

The End of Need-Based Student Financial Aid in Canada?



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Canadian Association of Student Financial Aid Administrators (CASFAA)

By

eipi

Educational Policy Institute

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About CASFAA

The Canadian Association of Student Financial Aid Administrators (CASFAA) is a national professional association that represents financial aid administrators at Canada's universities, colleges and technical institutes. As a professional association, CASFAA serves as a liaison between our members and the federal government, service providers, financial institutions and various other stakeholders in student financial aid; advocates on behalf of members by providing input on student financial assistance programs and policies; and provides professional development opportunities for members, including our annual conference.

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Data Limitations and Observations

In order to keep monetary comparisons constant over time, this paper converts all figures in Chapter 2 into June 2005 real dollars.

In each provincial summary, we begin by displaying a chart showing changes in student aid over time. These data show monies *extended to students* and do not represent government expenditures. While government expenditures and student take-up is identical as far as grants, scholarships, and tax credits are concerned, they are not the same when it comes to loans (the author's estimate the cost of a dollar of loans to be about 33 cents).

Any interested parties who wish to investigate or use data behind the tables and figures are encouraged to contact the Educational Policy Institute.

CHAPTER 1: INTRODUCTION

There was a major change in Canadian student aid in the late 1990s, due largely to a package of measures adopted by the Government Canada as part of its “*Canada Opportunities Strategy*”. At the time, what aroused the most comment was the creation in 1998 of the \$2.5 billion Canada Millennium Scholarship Foundation (Foundation). But while the Foundation was certainly a welcome – if controversial - addition to the country’s stock of need-based aid, its creation did not herald the start of a new focus on need-based aid. Quite the contrary, in fact: the creation of the Foundation was actually the last major investment in need- based aid made by any Canadian government for nearly seven years.

In retrospect, the most significant measure of the late 1990s was contained not the flashy 1998 federal budget, but rather in the almost unheralded budget of 1996. In that budget, the monthly education tax credit amount for full-time students was increased from \$60 per month to \$80 per month. Though it hardly set the world on fire, this measure fundamentally altered the nature of student aid in Canada. The next year the monthly amount was increased – in stages – from \$80 per month to \$200 per month and part-time students became eligible for a \$60 per month credit. These amounts were later doubled in the federal Liberals’ pre-election mini-budget of October 2000, and then hiked again in 2006 when the new Conservative government created a \$60 per month tax credit for “textbooks” (more will be discussed on this in Chapter 3) which was an addition to the existing monthly amount in all but name. Ancillary fees were added to the tuition fee tax credit. Student loan interest became subject to a tax credit as well.

Provinces not to be outdone got into the tax credit act, too. Most matched the increases in federal tax credits – some (notably Alberta) increased them way beyond anything the federal government did. Some have-not provinces even began trying to use education tax credits as a way to stem the loss of their youth population.

What all of this signaled was a decreased desire on the part of governments to use need-based student assistance to distribute aid to those who need it the most. Instead, governments began finding non-need-based methods of providing supports: tax credits, tuition freezes – anything which did not use need as a criterion - became the preferred method of distributing money. Indeed, governments went so far as to begin actively seeking to distribute money to people who - so far from being needy - were actually well enough off to save substantial sums of money for their children’s’ education. The Canada Education Savings Grant (CESG), begun in 1998, almost immediately became a \$400-million per year program. Recently, provinces have begun copying this, too – most notably, Québec, which has begun matching federal contributions to the program on a 1:2 basis.

The metamorphosis from a need-based system of aid to a predominantly non-need-based system of aid in Canada did not happen instantly. It has been the slow, inexorable result of an accretion of government decisions at both the federal and provincial levels. Ideology has not played a part – governments of both the left and right alike have plunged with abandon into non-need-based projects.

The purpose of this report is to shed light on the how this situation evolved, on a province-by-province basis¹. In Chapter 2, the paper takes data from 1993-94 to 2003-04 (the last year for which good data is available) to show how the mix of available aid changed in each province over that decade, and how these changes helped to offset the rises in tuition which occurred over that time. Though there are some broad themes which emerge from this examination, the situation was not the same in all provinces and the individual sections of this chapter should help the reader understand the nuances in situations across the country.

Although good data on student assistance is not available past 2004, it is possible to track the broad outline of changes in student aid just by examining various budget documents and tracking government announcements dealing with student financial assistance. This paper does this in Chapter 3. In the final chapter, the paper examines the cumulative effect of these changes on student assistance and outlines who has benefited the most from the recent changes.

CHAPTER 2: STUDENT AID IN CANADA 1993-1994 TO 2003-2004

2.1 Introduction

Chapter 2 deals with changes in the overall amounts of student aid being provided by federal and provincial governments in between the years 1993-94 and 2003-04, the last year for which complete and accurate data is available. It shows the amount of federal and provincial aid provided by each province in each of these years. It also describes the effects of these changes on various measures of affordability. Overall, what the chapter shows is that there were very significant increases in student aid over this decade which, although they did not completely offset the increases in tuition which occurred over the course of the 1990s, did go some considerable distance to mitigating it.

The data in this chapter are largely based on two EPI publications; *The State of Student Aid in Canada* (2007, forthcoming) and *Beyond the Sticker Price* (2006). Data on federal and provincial expenditures was directly collected in two surveys – one conducted in 2003 and 2004 as part of the *Price of Knowledge 2004* project and another in early 2005 as part of *The State of Student Aid*. Data shown in the various figures has been expressed in real 2005 dollars in order to account for inflation. In all figures, the portion indicated as “net loans” refers to the amount of loans issued minus the amount of remission paid out (to avoid double counting) in any given year. This should not be taken as reflective of actual government expenditures on loans; though the figure varies somewhat over time and across provinces, as a rule of thumb, a dollar in student loans costs a government roughly 33 cents in interest carrying charges, defaults, and interest relief costs.

The data on individual affordability is presented as follows: For each province in each year, data is presented on the following four concepts:

¹ The authors have not intentional excluded Canada's three territories from the analysis in the paper, however, the availability of comparable and quality data does not allow for a full comparison using territorial data.

Average Tuition² and fees: Average tuition for undergraduate³ students plus average ancillary fees as reported by Statistics Canada

Tax Credits: Tax credits available to students studying full-time for eight months paying the average tuition and fees listed above.

Everybody's Net Tuition (ENT). Average tuition and fees minus tax credits: in effect, the tuition charge minus the non-repayable tax credits which everyone receives.

Average Grants: The average size of grant in a particular jurisdiction in a particular year.

Grant Recipients' Net Tuition (GRNT): NET minus average grants. In effect, the "net" tuition paid by those people who receive grants.

2.2 Alberta

Student Assistance Expenditures to 2004

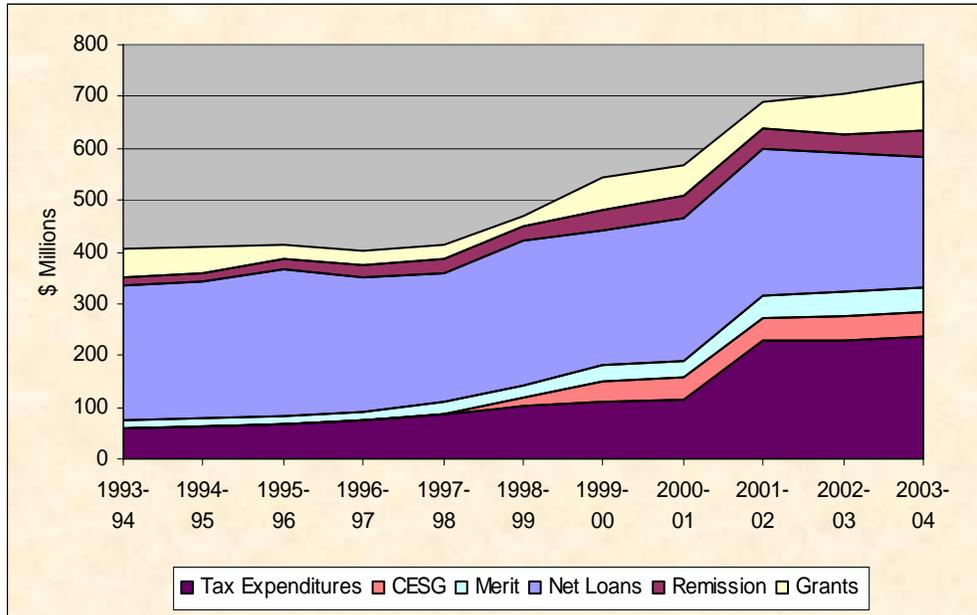
Total student assistance available to students in Alberta rose by close to 80 percent over the decade to 2003-04; substantially more than the national average of 50 percent. At the start of the decade, annual expenditures were just over \$400 million per year; by 2003-04, expenditures were roughly \$725 million. Over half of this increase was due to an increase in tax expenditures; most of the remainder is due to an increase in grants and loan remission. Together, this means all of the increase in assistance has been due to an increase in non-repayable assistance; indeed, net loans now only cover about one-third of total assistance in Alberta.

In part, this increase was due to an increase in the number of post-secondary students in the province: college and university enrolments rose by 20 to 25 percent during the decade in question. Still, real aid available to student grew substantially over the decade. Total aid available to students is shown below in Figure 1.

Figure 1 – Total Assistance by Type – Alberta (\$2005)

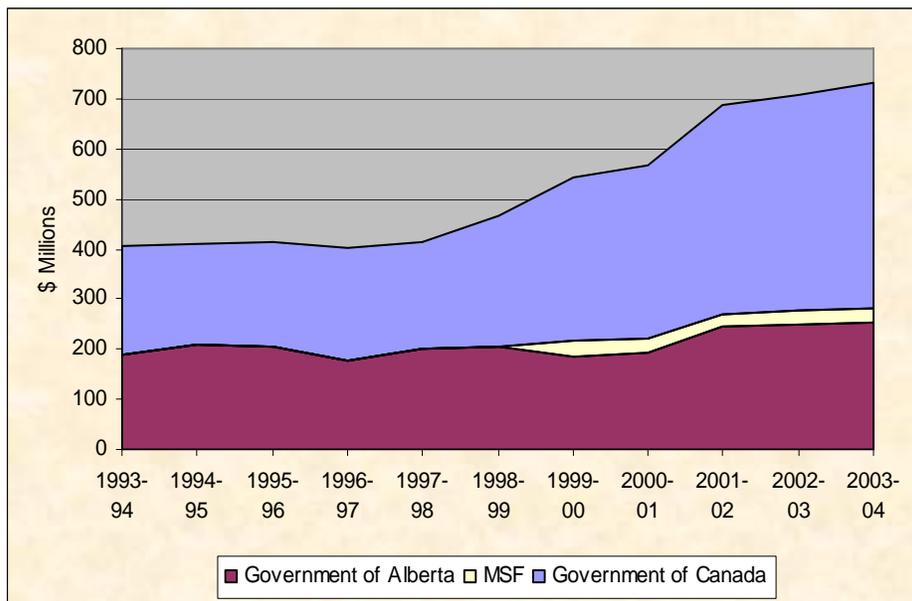
² Statistics Canada does not produce college tuition and fee data nor does the agency disaggregate by polytechnic or university-college.

³ Undergraduate tuition fee numbers are weighted averages calculated using the most current enrolment data available and the following faculties are included: Agriculture, Architecture, Arts, Commerce, Dentistry, Education, Engineering, Household Science, Law, Medicine, Music, and Science.



As in the rest of the country, the decade ended with proportionately less assistance being given out by the provincial government than at the start. Although provincial aid increased by roughly \$50 million, federal aid more than doubled, from \$214 million to \$478 million. As a result, nearly two-thirds of all student aid dollars in Alberta (need-based and universal combined) now come from the Government of Canada.

Figure 2 – Total Assistance by Source – Alberta (\$2005)



Affordability Outcomes: Net Tuition in Alberta over Time

To date, the paper has been examining changes in government expenditure levels. But how have these changes affected individual students? In order to answer this, the paper will examine changes in tuition, tax credits and grants. This is done below in Table 1.

Table 1 – Changes in Tuition, Subsidies and Net Costs, Alberta 1995-96 to 2005-06 (real \$2005 dollars)

| | Tuition and Fees | Tax Credits | ENT | Grants | GRNT |
|----------------|-------------------------|--------------------|------------|---------------|-------------|
| 1995-96 | \$3,819 | \$1,103 | \$2,716 | \$3,397 | -\$681 |
| 1996-97 | \$4,072 | \$1,166 | \$2,907 | \$3,388 | -\$481 |
| 1997-98 | \$4,345 | \$1,233 | \$3,112 | \$3,163 | -\$51 |
| 1998-99 | \$4,666 | \$1,338 | \$3,328 | \$3,479 | -\$152 |
| 1999-00 | \$4,804 | \$1,470 | \$3,334 | \$2,888 | \$447 |
| 2000-01 | \$4,875 | \$1,843 | \$3,031 | \$2,652 | \$379 |
| 2001-02 | \$4,874 | \$1,843 | \$3,031 | \$2,424 | \$607 |
| 2002-03 | \$4,963 | \$2,134 | \$2,829 | \$2,874 | -\$44 |
| 2003-04 | \$5,234 | \$2,208 | \$3,026 | \$2,733 | \$293 |
| 2004-05 | \$5,606 | \$2,326 | \$3,281 | | |
| 2005-06 | \$5,638 | \$2,334 | \$3,304 | | |

Tuition and fees rose steadily for much of the decade in question. Overall, tuition fees rose by just over \$1,800. However, federal and provincial tax credits offset more than half this growth. Once the effects of tax credits are taken into account, the net tuition paid by Alberta student only increased by \$600, or about 22 percent.

The average grant size decreased by about \$600 in the period, meaning that Grant recipients' net tuition (GRNT) rose substantially after 1998-99. However, because of data collection limitations, GRNT is based on the average grant size, not the average amount of grant received (individuals can receive more than one grant). Since the number of grants increased substantially over the years in question (from 13,807 in 1998-99 to 34,954 in 1999-2000 and 54,564 in 2003-04), it seems likely that not only are a larger people are receiving grants, but that more people are receiving multiple grants as well, meaning that "true" GRNT is probably decreasing, not increasing.

In other words, combined federal and provincial expenditures have kept rises in net tuition to about 20 percent which – given the increases in family income in Alberta over these years – means they have stayed roughly constant in terms of affordability. The picture for grant recipients' net tuition is a little less clear, but given the sharp increase in the number of grant recipients, it seems likely that overall, the affordability picture has improved substantially for a large number of students in the province.

