

Legislative Costing Note

This is an independent cost estimate of a budgetary measure contained in the federal government's Fall Economic Statement 2020 (FES 2020). A list of the PBO's cost estimates of components of the FES 2020 can be viewed on [its website](#).

Publication Date:	2021-01-14	
Short Title:	Elimination of interest on Canada Student Loans	
Description:	Removing interest charges on the repayment of the federal portion of Canada Student Loans (CSL) and on Canada Apprentice Loans (CAL) for the fiscal year 2021-22.	
Data Sources:	Variable	Source
	CSL and CAL interest revenue and program expense Student Loan Interest Credit	PBO student financial assistance model Department of Finance Canada, Report on Federal Tax Expenditures - Concepts, Estimates and Evaluations 2020.
Estimation and Projection Method:	PBO's Student Financial Assistance Model was used to calculate and project net expense for CSL and CAL under the current policy as well as the impact of this temporary measure. Historical loan values attributed to students in each period of a loan lifecycle determined the change in the value of outstanding federal student loans. The impact to the non-refundable Student Loan Interest Credit was estimated accordingly.	
Sources of Uncertainty:	The estimate has moderate uncertainty. The universe of Canada Student Loans Program administration data is available to determine historical costs and the model is a top-down approach. However, loan repayment behaviour exhibits a certain degree of randomness. The value of outstanding CSL and CAL is influenced by the labour market and the broader economy. No behavioural response is considered in this cost estimate.	
Prepared by:	Robert Behrend <robert.behrend@parl.gc.ca>	

Cost of proposed measure

\$ millions	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Total cost	-	315	-5	-	-	-

Supplementary information

\$ millions		2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Cost	Elimination of interest on Canada Student Loans	-	324	-	-	-	-
Cost recovery	Reduction in interest paid available for Student Loan Interest Credit	-	-10	-5	-	-	-
Total cost after recovery		-	315	-5	-	-	-

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.