

Legislative Costing Note

This is an independent cost estimate of a budgetary measure contained in the federal government's Budget 2021. A list of the PBO's cost estimates of components of the Budget can be viewed on [its website](#).

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Short Title: Modifications to federal financial assistance supports for students and recent graduates

Description: Modifying federal student financial assistance, including support under the Canada Student Loans Program (CSLP).¹

- Providing student debt relief during the repayment of Canada Student Loans (CSL) and Canada Apprentice Loans (CAL) by:
 - Setting interest rates to zero, for the 2022-23 fiscal year; and
 - Expanding the Repayment Assistance Plan (RAP) eligibility thresholds and levels of support starting in the 2022-23 loan year.²
- Doubling the respective amounts of Canada Student Grant for full-time students (CSG-FT) up to \$6,000 and part-time students (CSG-PT) up to \$3,600, as well as for students with permanent disabilities (CSG-PD) up to \$4,000 and students with dependents (CSG-FTDEP and CSG-PTDEP) up to \$3,200 and \$3,820 for 2021-22 and 2022-23 loan years.
- Expanding CSLP disability supports to include students whose disabilities are persistent or prolonged, but not necessarily permanent, starting in 2022-23 loan year.
- Extending support for adults who return to school full-time by:
 - Continuing the temporary \$1,600 adult learner top-up to the full-time CSG in 2021-22 and 2022-23 loan years.
 - Making permanent the flexibility allowing all CSLP applicants the choice of using current year income or previous year income to determine eligibility for CSG starting in the 2021-22 loan year.

Data Sources:	Variable	Source
	CSLP and CAL revenues and expenses	PBO Student Financial Assistance Model
	Administrative data for impact simulations	Employment and Social Development Canada Information Request IR0597 ³
	Number of persons with disability in school, by severity, based on intensity of difficulty and frequency of daily activity limitations	Canadian Survey on Disability, 2017, Statistics Canada

¹ Budget 2021 announced the renaming of the Canada Student Loans Program (CSLP) as the Canada Student Financial Assistance Program (CSFAP).

² The Canada Student Loans Program operates on a loan year basis from August 1 to July 31 of the following year.

³ https://www.pbo-dpb.gc.ca/web/default/files/public/public/IR0597_ESDC_CSLP_request_e.pdf

Number of CSG-PD, Canada Student Grant for Services and Equipment for Students with Permanent Disabilities (CSG-PDSE) recipients and amount grants disbursed, as well as number of Repayment Assistance Plan for Students with Permanent Disabilities (RAP-PD) beneficiaries in 2018-2019	Canada Student Loan Program Statistical Review, 2018-2019, Employment and Social Development Canada.
Number of borrowers and CSL disbursed in 2018-2019 to students with and without a disability.	Employment and Social Development Canada Information Request IR0568 ⁴
Amount of interest and principle support provided at each stage of RAP in 2018-2019.	Office of the Chief Actuary, Actuarial Report on the Canadas Student Loans Program as of 31 July 2019
Student Loan Interest Tax Credit	Report on Federal Tax Expenditures - Concepts, Estimates and Evaluations 2021, Finance Canada

Estimation and
Projection Method:

PBO's Student Financial Assistance Model reflects current program policies up to and including the 2020 Fall Economic Statement. It was used to estimate the net expense for CSLP and CAL under current policy parameters and the impact of each measure separately. The combined cost of all measures was also estimated with their interactions incorporated. Historical loan values attributed to student movements through different periods of a loan's lifecycle were used to determine the change in the value of outstanding federal student loans. For more information on the model, see PBO report "Projecting the Revenues and Expenses of Canada Student Loans Program".

Providing student debt relief: Interest payments on federal student loans were removed by setting interest rates equal to zero for the relevant period. As a result, anticipated student loan interest revenues decreased. The impact of changes to RAP were estimated using CSLP administrative data of current RAP recipients and the historical uptake for RAP following a similar change to RAP in 2016-2017. The changes increased projected RAP loan interest and loan principle support payments by the federal government and decreased anticipated payments by students.

Doubling of CSG amounts: CSLP administrative data was used to estimate the impact of doubling CSG amounts. Doubling CSG amounts increased projected CSG issued and decreased projected CSL issued.

Expanding access to CSLP supports for students with disabilities: The Canadian Survey on Disability was used to estimate the distribution of people aged 15 to 29 and in school by severity of disability, intensity of difficulty and frequency of daily activity limitations. The estimated proportion of students with disabilities that are persistent or prolonged relative to permanent was applied to the current number of CSLP beneficiaries with a permanent disability receiving grant and repayment assistance to estimate the additional number of CSLP beneficiaries able to receive the additional student financial assistance. This change

⁴ https://www.pbo-dpb.gc.ca/web/default/files/Documents/Info%20Requests/2020/IR0568_ESDC_Student-disability_request_e.pdf

increased projected CSG issued and decreased projected CSL issued. Projected RAP principle support payments by the federal government also increased.

Extending federal supports for adults who return to school full-time: CSLP administrative data was used to estimate the impact of extending the \$1,600 adult learner top-up grant to the full-time CSG. This change increased the projected amount of CSG issued and decreased projected CSL issued. Giving CSLP applicants the flexibility to use current year instead of the previous year's income to determine eligibility for CSG increased projected grants issued with no impact on projected CSL issued.

The impact to the non-refundable Student Loan Interest Tax Credit was estimated accordingly.

Sources of Uncertainty: The universe of CSLP administrative data is available to determine historical costs and the model uses a top-down approach. However, some proposed changes require assumptions using other data sources of differing quality.

There is variability in student support expenditures and loan repayment behaviour. Both are influenced by the labour market and the broader economy. This could lead actual costs to be higher or lower than anticipated.

A behavioural response is incorporated for all elements of this costing, except the measure that expands eligibility to CSLP disability supports. As such, costs for this last measure may be higher than modelled.

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Cost of proposed measure

\$ millions	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Total cost	1,660	2,509	474	175	182

Supplementary information

\$ millions	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Providing student debt relief	-	354	68	89	92
Doubling of maximum CSG amounts	1,544	1,870	273	-12	-10
Expanding access to CSLP supports for students with disabilities	-	83	106	106	106
Extending federal supports for adults who return to school full-time	102	124	34	18	18
Cost of measures combined	1,663	2,518	478	176	184
Cost recovery - Student Loan Interest Tax Credit	-3	-9	-4	-1	-2
Total cost after recovery	1,660	2,509	474	175	182

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.
- Estimated costs are broken down separately for each of the proposed modifications to CSLP. The combined policy cost is calculated with their interactions incorporated.