2.3 British Columbia

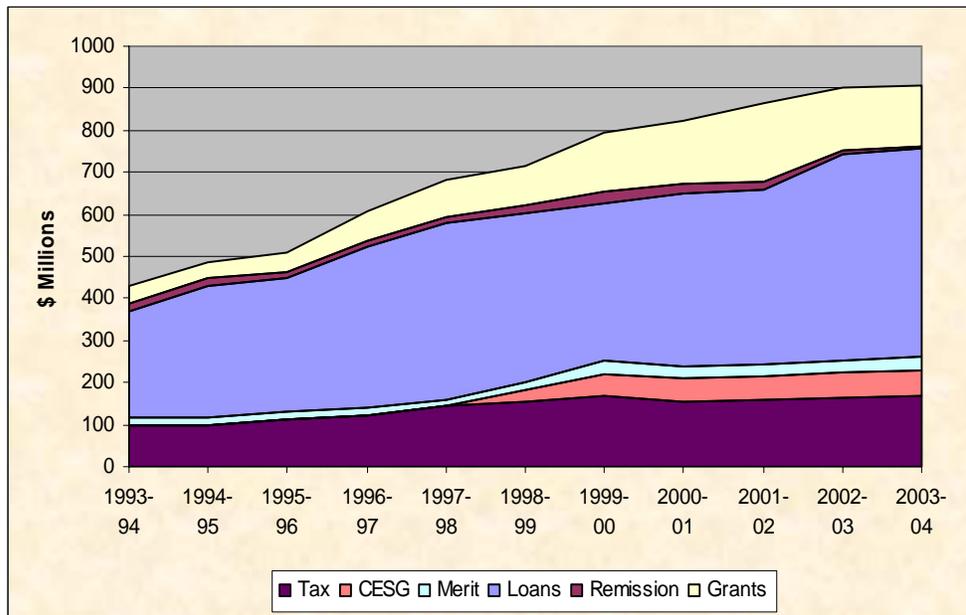
Student Assistance Expenditures to 2004

Total student assistance expenditures in British Columbia more than doubled over the decade to 2003-04; substantially more than the national average of 50 percent. At the start of the decade, annual expenditures were \$430 million per year; by 2003-04, expenditures were roughly \$900 million per year. Over half of this increase was due to

an increase in need-based loans, and a substantial portion of the remainder came from need-based grants. In significant contrast to most other provinces, less than 20 percent of the increase in assistance in British Columbia came from tax credits and only about a third came from universal sources of income.

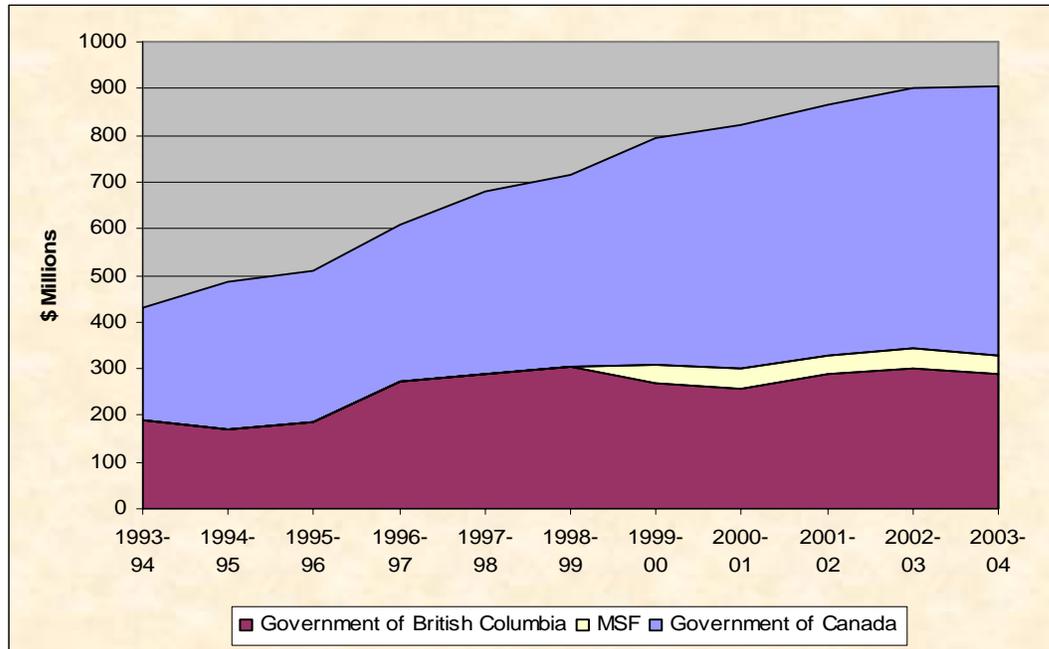
Much of the increase in student aid in British Columbia can be attributed to the province's spectacular growth in post-secondary education participation (albeit from a very low base) during the decade in question. However, even with student numbers increasing by roughly 50 percent, the growth in student aid dollars was such that per-student aid still increased substantially.

Figure 4 – Total Assistance by Type – British Columbia (\$2005)



As in most other provinces, the distribution of student assistance by source changes substantially during this decade. At the outset of the decade, roughly 45 percent of all aid in British Columbia came from the provincial government; by 2003-04, this proportion had fallen to less than 32 percent, thanks to a 140 percent rise in federal loans, grants and tax credits combined. This is not to say provincial assistance declined; indeed, in absolute terms, provincial assistance increased substantially from \$190 million per year to \$288 million per year. But the huge increase in federal aid simply outstripped the growth in provincial aid.

Figure 4 – Total Assistance by Source – British Columbia (\$2005)



Affordability Outcomes: Net Tuition in British Columbia over Time

To date, this paper has been examining changes in government expenditure levels. But how have these changes affected individual students? In order to answer this, the paper needs to examine changes in tuition, tax credits and grants. This is done below in Table 2.

Table 2 – Changes in Tuition, Subsidies and Net Costs, British Columbia, 1995-96 to 2005-06

| | Tuition and Fees | Tax Credits | ENT | Grants | GRNT |
|----------------|-------------------------|--------------------|------------|---------------|-------------|
| 1995-96 | \$3,433 | \$1,053 | \$2,381 | \$3,286 | -\$905 |
| 1996-97 | \$3,419 | \$1,049 | \$2,370 | \$3,797 | -\$1,427 |
| 1997-98 | \$3,312 | \$1,014 | \$2,297 | \$3,626 | -\$1,329 |
| 1998-99 | \$3,273 | \$1,042 | \$2,231 | \$3,246 | -\$1,015 |
| 1999-00 | \$3,242 | \$1,129 | \$2,113 | \$3,086 | -\$973 |
| 2000-01 | \$3,315 | \$1,081 | \$2,234 | \$3,317 | -\$1,083 |
| 2001-02 | \$3,136 | \$1,051 | \$2,085 | \$3,399 | -\$1,314 |
| 2002-03 | \$3,870 | \$1,429 | \$2,442 | \$2,890 | -\$448 |
| 2003-04 | \$4,909 | \$1,584 | \$3,325 | \$2,807 | \$519 |
| 2004-05 | \$5,458 | \$1,716 | \$3,742 | | |
| 2005-06 | \$5,349 | \$1,762 | \$3,587 | | |

Due to the provincial tuition freeze in the period 1996-2002, tuition, net tuition and GRNT remained more or less constant over those years. However, as noted earlier, GRNT only tells part of the story; equally important was the fact that the number of grants more than tripled over the same period, increasing from 14,878 in 95-96 to 54,919 in 2001-02. As a result, in the period up to 2002, the situation remained constant for both non-grant recipients and grant recipients, but the overall affordability position improved as more students received grants.

This situation changed when the provincial government decided to lift the tuition fee freeze and allow fees to rise by roughly 60 percent, from \$3,136 in 2001-02 to \$5,458 in 2004-05. Although tax credits automatically rose to partially offset the increase, ENT still rose by over 80 percent in the three years after the tuition fee increase. As for grant recipients, their numbers remained constant but the average size of their grant actually declined. As a result, they went from paying substantially negative tuition to paying about \$500 in net tuition.

In sum, after enjoying a very good last half of the 1990s in which net costs actually declined, British Columbia students' financial position deteriorated rapidly in the first half of this decade.

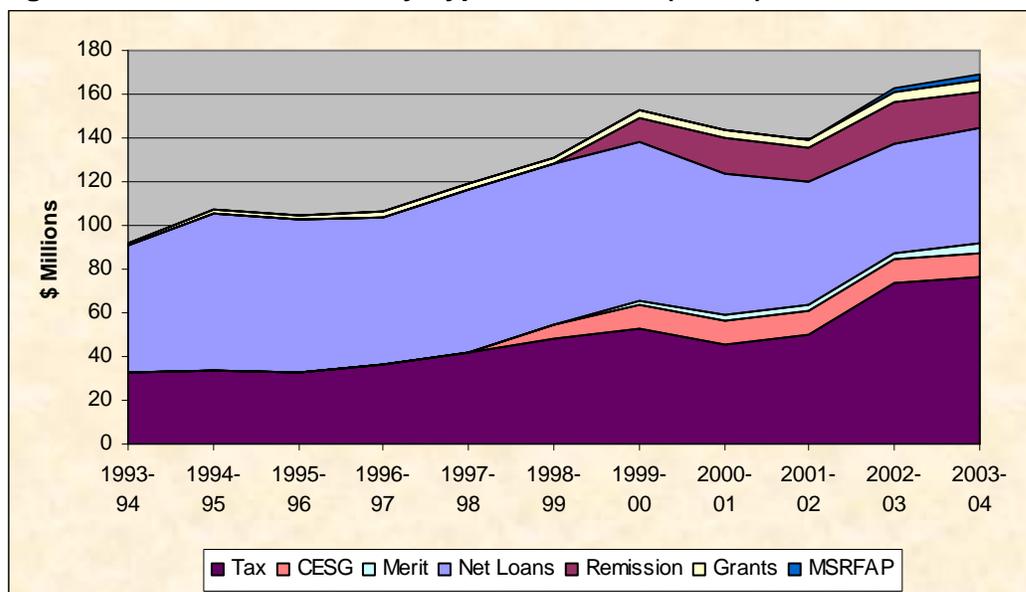
2.4 Manitoba

Student Assistance Expenditures to 2004

Total student assistance expenditures in Manitoba rose by about 80 percent. This is substantially more than the national average of 50 percent, but less than that in some of the other western provinces. At the start of the decade, annual expenditures were \$92 million per year; by 2003-04, expenditures were roughly \$166 million per year. None of this increase was due to a rise in net loans – indeed, these declined over the decade. Most of the increase was due to an expansion in tax credits but a not insubstantial portion of the rise was due to the introduction of remission programs the province and the Canada Millennium Scholarship Foundation.

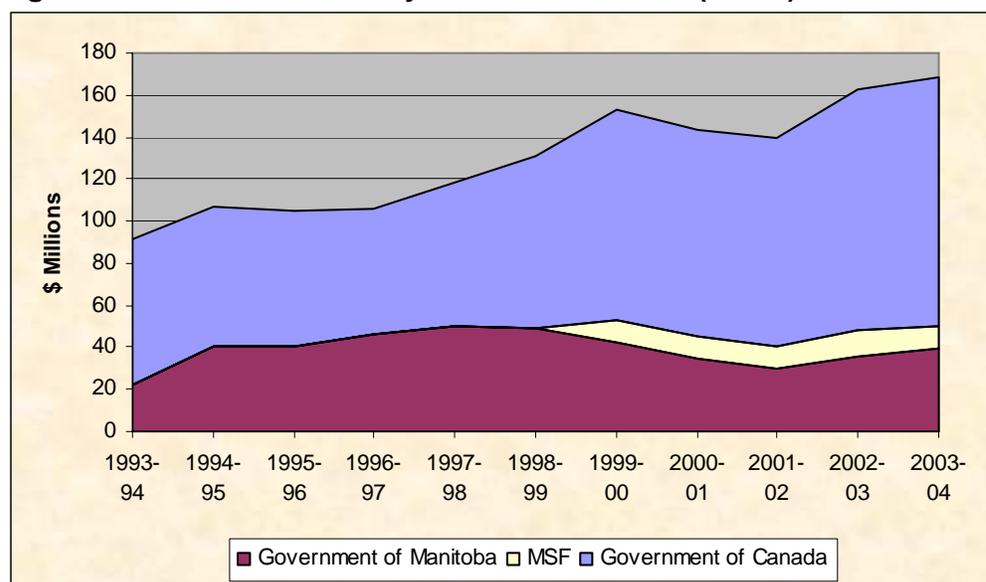
Some of this rise in total assistance was due to changes in post-secondary education student numbers, which rose by roughly 25 percent in the years after 1999; however, the growth in student aid still outstripped the growth in student numbers substantially, implying that per-student aid rose substantially.

Figure 5 – Total Assistance by Type – Manitoba (\$2005)



As in most other provinces, the distribution of student assistance by source changed substantially during this decade. At the outset of the decade, roughly 25 percent of all aid in Manitoba came from the provincial government; by 1996-1997 this had risen to over 40 percent. However, starting in 1998-99 (that is, after the Canada Opportunities Budget of 1998), the proportion coming from the provincial government began to fall quite significantly, so that by 2001-02, this proportion had fallen back to 22 percent where it remains today. This change in proportion was not – as it was in some provinces – simply a matter of the growth in federal aid outstripping growth in provincial aid. In Manitoba, provincial aid actually *declined*, although a much larger proportion was now given out in grant rather than loan.

Figure 6 – Total Assistance by Source – Manitoba (\$2005)



Affordability Outcomes: Net Tuition in Manitoba over Time

To date, this paper has been examining changes in government expenditure levels. But how have these changes affected individual students? In order to answer this, this paper needs to examine changes in tuition, tax credits and grants. This is done below in Table 3.

Table 3 – Changes in Tuition, Subsidies and Net Costs, Manitoba, 1995-96 to 2005-06 (\$2005 real dollars)

| | Tuition and Fees | Tax Credits | ENT | Grants | GRNT |
|---------|------------------|-------------|---------|---------|----------|
| 1995-96 | \$3,479 | \$1,064 | \$2,414 | \$2,956 | -\$541 |
| 1996-97 | \$3,665 | \$1,112 | \$2,552 | \$2,991 | -\$438 |
| 1997-98 | \$3,903 | \$1,174 | \$2,729 | \$4,145 | -\$1,416 |
| 1998-99 | \$4,133 | \$1,266 | \$2,867 | \$2,372 | \$495 |
| 1999-00 | \$4,510 | \$1,456 | \$3,054 | \$2,967 | \$87 |
| 2000-01 | \$4,003 | \$1,682 | \$2,322 | \$3,126 | -\$804 |
| 2001-02 | \$3,965 | \$1,671 | \$2,293 | \$3,146 | -\$853 |
| 2002-03 | \$3,918 | \$1,915 | \$2,004 | \$3,217 | -\$1,214 |
| 2003-04 | \$3,874 | \$1,903 | \$1,971 | \$2,710 | -\$738 |
| 2004-05 | \$3,982 | \$1,932 | \$2,050 | | |
| 2005-06 | \$4,031 | \$1,945 | \$2,086 | | |

In the period prior to the 1999 tuition freeze, net tuition increase for grant recipients and non-grant recipients alike grew by about \$600. Subsequently, the 10 percent roll-back and subsequent freeze, combined with generous increases in governmental education tax credits, saw a substantial overall decline in real costs. Indeed, ENT declined by

almost \$1,000 (nearly 33 percent) between 1999-2000. Thus, students in 2005-06 paid less in real dollars than they did a decade earlier, and substantially less than they did in 1999-00.

