



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER  
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

# Cost Estimate of Election Campaign Proposal

Publication Date: September 2021  
Short Title: Financial assistance for post-secondary students

Description: Modifying the Canada Student Financial Assistance Program (CSFA Program) to:

- Introduce income-tested debt reduction for federal student loans in repayment. Borrowers will be eligible for up to \$20,000 in debt forgiveness if household income is less than \$60,000 when exiting the interest-free non-repayment period. Benefits decline linearly to zero if household income is \$100,000 or more.
- Extend the interest-free non-repayment period for federal student loans from 6 months to 5 years; and,
- Eliminate interest on all current and future federal student loans in repayment.

The proposal will be effective September 21, 2021.

Cost of Proposed Measure:	\$ millions	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Total cost		412	472	903	1,090	1,364	4,240

Notes:

- Estimates are presented on an accrual basis as would appear in the budget and public accounts.
- A positive number implies a reduction in the budgetary balance (lower revenues or higher spending). A negative number implies an increase in the budgetary balance (higher revenues or lower spending).
- "-" = PBO does not expect a financial cost.

Estimation and projection method: The PBO Student Financial Assistance model was used to estimate the net expense of the CSFA Program under current policy parameters and the impact of the proposal. SPSD/M<sup>1</sup> was used to estimate borrowers' income. A behavioural response was not incorporated.

Source of Uncertainty: The main sources of uncertainty relate to loan repayment and employment income projections for program participants.

Data Sources:	Variable	Source
	CSFA Program expense and interest revenue	PBO Student Financial Assistance Model
	CSFA Program administrative data	Employment and Social Development Canada
	Income statistics	SPSD/M
	Student loan interest credit	Finance Canada

© Office of the Parliamentary Budget Officer, Ottawa, Canada, 2021

<sup>1</sup> This analysis is based, in part, on Statistics Canada's Social Policy Simulation Database and Model (SPSD/M). The assumptions and calculations underlying the SPSD/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.