

Cost Estimate of Election Campaign Proposal

Publication date: 2019-09-29

Short title: Citizenship fees elimination

Description: Eliminating the processing and right of citizenship fees for new citizenship applicants.

Operating line(s): Other revenues

Data sources:	<u>Variable</u>	<u>Source</u>
	Permanent residents (PRs) (past)	Statistics Canada
	PRs (future)	2018 Annual Report to Parliament on Immigration
	Rate at which eligible PRs became citizens	Immigration, Refugees and Citizenship Canada (IRCC) requested data
	Adults : minors new citizen ratio	IRCC requested data
	Rate of grant applications not granted or closed	IRCC requested data

Estimation and projection method: PBO determined the number of new citizens by multiplying historical data on new permanent residents (PRs) by the rate at which eligible PRs became citizens in 2011-12, the year in which residency requirements, application fees, and processing times are the most similar to those of the projected period. We split new citizens into adults and minors using a 10-year average ratio (i.e., 79% adult), and adjusted the number of citizens by the rate of grant applications not granted or closed (i.e., 2%) to determine the number of applications. PBO projected total applications as a function of future PRs, which were based on IRCC projections through 2021 and on 2021 levels (i.e., 350,000 PRs/year) thereafter.

PBO multiplied annual adult and minor applications by the relevant processing fees (adults, \$530; minors, \$100) and grant of citizenship fees (adults, \$100; minors, \$0) to determine total foregone revenues.

Uncertainty assessment: The estimate has moderate uncertainty. Historical data are of a high quality, however, projected data are uncertain, as future new PRs may differ from projected 2021 levels and future naturalization rates may differ from those observed in 2011-12. The substantial volatility in citizenship applications observed from year to year also introduces uncertainty, as eligible permanent residents are sensitive to changes in regulatory requirements and fees. PBO expects three primary behavioural responses: first, eligible PRs who previously could not afford the fees and deferred applying may now apply; second, PRs who would have otherwise applied between the dates of the policy's announcement and implementation may defer until the fees are eliminated; and third, lower fees may induce a longer-term structural increase in the

naturalization rate. The first two responses were not possible to model and may result in higher costs in the early years of the projection. The third is roughly accounted for by applying naturalization rates of the 2011-12 citizenship cohort. PBO was not able to model changes in administrative costs.

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	-	75	101	105	110	115	118	120	121	122

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

The campaign proposal takes effect 1 July 2020.