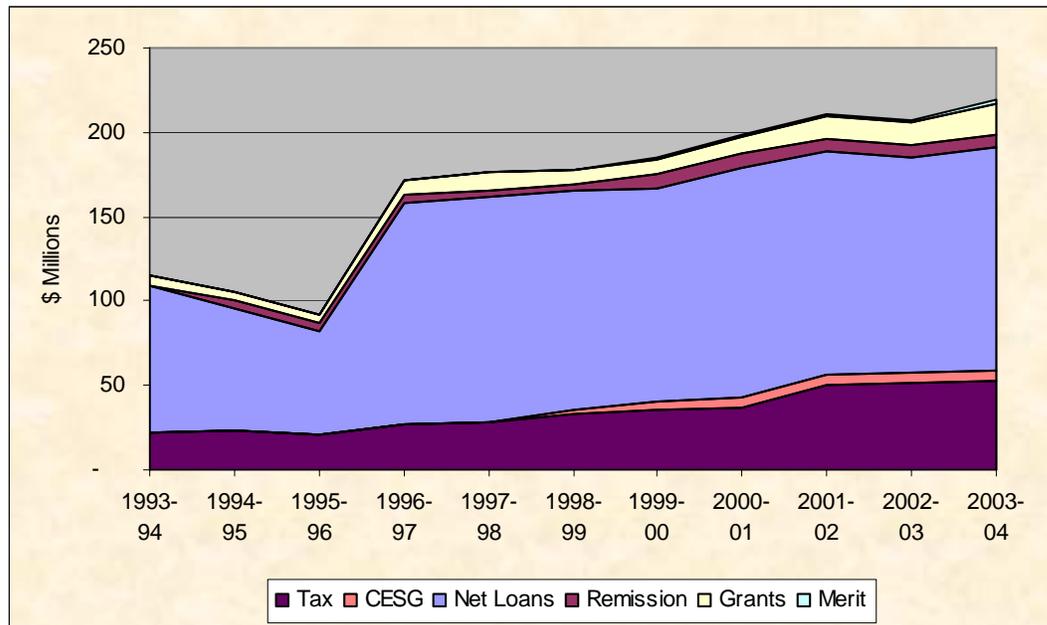
2.5 New Brunswick

Student Assistance Expenditures to 2004

Total student assistance expenditures in New Brunswick increased by 84 percent in the decade to 2003-04, substantially more than the national average increase of 50 percent. At the start of the decade, annual expenditures were \$115 million per year; by 2003-04, expenditures were roughly \$219 million per year. Roughly half of this increase was due to an increase in need-based loans; most of the remainder was due to an increase in universal assistance, mainly tax benefits.

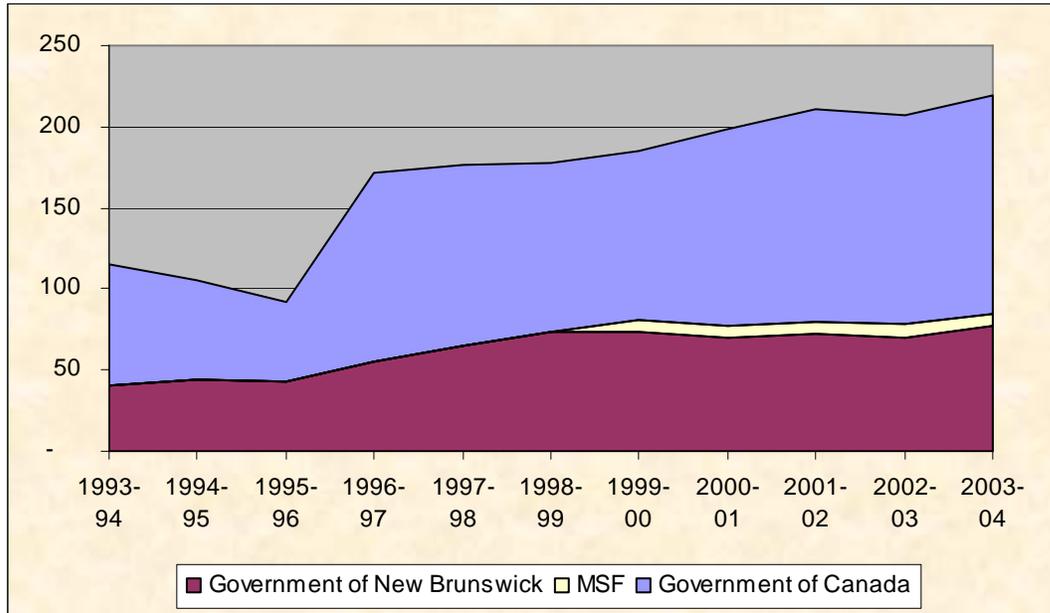
Very little of this increase can be attributed to growing post-secondary education student numbers. The total increase in college and university students over the decade in question was between ten and 15 percent; as a result, per-student funding increased by well over 50 percent.

Figure 7 – Total Assistance by Type – New Brunswick (\$2005)



The distribution of student assistance by source fluctuated somewhat over the course of the decade. For the most part, the federal share of total aid stayed between 60 and 70 percent; however, in three anomalous years (1994-95, 1995-96 and 1998-99), this share fell below 60 percent. This is not to say that provincial assistance fell; indeed, in absolute terms, it increased by nearly 75 percent, from \$40 million to \$69 million. However, this was only barely enough to keep up with the rapid increase in federal aid which was occurring throughout the decade.

Figure 8 – Total Assistance by Source – New Brunswick (\$2005)



Affordability Outcomes: Net Tuition in New Brunswick over Time

To date, the paper has been examining changes in government expenditure levels. But how have these changes affected individual students? In order to answer this, the paper needs to examine changes in tuition, tax credits and grants. This is done below in table 4.

Table 4 – Changes in Tuition, Subsidies and Net Costs, New Brunswick, 1995-96 to 2005-06

| | Tuition and Fees | Tax Credits | ENT | Grants | GRNT |
|----------------|-------------------------|--------------------|------------|---------------|-------------|
| 1995-96 | \$3,369 | \$1,118 | \$2,251 | \$734 | \$1,517 |
| 1996-97 | \$3,652 | \$1,197 | \$2,455 | \$904 | \$1,551 |
| 1997-98 | \$3,833 | \$1,239 | \$2,593 | \$882 | \$1,711 |
| 1998-99 | \$4,046 | \$1,326 | \$2,719 | \$958 | \$1,761 |
| 1999-00 | \$4,092 | \$1,439 | \$2,653 | \$1,267 | \$1,386 |
| 2000-01 | \$4,231 | \$1,652 | \$2,579 | \$1,823 | \$755 |
| 2001-02 | \$4,442 | \$1,706 | \$2,735 | \$1,655 | \$1,080 |
| 2002-03 | \$4,735 | \$2,038 | \$2,697 | \$1,631 | \$1,067 |
| 2003-04 | \$4,935 | \$2,089 | \$2,846 | \$2,108 | \$738 |
| 2004-05 | \$5,124 | \$2,138 | \$2,986 | | |
| 2005-06 | \$5,323 | \$2,189 | \$3,134 | | |

New Brunswick is one of the very few provinces that did not implement some kind of tuition freeze over the past decade. As a result, tuition rose by \$2,000 (or about 58 percent) in the decade to 2005-06. The growth in tax credits partially offset this increase, as the value of these credits increased by about \$1,070 per student over the decade. As a result, ENT grew more slowly, by only about \$900.

Students who received grants, however, were in a different situation. The average grant size rose dramatically over the decade, notably when the Canada Millennium Scholarship Foundation bursaries were introduced in 1999-2000 and when the province increased its own bursary program in 2003. The growth in grants more than offset any growth in net tuition – as a result, students who receive grants in New Brunswick now pay substantially less than they did ten years ago. Moreover, there are substantially more grant recipients now than there were a decade ago. This means that affordability in the province has improved significantly among high-need students over the course of the decade.

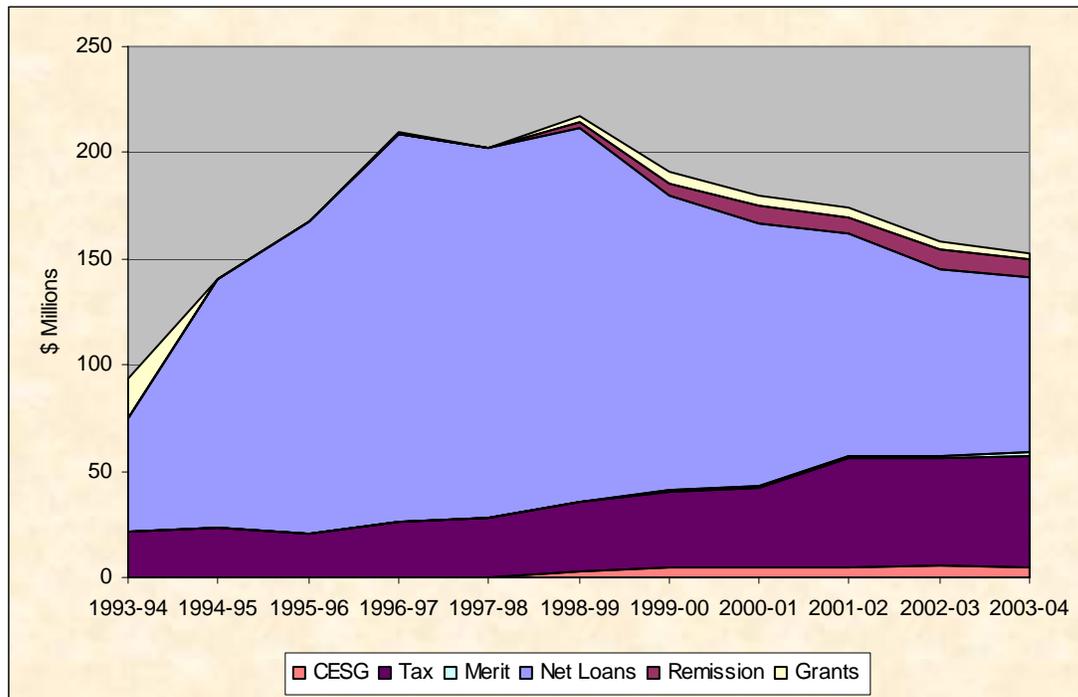
2.6 Newfoundland and Labrador

Student Assistance Expenditures to 2004

Total student assistance expenditures in Newfoundland and Labrador in 2003-4 were \$154 million, some 60 percent more than they had been a decade earlier. This is roughly similar to the national average of a 50 percent increase over the course of the decade. Yet assistance had been much higher five years earlier in 1998-99, total student aid spending had been \$217 million, or more than of the other western provinces. Nearly all of the increase in assistance - up to 1997-98 - came in the form of loans. After that, loans declined precipitously, but this was partially offset by a significant rise in tuition tax credits.

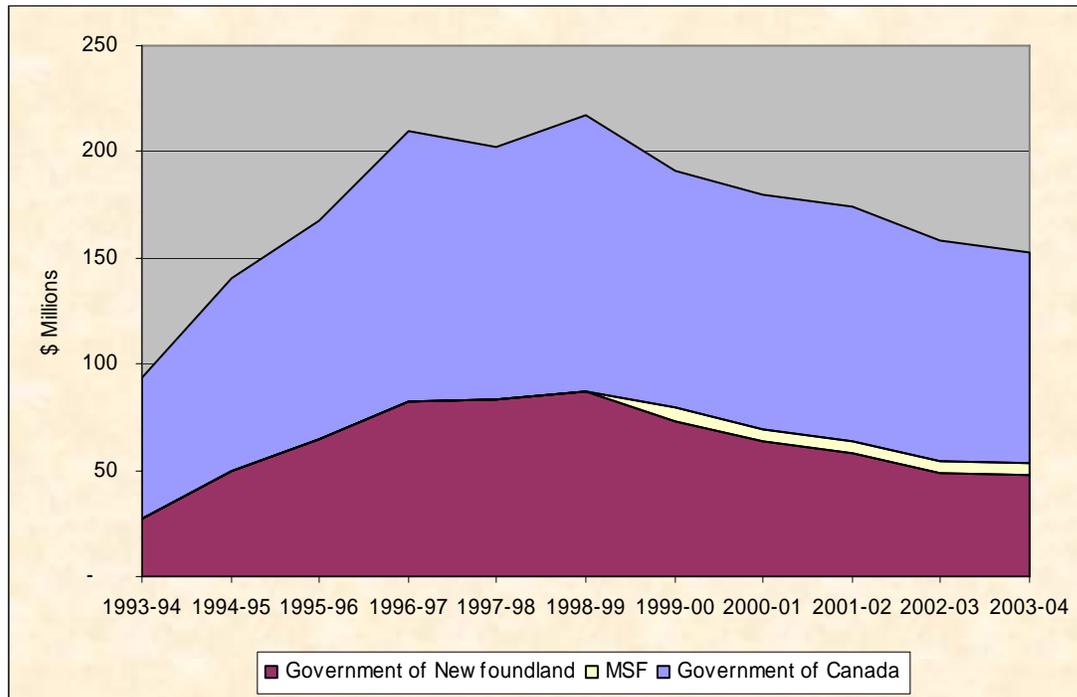
This growth in student aid has occurred in a context where post-secondary education student numbers were falling more or less in line with the decline in the provincial youth population throughout the late 1990s. Enrolments then bounced back again around the turn of the millennium and as a result, the total enrolment increase over the decade was about ten percent. This implies that per-student aid was up roughly 40 percent over the course of the decade.

Figure 9 – Total Assistance by Type – Newfoundland & Labrador (\$2005)



At the start of the decade in question, roughly 30 percent of all student assistance in Newfoundland and Labrador came from the provincial government. This rose to roughly 40 percent by 1998-99. Then, as federal government expenditures increased following the 1998 budget and provincial loan payments declined as private vocational colleges were removed from the student aid rolls, the province's share of total assistance has since declined again to about 30 percent.

Figure 10 – Total Assistance by Source – Newfoundland & Labrador (\$2005)



Affordability Outcomes: Net Tuition in Newfoundland and Labrador over Time

To date, this paper has been examining changes in government expenditure levels. But how have these changes affected individual students? In order to answer this, the paper needs to examine changes in tuition, tax credits and grants. This is done below in Table 5.

Table 5 – Changes in Tuition, Subsidies and Net Costs, Newfoundland and Labrador, 1995-96 to 2005-06

| | Tuition and Fees | Tax Credits | ENT | Grants | GRNT |
|----------------|------------------|-------------|---------|---------|----------|
| 1995-96 | \$3,101 | \$1,075 | \$2,026 | \$1,410 | \$616 |
| 1996-97 | \$3,530 | \$1,244 | \$2,286 | \$2,918 | -\$632 |
| 1997-98 | \$4,085 | \$1,518 | \$2,567 | \$2,531 | \$36 |
| 1998-99 | \$4,215 | \$1,671 | \$2,544 | \$2,032 | \$513 |
| 1999-00 | \$4,324 | \$1,702 | \$2,622 | \$2,372 | \$249 |
| 2000-01 | \$4,623 | \$1,910 | \$2,714 | \$2,827 | -\$114 |
| 2001-02 | \$4,134 | \$1,780 | \$2,355 | \$2,891 | -\$536 |
| 2002-03 | \$3,413 | \$1,588 | \$1,825 | \$3,027 | -\$1,202 |
| 2003-04 | \$3,216 | \$1,536 | \$1,680 | \$2,571 | -\$891 |
| 2004-05 | \$3,164 | \$1,522 | \$1,642 | | |
| 2005-06 | \$3,070 | \$1,497 | \$1,573 | | |

Tuition and fees rose in Newfoundland and Labrador over the latter half of the 1990s. However, the provincial government's decision to roll back tuition and then freeze it reduced costs in real dollars by a third from 2000-01 to 2005-6 (and beyond). The value of tax credits fell during this period (a natural result of the tuition reduction since credits are based in part on paid fees), but ENT still fell by \$1,200, or just over 40 percent. Fluctuations in average grants meant that GRNT fell too. All students therefore benefited from more affordable education costs.

