



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

Legislative Costing Note

Publication Date:	2021-03-11	
Short Title:	Cost Estimate of Bill C-246 : Tuition for Persons with Disabilities	
Description:	This private member's bill would amend the <i>Income Tax Act</i> and the <i>Canada Student Financial Assistance Act</i> so that students enrolled in a designated educational institution with a Disability Tax Credit (DTC) certificate will receive a grant equal to their annual tuition fees. It is assumed that the bill will come into effect on August 2021, the start of the 2021-22 loan year ⁱ .	
Data Sources:	Variable	Source
	Prevalence of DTC certificates in the Canadian population, by age	2017 and 2018 population estimates, by age, Statistics Canada, and; 2017 and 2018 DTC certificates, by age, CRA DTC Statistics
	Postsecondary enrolment of domestic students, by age	2018/2019 Postsecondary Student Information System (PSIS), Statistics Canada
	Postsecondary enrolment of students over the age of 40	28.0 SPSPD/M ⁱⁱ , and University of British Columbia Graduate Level Students (1991-2020), by age
	Projection of student enrolment	Office of the Chief Actuary (OCA), Actuarial Report on the Canada Student Loans Program (CSLP) as at 31 July 2019, adjusted for PBO's September EFO economic outlook
	Average annual tuition fees for the past 5 years, for students receiving the Canada Student Grant for Students with Permanent Disabilities (CSG-PD)	Information Request IR0568 to ESDC
	Projection of average annual tuition fees	OCA, Actuarial Report on the CSLP as at 31 July 2019, adjusted for the average annual growth for the past 5 years for students with a CSG-PD
	Value of Canada Student Grant (CSG), Canada Student Loan (CSL) issued; CSLP revenues and expenses	PBO's Student Financial Assistance Model



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Number of borrowers and amount of CSL disbursed in 2018-19 loan year for students with a CSG-PD, and those without	Information Request IR0568 to ESDC
Tuition Tax Credit, Education Tax Credit, and Textbook Tax Credit	2020 Report on Federal Tax Expenditures
Proportion of tax filers claiming the Disability Tax Credit and the Tuition Tax Credit, 2012-2017	Information Request IR0569 to the CRA
Total value of the stock of unused Tuition, Education and Textbook credits, 2010 and 2013	PBO custom tabulation from T1 Family File, Statistics Canada ⁱⁱⁱ

Estimation and
Projection Method:

The cost of the proposed bill was determined by multiplying the estimated number of students with a Disability Tax Credit (DTC) certificate by their average tuition fees in 2018-19. The total cost was adjusted based on potential savings resulting from the effective decrease in Canada Student Loans issued, and the consequential decrease in the amount of the Tuition Tax Credit claimed by individuals receiving the new grant.

Number of students with a DTC certificate

The number of students with a DTC certificate was estimated based on the prevalence of DTC certificate holders in the general population, adjusted for an assumed lower take-up of the program^{iv}. The two distributions are assumed to be equal.

To estimate the prevalence of DTC certificates in the general population, in each respective age group, the number of DTC certificate holders in 2018 was divided by Statistics Canada’s 2018 population estimates. Using Statistics Canada’s 2018/2019 Postsecondary Student Information System (PSIS), these proportions were then applied to the number of domestic students that were enrolled in postsecondary institutions in that year, by age.

Statistics Canada’s PSIS doesn’t provide the distribution of students 40 years and over, whose prevalence of a DTC certificate increases with age. To estimate this population, their 2018 distribution in Statistics Canada’s Social Policy Simulation Database and Model (SPSD/M, version 28.0) was used in conjunction with their distribution in University of British Columbia’s graduate level enrolments.

Given that the prevalence of DTC certificates in the general population is applied to the student population the estimate is assumed to implicitly account for a behavioural response that could arise due to an increase in the demand for post-secondary education for students for whom tuition fees are a cost barrier^v.

Going forward, the number of students with a DTC certificate was projected based on the Office of the Chief Actuary (OCA) most recent enrolment projection (adjusted for PBO’s

September EFO labour force and demographic projections) and the historical growth rate of DTC certificate holders.

Average tuition fees

The average tuition fees of full-time students and part-time students receiving the Canada Student Grant for Students with Permanent Disabilities (CSG-PD) from 2014-15 to 2018-19 was assumed to be representative of the student population with a DTC certificate (administrative data received from ESDC)^{vi}. The weighted-average tuition fees of full-time and part-time students receiving the CSG-PD in 2018-19 was used and projected forward using the historical relationship between the tuition fees of those receiving the CSG-PD and OCA's tuition fees projection.

Cost savings- Canada Student Loans Program

PBO's Student Financial Assistance Model was used to calculate and project net expense for Canada Student Loans Program (CSLP) under the current policy as well as the impact of this 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. For more information on PBO's model, see PBO report "[Projecting the Revenues and Expenses of Canada Student Loans Program](#)".

The proportion of borrowers receiving the CSG-PD and the amount of Canada Student Loans (CSL) disbursed to them in the 2018-19 loan year were used to estimate the potential decrease in CSL disbursements. Under the CSLP, an increase in the amount of grants that students receive decreases the amount of CSL issued.

