined any change in value of outstanding loans.

The PBO student financial assistance model estimated CSLP net expense under the current policy parameters and the impacts from each proposed policy changes. The difference between the two estimates is the cost of a proposed change to CSLP.

Uncertainty assessment:

The cost estimate has high uncertainty. The universe of CSL 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 empirical literature is available to anticipate a behavioral response to some proposals. For others, a behavioral response is not included as no empirical literature is available which may inform the estimate of the net costs.

Cost of proposed measure

\$ millions	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Total cost	-	-1	2	4	4	4

Supplementary information

\$ millions	Description	Operating line	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Cost	Increasing the cap on CSG-PDSE	Transfer payments	-	4	6	6	6	6
	Expanding eligibility for SPDB	Transfer payments	-	0	small	small	small	small
	Easing access to loans and grants for student borrowers out of study for at least five years and using RAP-PD	Transfer payments	-	0	3	5	5	5
	Expanding access to loan rehabilitation	Transfer payments	-	6	8	7	6	5
	Providing interest-free and payment-free leave	Transfer payments	-	0	1	2	4	5
	Compensating provinces and territories	Transfer payments	-	4	4	4	4	4
Projected Savings	Easing access to loans and grants for student borrowers out of study for at least five years and using RAP-PD	Transfer payments	-	0	-1	-1	-1	-1
	Expanding access to loan rehabilitation	Transfer payments	-	-15	-19	-19	-20	-21
Total net cost			-	-1	2	4	4	4

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.

Small = cost smaller than \$500,000

"-" = PBO does not expect a financial cost