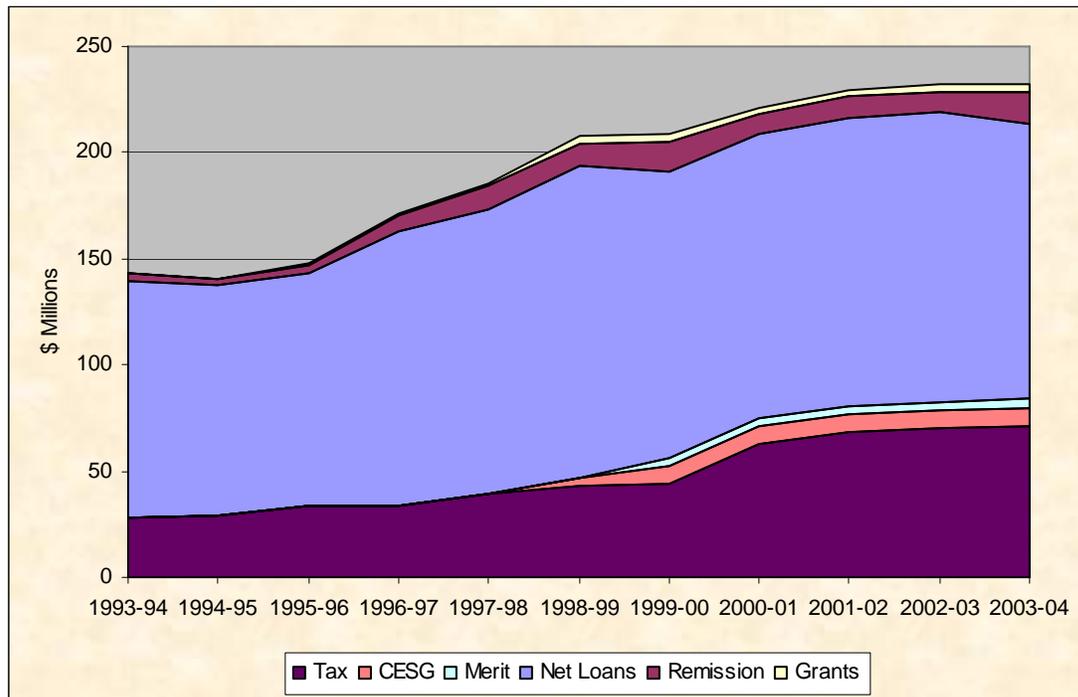
2.7 Nova Scotia

Student Assistance Expenditures to 2004

Over the decade from 1993-94 to 2003-04, assistance to Nova Scotia students rose by just over 50 percent - that is, roughly equal to the national average – from \$143 million per year to \$233 million per year. The rise was caused by a number of things – growth in net loans, growth in remission programs, growth in tax credits, growth in CESGs and growth in grants. Indeed, Nova Scotia is unusual in having growth across all financial instruments. Proportionately, though, it was tax credits that rose the fastest of all instruments and accounted for approximately half the rise in total assistance.

Not all of this growth translated into increased amounts of dollars per student. Overall college and university enrolment in Nova Scotia rose by 20 percent, meaning that per-student aid actually only increased by about 25 percent.

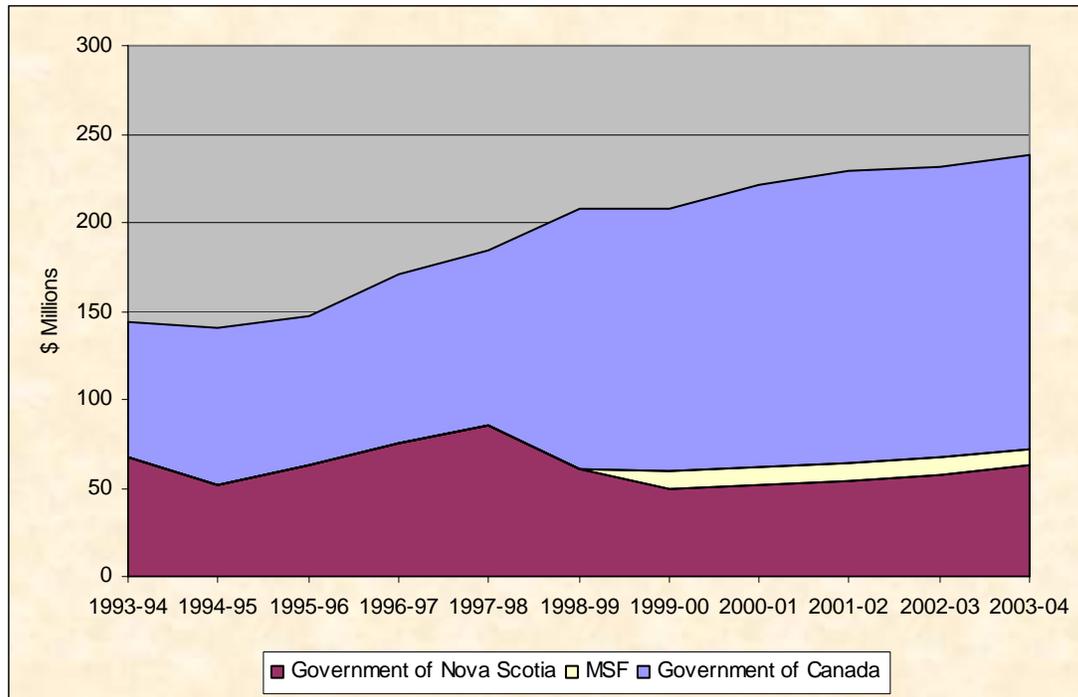
Figure 11 – Total Assistance by Type – Nova Scotia (\$2005)



In terms of the source of assistance, at the start of the decade in question, the government of Nova Scotia was responsible for over 45 percent of total assistance distributed in the province. This proportion remained more or less constant until 1998, when two things happened. First, federal expenditures began to rise as a result of the 1998 budget, and second, half the provincial student loan client base suddenly

disappeared⁴. The provincial share of total assistance then dropped precipitously to about 25 percent, where it remains today.

Figure 12 – Total Assistance by Source – Nova Scotia (\$2005)



Affordability Outcomes: Net Tuition in Nova Scotia over Time

To date, this paper has been examining changes in government expenditure levels. But how have these changes affected individual students? In order to answer this, the paper needs to examine changes in tuition, tax credits and grants. This is done below in table 6.

Table 6 – Changes in Tuition, Subsidies and Net Costs, Nova Scotia, 1995-96 to 2005-06

| | Tuition and Fees | Tax credits | ENT | Grants | GRNT |
|----------------|------------------|-------------|---------|---------|---------|
| 1995-96 | \$4,279 | \$1,334 | \$2,945 | \$643 | \$2,303 |
| 1996-97 | \$4,633 | \$1,430 | \$3,203 | \$1,612 | \$1,591 |
| 1997-98 | \$4,949 | \$1,506 | \$3,443 | \$3,078 | \$365 |
| 1998-99 | \$5,133 | \$1,589 | \$3,545 | \$4,447 | -\$903 |
| 1999-00 | \$5,282 | \$1,736 | \$3,547 | \$2,324 | \$1,223 |
| 2000-01 | \$5,584 | \$1,851 | \$3,732 | \$2,422 | \$1,310 |

⁴ Between 1997/98 and 1998/99, the Government of Nova Scotia managed to reduce its own student loan rolls by nearly 50 percent in a single year. Clearly, this reduction had nothing to do with a general reduction in the need for loans – indeed, the Canada Student Loans clientele remained effectively unchanged during this period. In effect, the government of Nova Scotia tweaked its own eligibility criteria in order to reduce its exposure to student loans at a time when the program was faced with some serious financial pressure.

| | | | | | |
|----------------|---------|---------|---------|---------|---------|
| 2001-02 | \$5,824 | \$1,913 | \$3,911 | \$2,397 | \$1,514 |
| 2002-03 | \$6,084 | \$2,236 | \$3,848 | \$2,795 | \$1,052 |
| 2003-04 | \$6,357 | \$2,307 | \$4,051 | \$3,622 | \$429 |
| 2004-05 | \$6,777 | \$2,415 | \$4,363 | | |
| 2005-06 | \$6,820 | \$2,426 | \$4,394 | | |

Nova Scotia students pay the highest university tuition fees in the country; in consequence, they also receive the largest amounts of tax credits on the country. The rise in tax credits has partially, but by no means fully, offset the increase in tuition: ENT rose by \$1,450 (or nearly 50 percent) over the decade. For grant recipients, however, it is a different story. The average grant size fluctuated considerably over the decade, but in general grants increased substantially meaning students who received grants were, in the main, much better off in 2003-04 than they were in 1995-96. As the number of grants did not decrease (they actually increased slightly, although the source switched from primarily provincial to primarily Millennium Bursaries), what this means is that – in contrast to the average non-grant-recipient - the average position of grant recipients improved substantially.

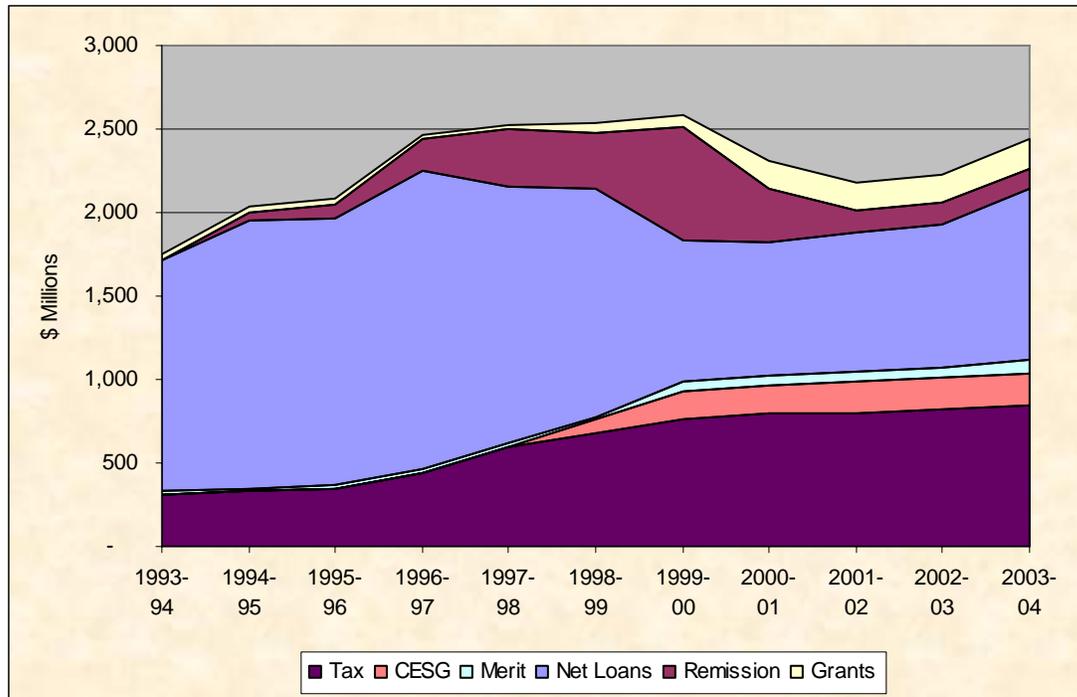
2.8 Ontario

Student Assistance Expenditures to 2004

Total student assistance expenditures in Ontario increased by 39 percent between 1993-94 and 2003-04, somewhat less than the national average increase of 50 percent. At the start of the decade of analysis, annual expenditures were \$1.7 billion per year; by 2003-04, expenditures were roughly \$2.45 billion per year. Just over 100 percent of the increase came from universal assistance sources (need-based sources actually decreased over the decade), and roughly 70 percent of the increase in universal assistance came through tax-based sources. Figure 13 shows total assistance available to Ontario students.

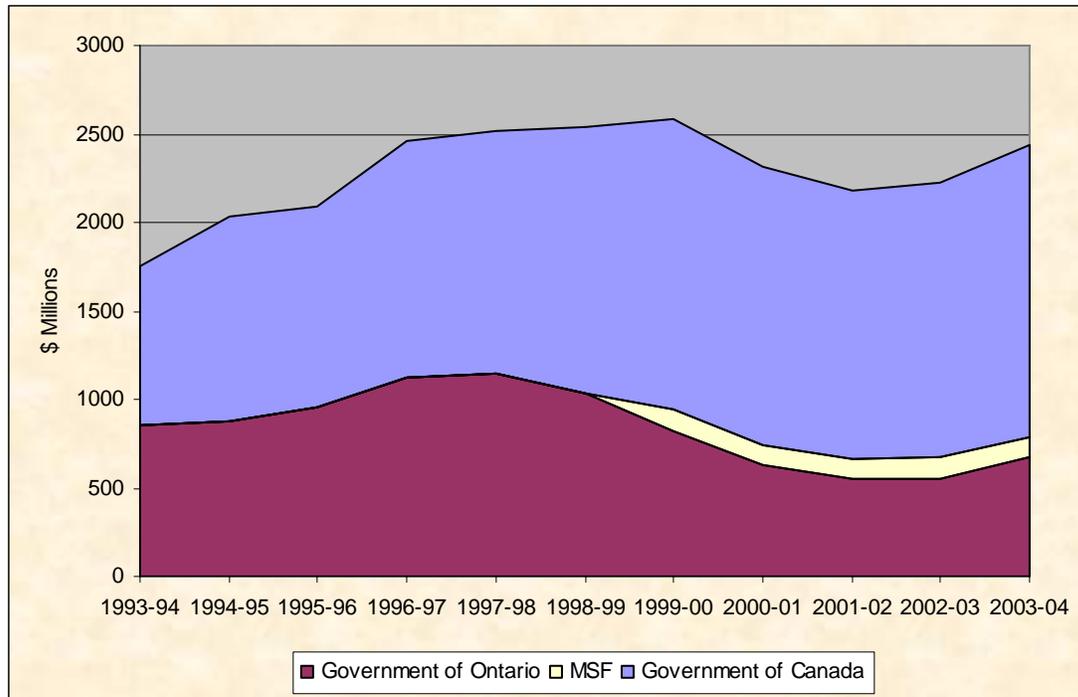
Ontario's below-average performance is even more pronounced when changes in post-secondary education student population are taken into account. Even before the double cohort, enrolment was up 15 percent - with the double cohort, the increase was closer to 30 percent, meaning that per-student assistance levels rose only minimally.