Cost savings- Tuition Tax Credits

Students receiving free tuition under the proposed bill will no longer be able to claim the Tuition Tax Credit but could still have an unused stock of credits that they could claim in later years.

As a baseline, the stock of unused credits was projected prior to the proposed policy. This was estimated using the stock of unused credits in 2013, the number of persons claiming the DTC and the Tuition Tax Credits and their amounts from IR0569 (2012-2017), Finance Canada's Tax Expenditure Reports (1995-2021), grown with PBO's projection of enrolment and tuition fees for students with a DTC certificate.

To project anticipated savings, the stock was gradually depleted based on Finance Canada's expenditure estimates of previously eliminated education credits (Education Tax Credit and the Textbook Tax Credit; eliminated on January 1, 2017).

Aggregate Results:

In 2021-22, PBO estimates that 30,942 students with a DTC certificate would apply for the grant, representing 1.7% of the total domestic student population. Based on PBO's projection, by 2025-26, the number of students applying would grow to 38,980, representing 2.1% of the total domestic student population.

Sources of Uncertainty:

Number of students with a DTC certificate

The prevalence of Disability Tax Credit (DTC) certificates amongst the student population could differ than that of the general population, as individuals with severe disabilities are less

likely to attend post-secondary education^{vii}. Additionally, the assumed take-up rate of the grant could differ than the one estimated. This is the source of greatest uncertainty in the cost estimate.

On the other hand, since the DTC is a non-refundable credit, students who may be eligible for the credit may not be claiming the credit due to low tax payable and accessibility barriers^{viii}. Thus, offering free tuition to students with a DTC certificate could incentivize more students to apply for the certificate, increasing the projected cost estimate. However, due to lack of research on the subject and the DTC's accessibility barriers this potential behavioural response could not be estimated.

Additionally, projected growth in student enrolment could differ as the decision to enrol in post-secondary education is influenced by the labour market and the broader economy. Additionally, the projection method assumed that the historical growth (2017-2018) of DTC certificate holders would continue until the end of the projection period. Any deviation from these growth rates due to behavioural responses – for example, lower growth due to the COVID-19 pandemic, or higher growth due to the incentivizing effect of the measure— would be a source of error in the cost estimate.

Average tuition fees

The average tuition paid by students with a DTC certificate could differ than that of students needing student financial assistance through the Canada Student Loans Program (CSLP), including the CSG-PD. However, given that individuals living with a disability are more likely to have financial need the estimate is assumed to have moderate uncertainty. Additionally, the grant could incentivize individuals with a DTC certificate to pursue full-time studies rather than part-time studies. Given that, students could increase their academic course load, increasing the amount of tuition fees paid, and the projected yearly growth rate of the cost estimate.

Cost savings- Canada Student Loans Program

The universe of CSLP administration data was available to determine historical costs, however, the proposed changes required assumptions using other external data sources. 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 post-secondary education and require support through CSLP. The distribution of students in post-secondary education and CSLP would be different from what was estimated. Additionally, since average tuition for borrowers with a CSG-PD is greater than the average Canada Student Loan disbursement for borrowers with a CSG-PD it was assumed that the grant will replace all CSL disbursement. However, depending on individuals' circumstance, some students with a CSG-PD may still receive a CSL.

Cost savings- Tuition Tax Credits

The total value of unused credits for students with a DTC certificate could differ than the one estimated.

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Cost of proposed measure

\$ millions	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Total cost	-	89	78	78	79	83

Supplementary information

\$ millions	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Cost	-	111	120	130	140	152
Cost recovery - CSLP	-	-20	-31	-35	-40	-44
Cost recovery - Tuition Tax Credit	-	-2	-10	-17	-21	-25
Total cost after recovery	-	89	78	78	79	83

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.

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

ⁱⁱ This analysis is based, in part, 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.

ⁱⁱⁱ For additional information please see: https://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/2016/PSE/PSE_EN.pdf.

^{iv} It is assumed that in the first year less eligible students would apply for the grant. Over the projection horizon, the take-up rate is assumed to increase as more students could become aware of the grant.

^v The Canada Student Grant for Students with Permanent Disabilities (CSG-PD) offers students with financial need a \$2,000 grant per program year (\$4,000 in 2020-21 due to COVID-19). The pre-pandemic amounts, cover close to 40% of the average tuition fees of full-time students receiving the CSG-PD and provides close to double the average tuition fees of part-time students receiving the CSG-PD. Thus, the free tuition grant could increase the demand for post-secondary education for individuals claiming the DTC for whom the tuition fees are a cost barrier.

vi To receive the CSG-PD, students must first demonstrate financial need. Given that, individuals with disabilities are more likely to be living in poverty as defined by the Market Basket Measure (MBM). The average tuition fees of students receiving the CSG-PD are assumed to be representative of the average tuition fees of students with a DTC certificate. For more on the profile of Canadians with disabilities please see: <https://www150.statcan.gc.ca/n1/en/pub/89-654-x/89-654-x2018002-eng.pdf?st=Soq7cU21>.

vii For more information please see: <https://www150.statcan.gc.ca/n1/pub/11f0019m/11f0019m2019005-eng.htm>.

viii For more information on the accessibility of the Disability Tax Credit please see: <https://www.canada.ca/content/dam/cra-arc/corp-info/aboutcra/dac/dac-report-en.pdf>.