

Legislative Costing Note

Announcement date: 2020-04-22 (Canada's COVID-19 Economic Response Plan)

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Short title: Temporary changes to the Canada Student Loans Program in loan year 2020-21

Description: A series of temporary changes to the Canada Student Loans Program (CSLP) that are in effect for one loan year, 2020-21¹:

- Doubling of maximum Canada Student Grant (CSG) amounts for full-time students and part-time students, as well as for students with permanent disabilities and students with dependents;
- Suspending student and spousal contributions; and
- Raising the maximum weekly Canada Student Loan (CSL) amount from \$210 per week to \$350 per week.

Data sources:	<u>Variable</u>	<u>Source</u>
	Value of CSG, CSL issued; CSLP revenues and expenses	PBO's Student Financial Assistance Model
	Number of recipients and value of each type of CSG issued	Employment and Social Development Canada, Canada Student Loans Program – Statistical Review 2016–2017
	Impact of loan limit on CSL issued	Office of the Chief Actuary, Actuarial Report on the Canadas Student Loans Program as at 31 July 2017
	Forecast of Unemployment Rate	PBO's Scenario Analysis Update: COVID-19 Pandemic and Oil Price Shocks (April 30, 2020)
	Unemployment Rate of 15 years old and over and 15 to 24 years old	Statistics Canada. Table 14-10-0020-01 Unemployment rate, participation rate and employment rate by educational attainment, annual
	Propensity to enrol in post-secondary education	Alessandrini, D. (2018). "Is Post-Secondary Education a Safe Port and for Whom? Evidence from Canadian Data." Economics of Education Review 67, 1-13

¹ The Canada Student Loans Program operates on a loan year from August 1 to July 31 of the following year.

Estimation and projection method:

PBO's Student Financial Assistance Model was used to estimate the value of CSG, CSL issued, the net expense for CSLP under current policy parameters as well as the impact of these temporary measures. Historical loan values attributed to student movements through different periods of a loan lifecycle determined the change in the value of outstanding federal student loans. For more information on PBO's model, see PBO report "Projecting the Revenues and Expenses of Canada Student Loans Program".

Doubling of maximum CSG amounts: The impact of doubling maximum CSG amounts was forecasted using the composition of CSG issued in loan year 2016-17, the design of relevant CSG programs and the distribution of CSG recipients in 2016-17 based on income. This change results in an increase in forecasted CSG issued. An increase in CSG issued decreases CSL issued.

Suspending student and spousal contributions: Student and spousal contributions to be removed from student resources calculations were forecasted using the distribution of students from low-income and middle-income families. A reduction in student and spousal contribution increases CSL issued and expands eligibility for CSLP.

Raising the maximum weekly loan limit: The Office of the Chief Actuary sensitivity analysis was used to forecast the impact of increasing the weekly loan limit on CSL issued capped at total assessed need. An increase in the weekly loan limit leads to an increase in CSL issued.

The number of students in CSLP was estimated based on the expected future enrolment in post-secondary education. PBO used its projections of the unemployment rate and the empirical evidence in the existing literature about the impact of unemployment on PSE enrollment to forecast the number of additional enrolment and the number of students in CSLP. An increase in the number of students in CSLP increases CSG and CSL issued.

The resulting impact on the non-refundable Student Loan Interest Credit was estimated accordingly.

Aggregate Results:

PBO estimates total net cost of this measure to be \$1.4 billion in fiscal year 2020-21. This includes \$259 million in additional compensation to Quebec, the Northwest Territories, and Nunavut.

PBO does not expect a financial cost in federal tax expenditures for the Student Loan Interest Credit in fiscal year 2020-21.

The time horizon for this costing is aligned to PBO's current Economic and Fiscal Scenario, although there may be potential fiscal impacts for subsequent years².

Source of Uncertainty:

The universe of CSLP administration data is available to determine historical costs and the model is a top-down approach. However, there are variations in CSLP expenditures as these changes require assumptions using other external data

² The estimated cost of the set of changes to the Canada Student Loans Program in loan year 2020-21 is \$2.1 billion. The Canada Student Loans Program operates on a loan year from August 1 to July 31 of the following year. As a result, loan year program costs overlap two fiscal years. To adjust a loan year to a fiscal year, 2/3 of the total program costs for a loan year are allocated to that fiscal year, the remaining 1/3 to the subsequent fiscal year. Thus, the PBO has allocated 2/3 of the cost of the expansion to 2020-21 fiscal year (or \$1.4 billion).

sources. In addition, the interaction of these three changes is difficult to anticipate. The value of student support provided is sensitive to the assumed economic outlook as the decision to enrol in post-secondary education is influenced by the labour market and the broader economy. Uncertainty is inherent in the forecasted number of people who decide to enrol in PSE and require support through CSLP. The distribution of students in post-secondary education and CSLP could be different from what was estimated.

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Cost of proposed measure

\$ millions	2019-2020	2020-2021
Total cost	-	\$1,414

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