Figure 13 – Total Assistance by Type – Ontario (\$2005)



When looking at assistance by source, we see a familiar pattern. At the start of the decade in question, the provincial government was responsible for something very close to 50 percent of all assistance. Though increasing federal aid (primarily loan aid) diluted this somewhat over the next five years, the provincial sources of assistance continued to rise in absolute terms. Then, after 1998, things changed considerably. Federal sources of assistance began to rise rapidly (as a result of the 1998 federal budget) and provincial sources began to decline (because of changes to its loan program). By 2000-01, the provincial share of assistance had dropped to below 30 percent, where it remains today. Provincial assistance fell in both absolute and relative terms; in 2003-04, Ontario assistance amounted to \$671 million, compared to \$849 million in 1993-94, and \$1,147 million in 1997-98.

Figure 14 – Total Assistance by Source – Ontario (\$2005)



Affordability Outcomes: Net Tuition in Ontario over Time

To date, this paper has been examining changes in government expenditure levels. But how have these changes affected individual students? In order to answer this, the paper needs to examine changes in tuition, tax credits and grants. This is done below in Table 7.

Table 7 – Changes in Tuition, Subsidies and Net Costs, Ontario, 1995-96 to 2005-06

| | Tuition and Fees | Tax Credits | ENT | Grants | GRNT |
|----------------|-------------------------|--------------------|------------|---------------|-------------|
| 1995-96 | \$3,684 | \$1,147 | \$2,537 | \$3,773 | -\$1,236 |
| 1996-97 | \$4,151 | \$1,271 | \$2,881 | \$3,527 | -\$647 |
| 1997-98 | \$4,466 | \$1,293 | \$3,172 | \$4,861 | -\$1,689 |
| 1998-99 | \$4,873 | \$1,398 | \$3,475 | \$5,973 | -\$2,499 |
| 1999-00 | \$5,386 | \$1,573 | \$3,813 | \$4,681 | -\$868 |
| 2000-01 | \$5,384 | \$1,637 | \$3,747 | \$3,698 | \$49 |
| 2001-02 | \$5,552 | \$1,681 | \$3,871 | \$2,283 | \$1,588 |
| 2002-03 | \$5,602 | \$1,951 | \$3,651 | \$1,823 | \$1,828 |
| 2003-04 | \$5,794 | \$1,999 | \$3,795 | \$2,599 | \$1,196 |
| 2004-05 | \$5,690 | \$1,976 | \$3,714 | | |
| 2005-06 | \$5,586 | \$1,953 | \$3,633 | | |

Tuition fees rose substantially in real dollars in the late 1990s before slowing at the turn of the decade and actually falling after 2003-04 and the imposition of a two-year tuition freeze. As elsewhere, the increase in tuition credits partially offset the rise in fees, but ENT still increases by \$1,100, or about 43 percent in real terms.

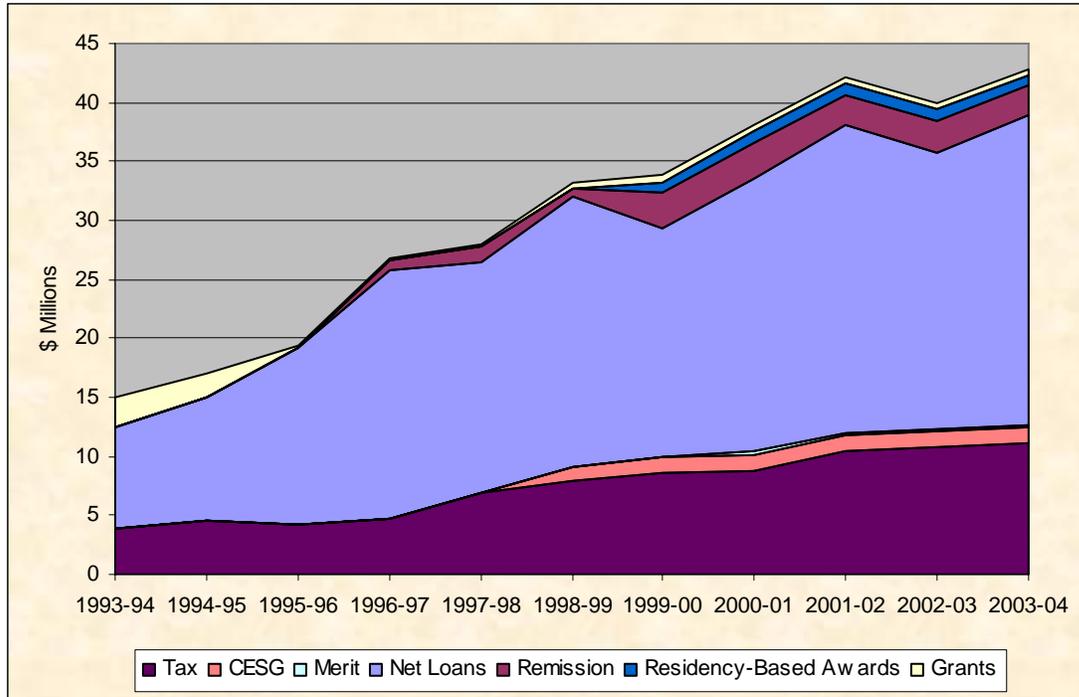
With respect to net tuition charges for grant recipients, the picture is somewhat more nuanced. The vast reduction in the province's loan remission scheme towards the end of the 1990s meant that grant recipients on average received substantially less than they previously did, and GRNT rose. However, the number of grants issued rose substantially over the decade. What this means is that people who would have received grants in 1995-96 were noticeably worse off a decade later, but at the same time there were a large number of new grant recipients who were better off.

2.9 Prince Edward Island

Student Assistance Expenditures to 2004

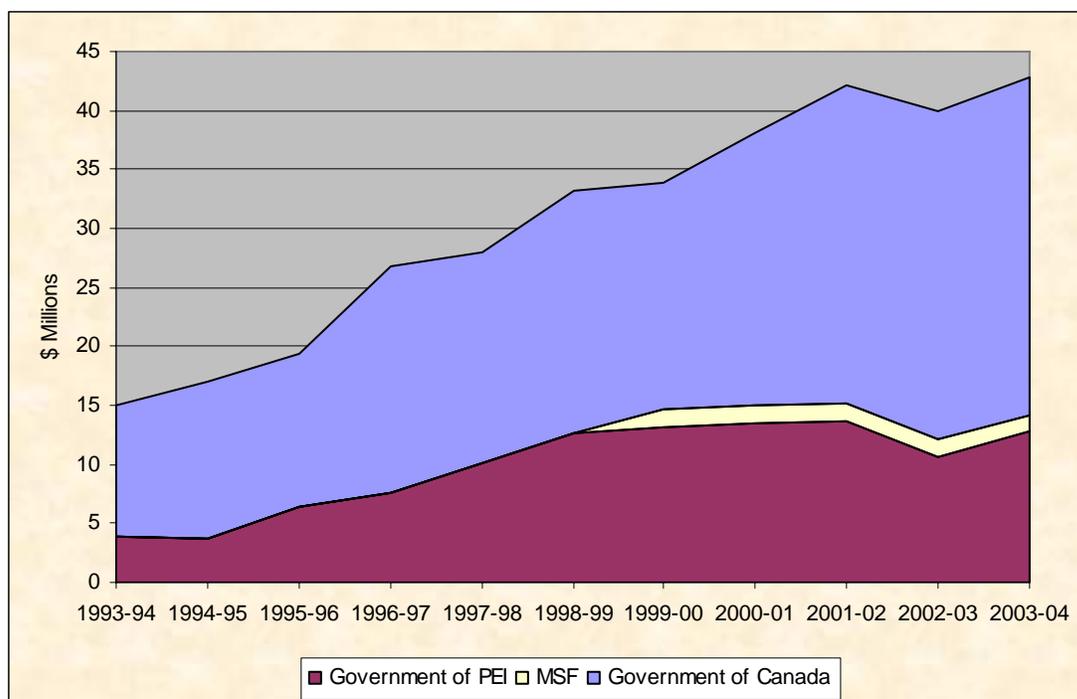
Over the decade from 1993-94 to 2003-04, assistance to Island students nearly tripled from \$15 million to \$43 million annually. This is much higher than was the case nationally, where the average increase was only 50 percent. All forms of assistance increased in value – though nearly all the net increase can be attributed to the increases in net loans (189 percent) and tax credits (up 275 percent). This impressive rise in assistance was only slightly offset by the 25 percent increase in enrolments

Figure 15 – Total Assistance by Type – PEI (\$2005)



In terms of the source of assistance, at the start of the decade in question, the provincial government was responsible for only about 26 percent of total assistance provided to students. That figure grew after the introduction of the Island Student Loan Program, but then declined again after the changes resulting from the 1998 federal budget. Overall, the provincial government accounts for 30 percent of all assistance delivered in the province, making it the only province where the provincial government has increased its share of assistance in the past decade.

Figure 16 – Total Assistance by Source – PEI (\$2005)



Affordability Outcomes: Net Tuition in Prince Edward Island over Time

To date, this paper has been examining changes in government expenditure levels. But how have these changes affected individual students? In order to answer this, the paper needs to examine changes in tuition, tax credits and grants. This is done below in Table 8.

Table 8 – Changes in Tuition, Subsidies and Net Costs, Prince Edward Island, 1995-96 to 2005-06

| | Tuition and Fees | Tax Credits | ENT | Grants | GRNT |
|----------------|------------------|-------------|---------|---------|---------|
| 1995-96 | \$3,940 | \$1,242 | \$2,698 | \$1,065 | \$1,633 |
| 1996-97 | \$4,011 | \$1,261 | \$2,750 | \$1,628 | \$1,122 |
| 1997-98 | \$4,214 | \$1,316 | \$2,898 | \$1,677 | \$1,221 |
| 1998-99 | \$4,393 | \$1,408 | \$2,985 | \$1,766 | \$1,219 |
| 1999-00 | \$4,510 | \$1,548 | \$2,962 | \$2,522 | \$440 |
| 2000-01 | \$4,396 | \$1,547 | \$2,849 | \$2,712 | \$137 |
| 2001-02 | \$4,536 | \$1,583 | \$2,953 | \$2,676 | \$277 |
| 2002-03 | \$4,664 | \$1,872 | \$2,792 | \$2,580 | \$212 |
| 2003-04 | \$4,840 | \$1,918 | \$2,923 | \$2,729 | \$194 |
| 2004-05 | \$5,057 | \$1,974 | \$3,084 | | |
| 2005-06 | \$5,225 | \$2,017 | \$3,208 | | |

Tuition and fees rose by about \$1,300 in real dollars in the decade to 2005-06, but rises in tax credits meant that ENT actually only rose by about \$500. The introduction of the Canada Millennium Scholarship Foundation Bursaries massively increased the size and number of grants issued in the province, and as a result GRNT was reduced significantly

over the decade. In short, net tuition decreased for grant recipients but increased for everyone else.

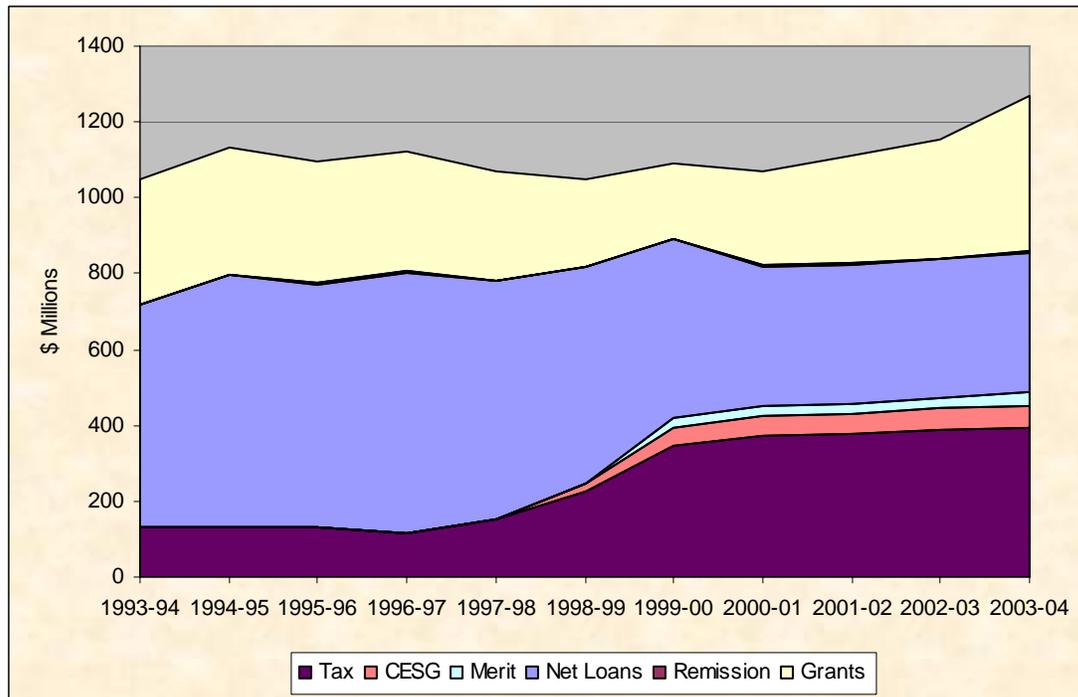
2.10 Québec

Student Assistance Expenditures to 2004

Over the decade from 1993-94 to 2003-04, assistance to Québec post-secondary education students increased by about 20 percent from \$1.05 billion to \$1.25 billion. This is much lower than was the case nationally, where the average increase was 50 percent; on the other hand, since there were no tuition increases for Québec students, there were fewer cost pressures driving up the demand for assistance in this period. However, this overall increase masks some volatility in the composition of assistance. Need-based assistance was down over the decade; universal assistance was up. In particular, tax credits were up and loans were down. Grants, which make up roughly a third of all aid in Québec, were also up slightly in 2003-04 compared to 1993-94, but this was anomalous – in most years of the decade, total grants were lower than they were in 1993-94.

All of this occurred in a context of relatively stagnant enrolments. Student numbers fell through to about 2001, after which time enrolments recovered.

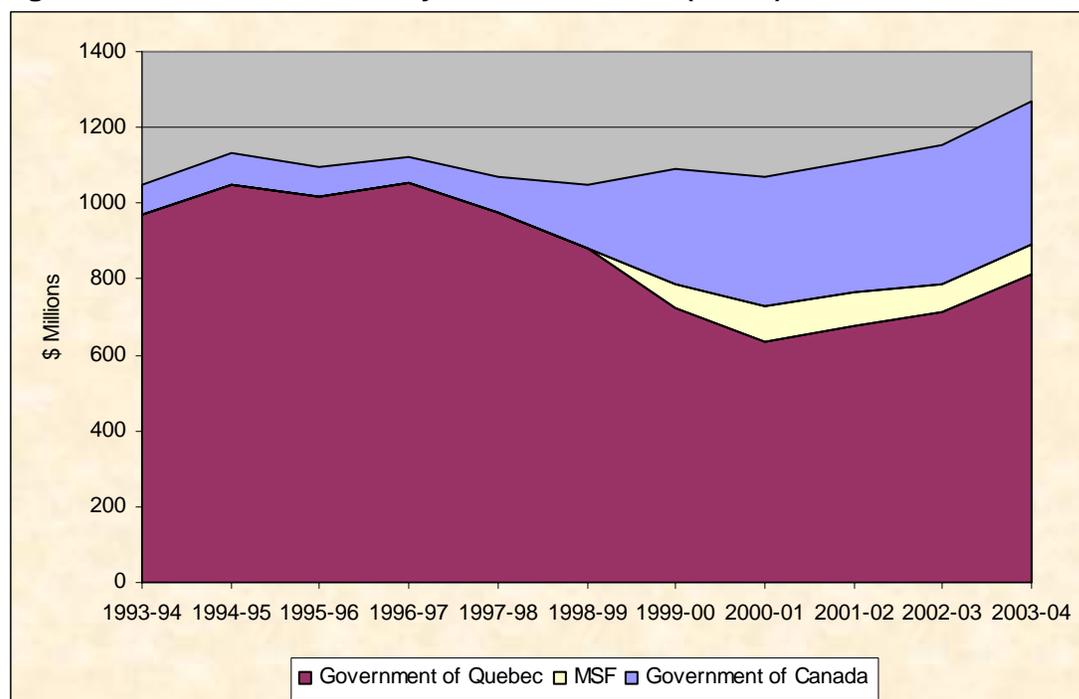
Figure 17 – Total Assistance by Type – Québec (\$2005)



In terms of the source of assistance, the combination of declining need-based assistance with increasing universal assistance has meant that a greater portion of the aid that reaches students in Québec is coming from the Government of Canada rather than from the provincial government. The province's share of total assistance was

roughly 92 percent in 1993-94; by 2003-04, it had fallen to just 55 percent. This evolution is shown in Figure 18.

