

Legislative Costing Note

Announcement date:	2020-04-22	
Publication date:	2020-06-09	
Short title:	Canada Emergency Student Benefit (CESB)	
Description:	<p>Providing \$1,250 per month for eligible students or \$2,000 per month for eligible students with dependents or a disability from May to August 2020.</p> <p>Canada Emergency Student Benefit (CESB) is a taxable benefit that would provide support to students and new graduates who are not eligible for the Canada Emergency Response Benefit or Employment Insurance or who are unable to work due to COVID-19. Students who earn less than \$1,000 in a 4-week period are also eligible for the CESB.</p> <p>Students are defined as Canadian citizens or permanent residents in Canada enrolled in a post-secondary educational program that leads to a degree, diploma or certificate, at any time between December 1, 2019, and August 31, 2020. In addition, secondary school graduates this year that applied for or plan to enroll in programs that will begin before February 1, 2021, are eligible.</p>	
Data sources:	<u>Variable</u>	<u>Source</u>
	Demographic data	Statistics Canada's Labour Force Survey Canadian University Survey Consortium Statistics Canada's Postsecondary Student Information System Education at a Glance, OECD Statistics Canada's Elementary–Secondary Education Survey
	Labour force statistics	Statistics Canada's April Labour Force Survey
	Labour force projections	PBO Economic Scenario Analysis (April 30, 2020)
	Income projections	SPSD/M 28.0 ¹

¹ This analysis is based 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.

Estimation and projection method:

PBO combines demographic and labour force projections based on the April 2020 labour market to estimate the pool of applicants to the CESB. Students eligible for CERB were excluded from the estimate. The projection assumes the availability of some summer jobs for students and that the unemployment rate remains stable at the April 2020 level. It also assumes that if a student leaves a job due to sickness or other reasons another student will fill that position, leaving aggregate employment unchanged.

Since the program is a taxable benefit, the average effective federal tax rate for individuals was applied to the total amount of payments to recipients to calculate the tax revenue to the government from the program.

Aggregate Results:

PBO estimates total net cost of this measure to be \$5.9 billion in 2020-21 reaching approximately 1.1 million unique recipients. This includes an estimated cost of \$6.0 billion for the benefit and an estimated cost recovery of \$163 million for 2020 tax revenues. No additional administrative costs are anticipated.

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 years.

Source of Uncertainty:

While the data and modelling method used in this estimate is of high quality, the estimate is highly sensitive to the assumed economic outlook and the probability of contracting COVID-19. PBO will update the model's assumptions as more data on the economic outlook and spread of the virus in Canada becomes available. It is anticipated that all students enrolled in or graduated from a post-secondary education program and not eligible for other benefits will apply for CESB.

Prepared by:

Robert Behrend and Tessa Devakos

Cost of proposed measure

\$ millions	2019-2020	2020-2021
Total cost	-	5,886
Gross Cost	-	6,049
Cost recovery (Personal Income Tax Paid on Measure)	-	163

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