

Cost estimate of Election Campaign Proposal

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Short title: Eliminating interest on all current and future federal student loans

Description: The interest rate applied on all current and future Canada Student Loans (CSL) and Canada Apprentice Loans (CAL) in repayment is zero per cent, starting November 2019.

Operating line(s): Other Transfer payments

Data sources:	<u>Variable</u>	<u>Source</u>
	CSL and CAL interest revenue and program expenses	PBO student financial assistance model

Estimation and projection method: The PBO student financial assistance model estimated Canada Student Loans Program (CSLP) net expense under current policy parameters and proposed policy parameters for current and future loans. The cost estimate does not include any projected impacts to the non-refundable Student Loan Tax Credit resulting from this proposal.

Uncertainty assessment: The cost estimate has moderate uncertainty. The universe of CSL administration data is available to determine historical costs and the model is a top-down approach. However, repayment behaviour of CSL and CAL borrowers exhibit certain degree of randomness. Historical data limitations for CAL borrowers introduces variations of loans entering repayment in the projections. In addition, the value of outstanding CSL and CAL is influenced by the labour market and the broader economy. There is no behavioural response included in this cost estimate.

Cost of proposed measure

\$ millions	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Total cost	204	432	508	524	538	551	565	577	587	598

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