Figure 18 – Total Assistance by Source –Québec (\$2005)



However, it should be noted that not all provincial expenditures on student assistance in Québec actually come from provincial sources of income, as it does in other provinces. As noted earlier, the Government of Canada transfers a sum of money annually (known as the “Alternative Payment”) to help the province offset its program costs. The effects of these transfers are not shown in Figure 18 because it shows the source of money as it is delivered to students.

However, if we examine actual expenditures and include the province’s Alternative Payment in the “federal” column rather than the provincial one, a very different picture emerges. In 1993-94, the Alternative payment to Québec was \$142 million; in 2003-04, it was \$256 million (Alternative Payments, which are essentially calculated as a fraction of total Canada Student Loan Program (CSLP) payments, have grown in line with the growth in CSLP expenditures). The results can be seen below in Table 9, and they present a very different picture than that shown in Figure 18

Taking into account the Alternative Payment, it turns out the Government of Québec’s “own-source” spending on all forms of transfers for post-secondary education dropped by one percent over the decade, making Québec the only province in the country where this occurred. However, since this spending included a doubling of universal expenditures, the drop in spending on need-based aid is even steeper: Québec’s own-source provincial spending on student aid was 18 percent less in 1993-94 than it was in 2003-04.

Overall, it appears the combination of increased federal spending and decreased provincial spending made for a dramatic shift in student aid spending. As of 2003-04, the Government of Canada is actually responsible for 65 percent of all student aid dollars in Québec, and 55 percent of all need-based assistance dollars. Over the ten years in question, the two governments' relative share of spending in Québec has gone from 70 percent to 30 percent in favour of the province to 65 percent to 35 percent in favour of the federal government. This is a remarkable turnaround in so short a space of time, and certainly a more dramatic shift than that seen in any other province.

Table 9 – Total Government Expenditures on Student Financial Assistance – Québec, correcting for Alternative Payments – 1993-94 to 2003-04

Total Expenditures by Source and Type (\$Millions, \$2005) - Québec - 2003-04

| | Government of Canada | Government of Québec | Total | Fed/Prov Share (%) |
|-------------------|-----------------------------|-----------------------------|----------------|---------------------------|
| <i>Need Based</i> | \$333 | \$276 | \$609 | 38 % / 62 % |
| <i>Merit</i> | \$34 | \$0 | \$34 | 100% / 0% |
| <i>Universal</i> | \$345 | \$106 | \$452 | 76% / 24% |
| Total | \$712 | \$382 | \$1,095 | 65% / 35% |

Total Expenditures By Source and Type (\$Millions, \$2005) - Québec – 1993-94

| | Government of Canada | Government of Québec | Total | Fed/Prov Share (%) |
|-------------------|-----------------------------|-----------------------------|--------------|---------------------------|
| <i>Need Based</i> | \$142 | \$335 | \$477 | 23 % / 77% |
| <i>Universal</i> | \$80 | \$51 | \$131 | 61% / 39% |
| Total | \$222 | \$386 | \$608 | 30% / 70% |

% Change in Government Expenditures Between 1993-94 and 2003-04

| | Government of Canada | Government of Québec | Total |
|-------------------|-----------------------------|-----------------------------|--------------|
| Need-Based | 135% | -18% | 28% |
| Merit | n/a | 0% | n/a |
| Universal | 331% | 108% | 244% |
| Total | 221% | -1% | 80% |

Affordability Outcomes: Net Tuition in Québec over Time

To date, this paper has been examining changes in government expenditure levels. But how have these changes affected individual students? In order to answer this, the paper needs to examine changes in tuition, tax credits and grants. This is done below in Table 10.

Table 10 – Changes in Tuition, Subsidies and Net Costs, Québec, 1995-96 to 2005-06

| | Tuition and fees | Tax Credits | ENT | Grants | GRNT |
|----------------|-------------------------|--------------------|------------|---------------|-------------|
| 1995-96 | \$2,407 | \$1,072 | \$1,335 | \$4,416 | -\$3,080 |
| 1996-97 | \$2,361 | \$1,053 | \$1,308 | \$4,338 | -\$3,030 |
| 1997-98 | \$2,601 | \$1,149 | \$1,452 | \$4,120 | -\$2,668 |
| 1998-99 | \$2,531 | \$1,148 | \$1,383 | \$3,930 | -\$2,548 |
| 1999-00 | \$2,553 | \$1,200 | \$1,354 | \$2,724 | -\$1,371 |
| 2000-01 | \$2,514 | \$1,180 | \$1,334 | \$3,149 | -\$1,815 |
| 2001-02 | \$2,492 | \$1,153 | \$1,339 | \$3,328 | -\$1,990 |
| 2002-03 | \$2,670 | \$1,473 | \$1,197 | \$3,265 | -\$2,068 |
| 2003-04 | \$2,686 | \$1,479 | \$1,207 | \$4,043 | -\$2,836 |
| 2004-05 | \$2,550 | \$1,430 | \$1,120 | | |
| 2005-06 | \$2,506 | \$1,414 | \$1,092 | | |

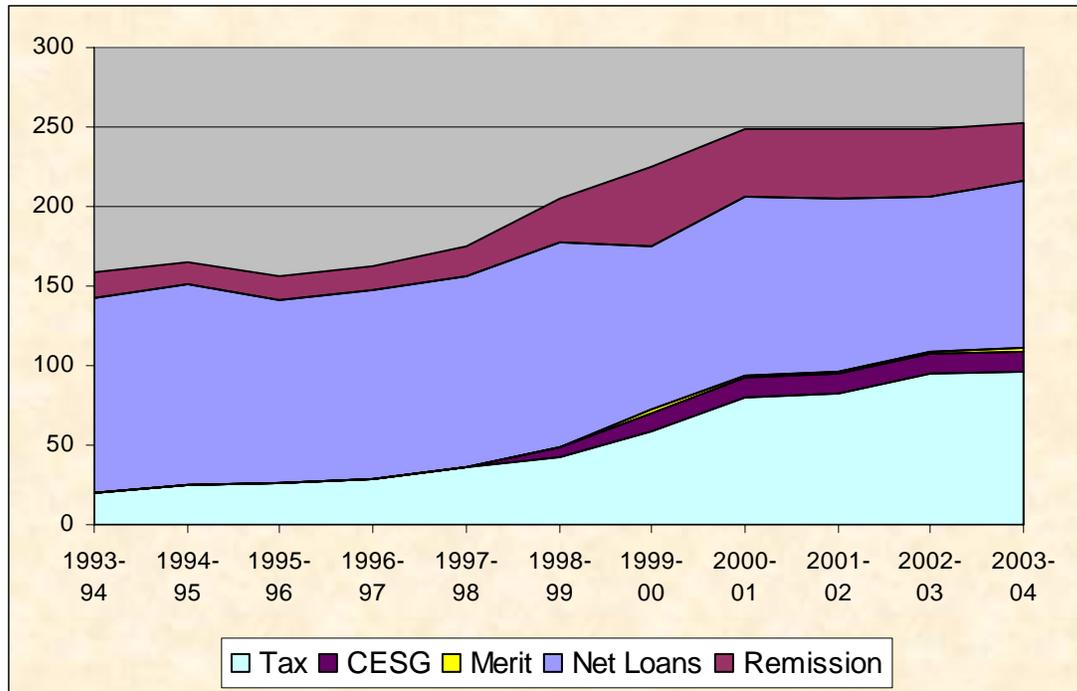
Tuition and fees stayed roughly constant in real dollars over the decade in question, with reduction in real tuition offset by significant increases in various forms of mandatory fees. Substantial increases in federal tax credits led to a reduction in ENT of about \$250. However, reductions in grants meant that GRNT actually increased by about \$150.

2.11 Saskatchewan

Student Assistance Expenditures to 2004

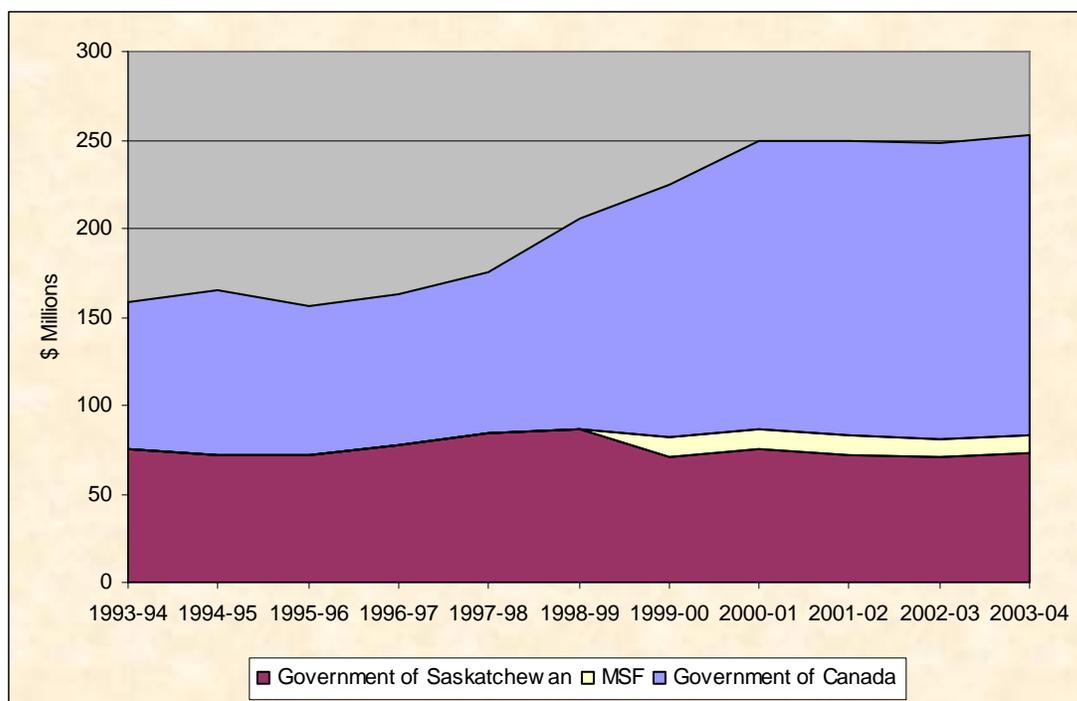
Total student assistance expenditures in Saskatchewan rose by about 80 percent over the decade to 2003-04. This is substantially more than the national average of 50 percent, but less than some of the other western provinces. At the start of the decade, annual expenditures were \$153 million per year; by 2003-04, expenditures were roughly \$253 million per year. None of this increase was due to an increase in net loans – indeed, these declined over the decade. Three-quarters of the increase was due to an increase in tax credits; the remainder was due in equal measure to an increase in remission and the introduction of the CESG program. Because enrolment was effectively unchanged over the decade, these changes in total expenditures were mirrored at a per-student level.

Figure 19 – Total Assistance by Type – Saskatchewan (\$2005)



As in most other provinces, the distribution of student assistance by source changed over this decade. At the outset of the decade, roughly 47 percent of all aid in Saskatchewan came from the provincial government. This stayed roughly constant until 1998, when increases in federal tax expenditures started to erode the provincial share of assistance. By 1999, the provincial share had dropped to 32 percent, since which time it has continued to drop slightly and now sits at 29 percent.

Figure 20 – Total Assistance by Source – Saskatchewan (\$2005)



Affordability Outcomes: Net Tuition in Saskatchewan over Time

To date, this paper has been examining changes in government expenditure levels. But how have these changes affected individual students? In order to answer this, the paper needs to examine changes in tuition, tax credits and grants. This is done below in Table 11.

Table 11 – Changes in Tuition, Subsidies and Net Costs, Saskatchewan, 1995-96 to 2005-06

| | Tuition and Fees | Tax Credits | ENT | Grants | GRNT |
|----------------|------------------|-------------|---------|---------|----------|
| 1995-96 | \$3,471 | \$1,048 | \$2,423 | \$3,409 | -\$986 |
| 1996-97 | \$3,564 | \$1,072 | \$2,492 | \$3,772 | -\$1,280 |
| 1997-98 | \$3,860 | \$1,147 | \$2,712 | \$3,888 | -\$1,176 |
| 1998-99 | \$4,258 | \$1,290 | \$2,968 | \$3,330 | -\$361 |
| 1999-00 | \$4,386 | \$1,405 | \$2,981 | \$2,547 | \$434 |
| 2000-01 | \$4,606 | \$1,852 | \$2,754 | \$2,159 | \$595 |
| 2001-02 | \$4,808 | \$1,906 | \$2,902 | \$2,367 | \$535 |
| 2002-03 | \$5,167 | \$2,259 | \$2,908 | \$2,300 | \$608 |
| 2003-04 | \$5,484 | \$2,345 | \$3,139 | \$2,162 | \$977 |
| 2004-05 | \$5,690 | \$2,400 | \$3,290 | | |
| 2005-06 | \$5,517 | \$2,354 | \$3,164 | | |

Tuition rose very rapidly in Saskatchewan in the decade in question. So, too, did the value of education tax credits, in part because provincial tax rates were significantly higher than in the rest of Canada. As a result, even though tuition and fees rose by

\$2,100 in real terms, two-thirds of this was offset through tax credits, meaning ENT rose by a much smaller \$700.

GRNT rose substantially, too, due to a decrease in average grant size. In large measure, though, this is a statistical chimera; the average number of grants more than quadrupled, and many students now receive more than one grant. Average grants received have actually probably increased, not decreased though this cannot be portrayed with the data currently available.

CHAPTER 3: STUDENT AID POLICY AND PROGRAM CHANGES SINCE 2004

3.1 Introduction

The chapter deals with announced policy and student financial assistance program changes in Canada. The data were compiled from various provincial and federal budget documents and has not been adjusted for inflation. It discusses the policy changes with respect to need-based assistance and non-needs based assistance. It highlights where target audiences were identified and annually quantifies program expenditures.

