

**The House of Commons Standing Committee on Finance:
Pre-Budget Consultations**

Submitted By

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Submission of the Canadian Association of Student Financial Aid Administrators (CASFAA) to the House of Commons Standing Committee on Finance

The Canadian Association of Student Financial Aid Administrators (CASFAA) thanks the House Standing Committee on Finance for this opportunity to contribute to the pre-budget consultation process.

CASFAA is the national professional association representing financial aid administrators at Canada's colleges and universities. Our members administer a large spectrum of student financial aid programs at all levels. This includes government sponsored student aid programs such as the Canada Student Loan Program, various provincial student assistance programs, institutional scholarships and bursaries, and work study programs. Students, governments, student loan service agencies, and our respective institutions count on our members' expertise to deliver these complex programs efficiently, effectively ensuring the academic success of our students. We also provide budgeting and financial counseling assistance to students. A primary objective of the Association is to advocate on behalf of Canadian students. Because of our roles within our educational institutions, we are uniquely positioned to directly witness not only the success of the Canada Student Loan Program, but also the gaps that seriously compromise the academic potential of a great number of students.

The theme of the 2005 consultations, **Enhancing productivity growth in Canada**, is of particular relevance to our members. As noted, "a positive relationship between a nation's productivity performance and its standard of living is, perhaps, the single most important factor influencing a nation's long term economic growth potential". Investing in human capital through post-secondary education will ensure our citizens are equipped with the skills needed to generate ideas, products, and jobs that will ensure the prosperity of our nation.

Recent changes to the Canada Student Loan Program, through increased loan limits and new non-repayable grants, coupled with funding provided to students through the Canada Millennium Scholarship Program, have provided much needed assistance to many students. It is necessary, however, to continue to build on the progress made over the past few years.

CSLP WEEKLY ASSISTANCE LIMITS

CASFAA applauds the Federal Government's recent increase to the weekly loan limit from \$165 to \$210. While providing some measure of relief, it does not cover the entire gap between educational costs and available funding. As educational and living costs continue to rise, the value of this additional assistance is quickly eroded.

Recommendation 1: CASFAA recommends that a review process to adjust the weekly assistance limits be implemented, and that such a review be undertaken at a minimum of every 3 years.

The recently implemented grant for low income families is a building block for the academic success of many students who might otherwise not have undertaken post-secondary studies. This grant currently covers up to 50% of tuition for **first year** students only. CASFAA feels that providing non-repayable funding for low income upper-year students is crucial, and will do much to support their retention and to encourage timely completion of their programs.

Recommendation 2: CASFAA recommends that the Canada Access Grant for Low Income Families be extended to students in subsequent years of their programs, up to a maximum of four years.

STUDENT IN-STUDY RESOURCES EXEMPTIONS

Under CSLP need assessment calculations, parents and students are expected to contribute to students' educational costs based on their respective incomes. The reality is that many parents are unable, or unwilling, to assist the students to the level expected by the CSLP calculations. Students find themselves in the difficult position of trying to compensate for these shortfalls. However, student income which exceeds a designated amount will reduce the amount of government assistance the students receive. Furthermore, the CSLP need assessment does not recognize, nor is able to fully meet, many exceptional expenses and costs faced by students and their families. We strongly feel that students should be permitted to seek alternative sources to replace these "expected contributions" through additional work or institutionally-administered need-based awards.

Recommendation 3: CASFAA recommends that the CSLP in-study work exemption be increased to \$100 per week from the current \$50 per week.

Recommendation 4: That a federal student Work Study program be implemented. In addition to contributing necessary financial support, these programs also provide valuable career related experience.

Recommendation 5: That all institutionally-administered need-based awards be exempted from the CSL need assessment calculation.

UNSUBSIDIZED PARENTAL LOAN PROGRAM

As noted above, many families are unable to provide the expected contribution as calculated by the CSLP program. Many have encountered unforeseen expenses, and may not have sufficient savings to provide their children with the required financial support. An unsubsidized parental loan program would be an effective alternative.

Recommendation 6: That the federal government implement an unsubsidized parental loan program to fund post-secondary educational costs.

CANADA STUDENT LOAN INTEREST RATES

All stakeholders must recognize that student loans are an investment in 'human capital' that ultimately enhance our nation's productivity and consequently, should be treated differently than consumer loans. Many jurisdictions charge interest rates that are significantly lower than the CSL rates of prime + 2 ½% (floating), and prime + 5% (fixed). Ontario and Manitoba, for example, charge 1% above prime while Quebec charges prime + ½%.

Recommendation 7: CASFAA recommends that the federal government reduce the interest rates for Canada Student Loans to prime + ½% (floating), and prime + 3% (fixed).

IMPROVED EFFICIENCY - AUTOMATION

Information sharing between post-secondary institutions, governments, service providers, financial institutions, and students continues to be fragmented. There is no comprehensive system to support the delivery of the student financial aid programs across the country. This makes it virtually impossible to counsel students with respect to retention, accumulated debt load, repayment and default prevention.

Recommendation 8: It is imperative that the federal government, in conjunction with stakeholders, implement a comprehensive information system to support all aspects of the delivery of student assistance in Canada. This information "warehouse" would contain all information relating to student assistance at federal and provincial levels and would be accessible to students, government, service providers, and post-secondary institutions.

CANADA MILLENNIUM SCHOLARSHIP FOUNDATION

Since 2000, the Canada Millennium Scholarship Foundation has delivered more than half a million bursaries and scholarships worth more than \$1.5 billion to students across Canada. Students in all jurisdictions have benefited from non-repayable financial assistance provided by the CMSF. Many students have been able to significantly reduce their debt load. Further, the Foundation has produced, and continues to provide, a wealth of vital research on student financial assistance in Canada. The knowledge gathered by the CMSF plays an important role in policy decisions at all levels.

Recommendation 9: CASFAA strongly encourages the government to continue the Foundation's mandate beyond 2010. If the Foundation's mandate is not renewed, we recommend that the federal government create another program that would provide non-repayable assistance at the level currently being disbursed by the CMSF.

EDUCATION TAX MEASURES

Since 1998 the federal government has spent increasingly on student assistance through fiscal measures introduced to the tax system, such as scholarship and bursary exemptions, credits for tuition fees, and an allowance for each month of full-time enrolment, as well as contributions to Registered Education Savings Plans (RESPs). These tax credits are distributed almost entirely without reference to financial need, and represent almost 40% of all federal and provincial student financial aid expenditures, disproportionately benefiting families with higher incomes. They do little to assist high-need students and underrepresented groups (*e.g.*, students from low income families, students with disabilities, aboriginal students, adult learners) to enter our post-secondary education system. CASFAA believes that means-tested student financial assistance that is accessible through a simplified application process and that delivers funds at the time that expenses are to be incurred represents the most effective use of taxpayer dollars.

Recommendation 10: CASFAA recommends that the federal government review its education related tax credits and give serious consideration to redirecting a portion of the funding towards means tested programs that support high need and underrepresented groups.

CONCLUSION

CASFAA is grateful for the opportunity to share our insights with the Standing Committee on Finance. Investing in post-secondary education through measures such as those we have recommended will strengthen our country, and give our nation a competitive advantage that will lead to economic growth.

SUMMARY OF RECOMMENDATIONS

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