Overall, Chapter 3 shows government expenditures on student financial assistance continue to be heavily weighted in favour of non-needs based assistance (e.g., tuition fee freezes or tax credits). This trend is simply a continuation of a pattern established in the mid-1990s and one that now shows no signs of letting up. Governments across the country appear to be drawn to policy focused on some temporary tuition relief combined with back-end tax support measures designed to mitigate cost increases or increase graduate recruitment and retention. In fact, if the Government of Ontario and the Canada Millennium Scholarship Foundation recent expenditures are removed from the equation over eight out of every ten new dollars now being spent to support students are untargeted. As our research shows, the majority of those dollars simply flow to middle-to-high income students – many individuals who in fact do not need any additional government assistance.

3.2 Government of Canada and Canada Millennium Scholarship Foundation

The federal student financial assistance landscape has changed somewhat over the past four years. There have been a series of program changes introduced by the Canada Student Loans Program designed to make the program more equitable and to increase support for all students. Finally, the federal government introduced Canada's first national grant attempting to target income – similar to the United States Pell Grants – in the place of assessed need.

Budget 2004 contained a series of new federal student assistance programs and a few enhancements to existing programs. For the first time in a decade, the federal loan ceiling for the Canada Student Loans Program was increased to \$210 from \$165 a week. This increase was coupled with the inclusion of computers in the study expense column. Finally, partly in response to a growing concern on the number of students securing private lines of credit and partly in response to vocal concern from stakeholders that too many individuals either were not qualifying for assistance or not qualifying for enough assistance (i.e., middle-income squeeze), the parental contribution tables were adjusted. On the front end of the table, expected parental contribution amounts were reduced (i.e., more assistance was made available). On the back-end, eligibility was extended and a new maximum was set for qualifications based on parental income (i.e., more individuals now qualified for some amount of assistance). These three measures increased student loan costs for the Government of Canada by an estimated \$74 million annually starting in the 2005–06 loan year.

Another major change was the introduction of a new, low-income grant designed to assist single, dependent students⁵. The Canada Study Grant (CSG) covers one-half of the cost of tuition up to a maximum of \$3,000. A new \$2,000 up-front grant for students' with disabilities was also introduced. The total cost of both new grant programs was estimated at \$45 million per annum.

Budget 2004 also included a doubling of the Canada Education Savings Grant (CESG) savings rate from 20 percent to 40 percent for families with incomes up to \$35,000. It also increased the rate to 30 percent for families with incomes between \$35,000 and \$70,000. These changes apply to the first \$500 contributed in a year to a child's RESP and were budgeted at \$80 million per annum.

The second major savings program change introduced in the budget was the new Canada Learning Bond (CLB). The CLB provides up to \$2,000 for children born after 2003 in families entitled to the National Child Benefit supplement. It is estimated that the CLB will cost \$85 million per annum.

Finally, there were a couple of debt control measures introduced in the Budget. To further assist borrowers experiencing difficulty in repayment, the income thresholds used for determining eligibility for interest relief were increased by 5 percent. Second, borrowers who remain in financial difficulty after exhausting interest relief saw the maximum amount of debt reduction increased to \$26,000 from \$20,000. The cost of these two measures is estimated to be \$8 million per annum.

In 2005, the federal government made a small adjustment to student financial assistance eligibility for loan forgiveness to persons with disabilities who become permanently disabled during the period of repayment. The total cost of this change was estimated at \$3 million per annum. The larger budget item from 2005 was a one-time increase in funding for the Aboriginal post-secondary scholarship program administered by the National Aboriginal Achievement Foundation of \$10 million.

The Canada Millennium Scholarship Foundation was also busy over the past four years highlighted by the introduction of the new Millennium Access Bursary. In 2005, the Canada Millennium Scholarship Foundation rolled out the first in a series of jurisdictional specific, but income targeted needs-based grants and had its mandate extended to include protected persons. The Access Bursary - a four-year initiative – was designed to provide up an additional \$50 million per annum in grant assistance over the course of its existence. Total expenditures for the two most recent (the first two program years) years were \$83 million (average of \$46.5 per annum).

2006 saw a change of government in Ottawa and the first federal Conservative budget in 15 years. There were three new student financial assistance measures introduced directed at college and university students. The first was an introduction of a new education tax credit targeted at textbook costs. This tax credit was designed to provide a tax reduction of about \$80 per year for a typical full-time post-secondary student. The total cost of this program is estimated at \$135 million per annum.

⁵ The Canada Study Grant has since been expanded to include first-time single independent students as a result of thoughts from the Department of Justice that targeting an award to only single dependent students would not withstand a Charter of Rights and Freedoms challenge.

The second new measure introduced was the elimination of the \$3,000 limit on the amount of scholarship, bursary and fellowship tax-free income a post-secondary student can receive while in studies. The total cost of this initiative was budgeted at \$50 million per annum.

The final measure was the reduction in the expected parental contribution⁶ for all Canada Student Loans Program borrowers (the second announced reduction in the past four years). It is estimated the improvement will enable an additional 30,000 students from families with incomes in the \$65,000 to \$140,000 range to gain access to student assistance. It is also estimated to allow 25,000 current student borrowers to increase the amount of the loans they receive. The changes are to take effect in the upcoming loan year (August 2007) and cost roughly \$20 million per year.

The 2007 budget contained a number of measures aimed at individuals and families, designed among other things to promote excellence in all educational pursuits and enhancing graduate education.

The *Canada Graduate Scholarships* were increased by \$35 million over two years, and re-branded to recognize the contributions of some of Canada's most famous innovators and scientists (Sir Frederick Banting and Dr. Charles Best, Alexander Graham Bell, and Joseph-Armand Bombardier). This will result in a 25 percent increase in the number of scholarships available at the graduate (masters and PhD) level, with 400 new scholarships delivered by each of Canadian Institute of Health Research (CIHR) and Natural Science and Engineering Research Council (NSERC), and 200 delivered by Social Science and Humanities Research Council (SSHRC).

The Government of Canada once again made adjustments to the *Registered Education Savings Plans* (RESP) to encourage greater savings rates. The annual savings cap (\$4,200) has been removed and the lifetime limit has been increased to \$50,000. The annual top-up limit has been increased from \$400 to \$500 - a roughly \$15 million "affordability" measure which is unlikely to help anyone other than the upper middle-class - and RESP rules have been changed so as to permit students studying part-time to withdraw money (currently, this privilege is only extended to full-time students).

Budget 2007 made no modifications to the Canada Student Loans Program, but the program did not go unnoticed. For the third time in the decade (the previous two never got started), the Government of Canada has announced a national review of student assistance to make the system more effective and examine ways to streamline administration processes. The goal of this review is a more simplified, efficient and streamlined system of student loans. These are all important goals, but notably absent is the promise of any new funding. Given that the Canada Millennium Scholarship Foundation - which provides over a third of all student grants in Canada - is due to run out of money in less than two years, this is a somewhat surprising omission.

One final note, the taxman is no longer coming after elementary and secondary school students for the scholarship or academic prize money. Budget 2007 exempts scholarship monies for any and all students - regardless of educational pursuit.

⁶ It is unclear which provinces will match the recent changes to the expected parental contribution tables.

3.3 Alberta

There has been a series of tuition and student assistance policy changes in the province of Alberta over the past four years. Student financial assistance expenditures have continued to grow at rapid rate (see discussion in the section above) and tuition policy has been transformed. The first area to be examined will be tuition fee policy.

In 2004, there was a \$6 million increase in post-secondary scholarship support measures. The majority of this money was used to expanded non-needs based programs. Also, the Alberta Centennial Education Savings Plan was launched designed to provide \$500 to the RESP of every child born to Alberta residents in 2005 and beyond. The total cost of the program was expected to plateau at \$20 million per annum in 2005-2006.

In 2005, the Government of Alberta announced a post-secondary education tuition freeze and extended the freeze one year later (it announced the tuition reduction was permanent and would be fully funded in the future). The total cost of the two-year freeze was \$87 million. The tuition policy changed with the introduction of the Affordability Policy Framework in late 2006. The Framework calls for - among other things - future tuition fee increases to be limited to inflation. The additional cost of implementing this policy in 2007 was \$22 million. The total expenditure for tuition freezes or reductions in the three year period was \$109 million.

Student financial assistance programs have also been enhanced over the past three years. In 2005, the Government of Alberta increased scholarship funding by \$7.5 million – highlighted by the introduction of the Lois Hole Humanities and Social Science Scholarship. Also that year, life-time loan limits for several programs of study were increased by \$10,000. For example, Undergraduate programs of study went from \$40,000 to \$50,000 and Masters programs went up from \$50,000 to \$60,000.

2006 was a relatively light year (by Alberta standards) for student financial assistance in Alberta since the province increased spending by \$12.5 million and the majority of that money is coming from another funding partner. The increase is largely a result of two expenditures: the introduction of the Millennium Rural Incentive Bursary (\$8.1 million) and the enhancement of the student loan relief program (\$4.4 million). The Millennium Rural Incentive Bursary⁷ is largely funded for the next three years (2006-2008) by the Canada Millennium Scholarship Foundation.

This past budget was quite a busy one on the student financial assistance front. There was the expansion of the Alberta Centennial Education Savings Plan (ACESP) to include students aged 8, 11 and 14. The \$100 RESP (is in addition to the \$500 original grant) grant is retroactive to 2005 and there is a six-year window to apply for the grant. The total cost of this program is now just shy of \$20 million per annum.

There was also an increase in the provincial education tax credit from \$475 to \$600 per month for full-time students, and from \$143 to \$180 per month for part-time students.

⁷ The Government of Alberta is committed to funding any cost overruns on the Rural Incentive Bursary, if there is a greater than anticipated take-up.

The total cost of this assistance with living costs is budgeted at \$3 million in 2007 and will increase to \$10 million annually in future years.

Finally, Budget 2007 introduced a series of modifications to the provincial student loans program. The living allowance amount was increased 14 per cent, the vehicle restrictions has been eliminated (as of August 1, a student may own a vehicle of any value, the annual student loan limit has been increased to \$13,000 from \$12,440 (Alberta has now increased borrowing limits in 14 straight budgets) and expected parental contributions were reduced. The total cost of all changes was \$25 million.

These changes were in addition to already announced (February 2007) measures targeting medical residents (no longer be required to pay interest or make payments on their student loans while they are completing medical residency training), students who take a break from full-time studies to have, or to care for, a baby or new addition to the household (do not have to pay interest or make payments on their student loans for up to 12 months), part-time students (now receive \$600 worth of provincial bursaries per semester - an increase from \$300 per semester - without affecting their student loans) and students with disabilities (no longer be limited to a \$1,000 grant per semester. The \$3,000 grant limit per loan year can be accessed for eligible costs without semester restrictions).

In total, then, the Government of Alberta has spent roughly \$183 million on access-related policies in the last four years. This includes \$109 million to support its tuition policies, \$23 million in savings plans and tax credits, \$13.5 million in scholarships and \$37.5 million in new student assistance expenditures. In total, therefore, roughly 21 percent of all new assistance was need-based, compared to 79 percent of assistance which was non-need-based.

3.4 British Columbia

The Government of British Columbia has focused the majority of their post-secondary education energy on two fronts in the past four years: seat expansion and increasing trade and apprenticeship opportunities.

The expansion of post-secondary spaces became a high level priority after entrance averages for many post-secondary programs (and institutions in general) had dramatically increased during the early part of the new millennium and families were getting frustrated with the lack of opportunities at preferred provincial programs and institutions. In order to combat the problem, the government announced the creation of 25,000 new spaces between 2004 and 2010.

The increase in trade and apprenticeship opportunities is tied to an expanding labour market, pending skill shortage and the 2010 Winter Olympics. The biggest trade and apprenticeship measure to be introduced in the past three years was the new training tax credit (valued at \$90 million per annum) designed to expand training opportunities in the traditional construction trades and emerging industries.

2004 was a hectic year for student financial assistance in the province of British Columbia. The province eliminated the BC Grant program (an up-front, cash grant) and

replaced it with the BC Loan Reduction Program. This change – holding the Canada Millennium Scholarship Foundation monies constant {\$38 million} – resulted in the province spending less (\$25 million instead of \$75 million) on student financial assistance in 2004-2005 than in previous years. This policy change was deemed necessary to help the Ministry of Advanced Education fund the previously announced seat expansion.

There were very few student assistance measures introduced in the province in the past three years. In 2005, British Columbia harmonized with the Government of Canada the parental contribution tables and computer related expenses (following the changes announced in the Federal Budget 2004). The total cost of these changes is estimated to be \$200,000.

The province also established a tuition policy where by institutional tuition fees could not rise above the rate of inflation each year. The total cost of the policy is unknown since there is no breakdown available. There were no significant changes announced in 2006.

The Campus 2020 Review was established in mid-2006 to map out a plan for British Columbia's post-secondary education system that will shape the goals and objectives of the province's system for the next 10 to 20 years. The final Campus 2020 report was submitted in the spring of 2007 with over 50 recommendations including a review of the provincial student financial assistance system, the creation of the British Columbia Access and Excellence Strategy and the creation of new graduate student financial assistance opportunities. These three items, if acted upon, should provide some interesting discussions and policies in the coming years in the province.

In 2007, the Government of British Columbia created a series of new student support programs. A \$10 million endowment was created to provide scholarships to Aboriginal students as part of the provincial Aboriginal post-secondary strategy.

The government created the *Pacific Leaders* program designed to entice individuals into a career in the British Columbia public service. *Pacific Leaders* uses some student financial assistance measures as tools or incentives for post-secondary education students or graduates. There are four main components of the program: Graduate Fellowships, Provincial Student Loans Forgiveness, Scholarships for Public Servants and Scholarships for Children of Public Servants. The total cost of this program was not available.

Finally, the Children's Education Fund was created in this past budget. The Government of British Columbia will invest \$1,000 into the Children's Education Fund for each new child born or adopted in B.C from 2007 onwards. The parameters of the program are still being developed, however, each participant is estimated to have access to \$2,200 for post-secondary education and the Fund has an anticipated annual price tag of \$40 million.

In summary, then, virtually all of the new announced student assistance related spending in British Columbia has been non-need based. Over \$50 million of new money has been committed to two main programs (Aboriginal scholarships and the Children's Education Fund) and neither have financial need as the award criteria.

3.5 Manitoba

Student financial assistance policy in Manitoba since 2004 has largely been dominated by the ongoing post-secondary education fee freeze and the introduction this past year of the tuition fee income tax rebate.

The Government of Manitoba has kept tuition fees frozen in the province since 1999.⁸ The 2007 expenditure for the tuition rebate grant (to keep tuition at 2004 levels) is now approximately \$50 million.

Introduced in 2007, the Manitoba Tuition Fee Income Tax Rebate provides post-secondary graduates with a 60 percent income tax rebate on their eligible tuition fees. The rebate can be claimed over a period of six to 20 years by any graduates who have completed studies at a post-secondary education institution after January 1, 2007 and now work and pay taxes in Manitoba. The total cost of the program is estimated at \$40 million per annum in the first few years and eventually will mature to over \$94 million by 2012.

There were a couple of other smaller student aid policy changes introduced in the province since 2004. The Manitoba Graduate Scholarship program was expanded on three separate occasions – once in 2005 (an additional \$700,000 was invested), once in 2006 (an additional \$600,000 was added) and again in 2007 (an additional \$700,000 was added to the program's budget).

The Manitoba Bursary program has also seen a few expenditure increases since 2004. In 2005, the province added \$750,000 to the budget. This was followed by an increase of \$1.5 million in 2006 and a top-up of \$200,000 in 2007.

In sum, almost all (97 percent) of the new dollars invested in student financial assistance by the Government of Manitoba since 2004 have been non-need based. The tuition fee rebate grants to post-secondary education institutions and the new tuition fee income tax rebate are not triggered by financial need and the benefits flow to virtually all students in the system. Graduates who leave Manitoba do not benefit from the income tax rebate, however, there are no financial need eligibility criteria. In fact, the program is likely going to see a greater proportion of the expenditures flow to individuals from graduates from middle to higher income backgrounds since the cost of tuitions in programs are significantly higher than average Arts and Science tuition (e.g. Dentistry and Medicine) and the individuals who attend these programs are more likely to come from middle to high-income backgrounds..

⁸ The Government of Manitoba has invested close to \$100 million to keep tuition fee levels at 1999 rates.

3.6 New Brunswick

The past four years have been busy on the student assistance front in New Brunswick. In 2005, the province became the fourth Canadian jurisdiction to integrate student loan delivery with the Government of Canada (Canada Student Loans Program).

In 2006, the province moved to create the Commission on the Future of Post-Secondary Education. In early 2007, the Commission was officially launched with a mandate to examine post-secondary education and training issues facing New Brunswick and to identify solutions. The Commission's work is slated to wrap up in the summer of 2007 with a series of recommendations tabled to the provincial government.

2006 also saw the creation of one of Canada's first tuition rebates tied to residency. The New Brunswick Tax Cash Back Credit provides graduates from an eligible post-secondary institution, who live, work and pay provincial personal income tax, eligibility for a non-taxable rebate of 50 percent of their tuition costs to a maximum of \$2,000 per annum (maximum lifetime rebate of \$10,000). The graduate has 20 years to utilize the tax credit and the program is expected to cost over \$63 million once fully mature (15 years). In 2007, it is expected to cost approximately \$5 million.

The New Brunswick government changed in late 2006 – the Liberals replaced the Conservatives - and a series of new student financial assistance policies were subsequently introduced in the following months. The first was the creation of a new \$2,000 grant for first-time, first-year university students from New Brunswick studying at one of the provinces universities. The cost of this program is \$10 million per annum.

The second policy decision for New Brunswick's new government was to eliminate the parental and spousal contribution from the provincial student financial assistance assessment process. The decision takes effect for the 2007-2008 academic year and is budgeted at \$7 million per annum.

In total, then, the Government of New Brunswick's recent measures amount to roughly \$22 million per year, with substantial growth built into future years as the graduate tuition tax credit program ramps up. All of this growth is non-need-based; no new money has gone into need-based programs.

3.7 Newfoundland and Labrador

Newfoundland and Labrador has been one of the most active jurisdictions on the student financial assistance file in Canada over the past four years. The activity began with the release of the White Paper on Post-Secondary Education which made a series of recommendations to strengthen all aspects of the provincial post-secondary education system including the student financial assistance program.

The majority of the student financial assistance expenditures in Newfoundland and Labrador in 2005 and 2006 were centered on holding the line on tuition fees. Tuition fee levels in the province have remained frozen (since 1999). The freeze at Memorial University and College of the North Atlantic was extended to academic year 2007-2008 in the most recent provincial budget. The total cost of the past three years for the tuition fee freeze was \$4.3 million for the 2005-2006, \$8.9 million for year 2006-2007 and \$12.4 million for 2007-2008.

In 2007, the Government of Newfoundland and Labrador introduced a series of new student financial assistance measures. The Graduate Retention Program –designed to entice post-secondary graduates to come back to the province or stay in the province – was launched at a cost of \$3.2 million over the next three years. The exact financial tools identified to recruit and retain graduates were not identified.

The larger set of student financial assistance commitments were designed to provide additional assistance to students and decrease student debt. The Government of Newfoundland and Labrador will now provide up to \$70 a week in the form of an up-front grant to students (the program was also expanded to include first and second year students from the College of the North Atlantic and students at private vocational colleges) in need of financial assistance and has reduced interest rates charged on provincial student loans from prime plus 2.5 per cent to prime (effective academic year 2007-2008). The total cost of both initiatives is \$14.4 million per annum - \$10.7 million for the up-front grant program and \$3.7 million for the interest rate reductions.

In total then, expenditures in Newfoundland and Labrador to date amount to just over \$25 million over the three years (average \$8.5 million per year) and are entirely non-need-based. However, as of next year, the annual cost of the student aid and tuition fee measures combined will be roughly \$34.6 million (assuming a \$17 million price tag for the tuition freeze), with need-based measures making up 42 percent of all expenditures and non-need based making up the remainder.

3.8 Nova Scotia

Student financial assistance in Nova Scotia has undergone a period of transformation since 2004. The province - one of the last jurisdictions in country to re-enter the provincial grant business – introduced a new provincial grant and has made considerable improvements on the overall student financial assistance file.

University tuition fee levels - while still the highest in the country – have been predictable over the course of the past three years. The Government of Nova Scotia and the province's universities agreed in late 2004 to a multi-year funding agreement. As part of this agreement, the universities have agreed to hold annual tuition increases to no more than 3.9 per cent. For academic 2007-2008, the 3.9 percent slated university tuition increase is being absorbed by the province (more details on the next page).

The Post-Secondary Graduate Tax Credit was introduced in 2005. The Tax Credit is available to anyone living and working in Nova Scotia who graduated from an eligible post-secondary program on or after January 1, 2006. The Tax Credit is only accessible by application and can reduce the provincial portion of income tax by \$1,000 for a single year (unused portions can be carried forward for up to two years). In 2008, the credit is set to expand to \$2,000. The estimated annual cost of this program is \$10.9 million.

In 2005 and 2006, the Nova Scotia Student Loan Forgiveness Program was expanded and the expected parental contribution levels were reduced. In 2006, the Program's employment bonus (work in Nova Scotia full time in the three year period subsequent to graduation and an individual receives an additional 50 percent of the amount of Debt Reduction awarded upon graduation) and the repayment bonus (if an individual makes 12 payments on their Nova Scotia Student Loan within three years of graduation (full principal plus interest), they receive an additional 20 percent of the amount of Debt Reduction awarded upon graduation) were enhanced. These combined changes cost an additional \$2 million per annum.

2007 was a busy year in Nova Scotia for student financial assistance. The province committed an additional \$12.5 million to the provincial universities to freeze tuition fees for the majority of Canadian undergraduate students (graduate and professional students were unaffected). There were additional new monies allocated from the federal Bill C-48 fund (*Attention readers:* money coming from “the save the previous federal Liberal government eleventh-hour budget deal with New Democrats.”). The province used their portion of the funds to introduce the Canada Nova Scotia Student Bursary. The Bursary is a one-time \$440 tuition reduction for Nova Scotia residents studying at provincial universities. The total cost of this program was \$11.6 million.

In late 2006, the province established a \$6.1 million needs-based grant trust fund designed to provide annual needs-based grants targeted at low-income families to fund their second, third, fourth, or fifth year of studies. The money was part of the aforementioned federal Bill C-48 fund. The needs-based grant program provides up to \$2,500 per student with a target of 900-1,000 students per year. The grants will be available through to the 2011-12 academic year, making funding available to students from low-income families for their second, third and fourth year of studies who previously received the Millennium Access Bursary in Nova Scotia.

The province is also set to introduce a new Repayment Assistance Program that will help graduates who are having difficulty repaying their loans reduce their expected payments to more manageable levels. The program's estimated budget is \$800,000 per annum.

In total then, new annual spending commitments over the past three years consist of \$35 million in non-need based tax credits, tuition freezes and tuition reductions in \$8.9 million in need-based measures of which \$6.1 million (almost 70 % is targeted).

3.9 Ontario

Tuition and student financial assistance policy has been at the forefront of Ontario policy discussions and decisions in the past four years. 2004 saw former Premier Bob Rae conclude a comprehensive review of the post-secondary education system in the province. In 2005, many of Rae's recommendations formed the basis of the Liberal government's Reaching Higher plan announced in the provincial budget.

The Reaching Higher plan outlined three main pillars – student financial assistance reform, increased operating grants for colleges and universities and apprenticeship and training support programs. The plan called for a six-year increase in predictable program funding culminating in 2009-2010. The increase in student financial assistance spending was estimated at over \$1.5 billion.

In 2005, the first portion of student assistance investment totaled \$192 million and included the following measures:

- an expansion of Ontario Student Assistance Program (OSAP) eligibility (reduction of expected parental contribution);
- an increase weekly assistance limits;
- the expansion interest relief;
- recognition computer costs in student assistance needs assessments;
- the re-introduction of an up-front needs-based grant in partnership with the Canada Millennium Scholarship Foundation for first-year, low-income dependent students and the expansion of the program to include second-year dependent students (approximately \$6 million per annum);
- a \$50 million annual allocation – Ontario Trust for Student Support - to college and university endowments to match funds raised for student assistance.

The tuition fee freeze at Ontario colleges and universities was extended in 2005-2006. This initiative cost the treasury \$115 million up from \$48 million in 2004-2005.

In 2006, the Ontario student financial assistance budget increased by almost \$27 million and included the following measures:

- an expansion of the up-front grant program to include more than 60,000 new students;
- an increase in the book and supply allowance (75 percent of student aid recipients will have their actual book costs covered compared to 13 per cent previously); and
- continuation of the \$7,000 annual debt limit per completed year through the Ontario Student Opportunity Grant (OSOG).

The government of Ontario removed the tuition freeze and introduced a regulated tuition framework under which each institution will be held to an average five per cent overall increase in tuition per year.

In 2007, there was an increase of \$52 million in student financial assistance in Ontario. This increase covered the following policy decisions:

- to continue to limit annual repayable debt through the OSOG to \$7,000 for a typical two-term academic year; and

- to cover the cost of tuition increases as well as inflation-related increases for books, supplies and equipment costs.

In total, then, annual expenditure increased by approximately \$130 million (\$390 million over three years), of which 70 percent was spent on need-based measures and the remainder on non-needs based assistance. Therefore, Ontario is unique - in comparison to the rest of Canada - since it is the sole jurisdiction that is actually increasing the need-based share of assistance and targeting the monies to low-income, single dependent students.

3.10 Prince Edward Island

The majority of new post-secondary education expenditures in Prince Edward Island in 2004, 2005 and 2006 were targeted at college and university operating grants to address rising enrolments. The province did implement some of the student financial assistance adjustments (e.g. parental contributions), however, they were not significant expenditures.

In 2007, the Government of Prince Edward Island announced it was reducing university undergraduate tuition fees at the University of Prince Edward Island (UPEI) by 10 percent for academic year 2007-2008. The total cost of this initiative is estimated at \$3.1 million per annum.

The government also announced the expansion of the Island Student Award, which is a non-need-based grant. UPEI students will see the award value increase from \$1,200 to \$2,000. UPEI students will now receive \$100 in first year, \$300 in second year, \$800 in third year and \$800 in fourth year. Holland College and La Société éducative students who do not receive Skills Development benefits, the Island Student Award will be replaced with a new Island Skills Award of \$1,000 in each of the first, second and third years. The total cost of these changes is \$470,000.

In total, then, the 2007 changes resulted in an increase of expenditures of just under \$3.6 million, all of which was non-need-based.

3.11 Québec

The Government of Québec made significant adjustments to student aid over the past three years, but in the end, the program in 2007 looks almost identical to the way it did in 2003.

In 2004, the Government of Québec announced a series of changes to student aid which resulted in a reduction in student grant aid of just over \$100 million. After widespread student protests, the government agreed to undo the changes in stages until 2007, at which time the program would revert to its original status. Barring minor changes with respect to changes in the way student assistance is paid out and some adjustments to income calculations for single parents, the student aid system has gone back to its exact 2003-04 position, meaning no significant change in expenditures (insert footnote: in fact, some changes in program expenditure may have taken place due to changes in loan charges, take-up rates, etc – these are not included in this analysis). The May 2007 budget speech promised some increases in student aid, in part to offset the first rise in tuition in nearly fifteen years. However, no money was actually allocated in the published budget for this measure and as of June 5, 2007, no announcement has yet been made to give effect to this promise.

The Government of Québec did not introduce any new tax credit measures until 2007 when it introduced a refundable tax credit for donations made to Registered Education Savings Plans (RESP), citing a desire to improve poor take up rates of the federal RESPs and Canada Education Saving Grants (CESG) in the province. While officially

named “tax credits” for obvious federal-provincial reasons, in fact this new program acts as a simple top-up to the federal CESG program because the “credit” is actually payable not to the contributee, but to the beneficiaries’ RESP account. In effect, for every two dollars in CESGs an individual receives from the Government of Canada, he or she will also henceforth receive one dollar from the Government of Québec. The estimated annual cost of this measure is \$25 million.

In total then, new expenditures in Québec total \$25 million, all of which is non-need-based.

3.12 Saskatchewan

The Government of Saskatchewan has frozen university tuition fees in the province since 2004. The first year the initiative was billed as the Saskatchewan Centennial University Tuition Grant (cost of \$6.7 million). The total cost of freezing tuition the past four years in the province was over \$42 million.

The other large student financial assistance expenditure in the province was the introduction (in 2007) of the Saskatchewan Graduate Tax Exemption. The Tax Exemption replaces the Graduate Tax Credit (the value of this program was increased in 2004 from \$350 to \$500 with a target of \$1,000 by 2007) allows graduates of any recognized post-secondary institution to be exempt from provincial income tax for \$10,000 per year, or \$50,000 during the first five years following graduation. The exemption is likely to result in annual tax savings for a graduate of \$1,100 or \$5,500 over five years. The estimated cost per annum for the new program is roughly \$6 million.

There were a series of smaller student financial assistance policy changes introduced over the past three years. The Centennial Merit Scholarship Program received an additional \$500,000 (total annual budget \$1 million) in 2005. The Saskatchewan Bursary program saw an increase of \$3.4 million in 2005 with the majority of the money targeted at students with dependents.

The past two years (2006 and 2007) have been quiet on the student financial assistance front in the province as the McCall (now Learning Minister Warren McCall) Affordability and Accessibility Review conducts hearings and research on student financial assistance matters. I

In total, then, expenditures increased by approximately \$51.9 million over four years, of which just less than 80 percent was spent on non-need-based measures and the remainder on need-based grants.

CHAPTER 4 SUMMARY AND CONCLUSIONS

Chapter 2 demonstrated how the growth of non-need-based aid began in the period after 1998. In many provinces, the only thing that permitted student aid growth was the vast expansion of educational tax credits, which are primarily but not exclusively federal in origin. Indeed, after about 1998, real need-based aid began to shrink in many places.

Chapter 3 reviewed the last four years worth of budget announcements both federally and provincially. In total, Ottawa, the provinces and the Canada Millennium Scholarship Foundation made announcements which increased their annual expenditures in 2007-08 by just over \$1.428 billion in nominal dollars from where they were in 2003-04.

However, if anything, the trend towards non-need based aid has become even more pronounced over the last four years. Of the \$1.428 billion, almost 60 percent (or \$805 million) went to non-need based expenditures. The remaining one-third went to need-based aid, but even here less than a quarter of aid was truly targeted to low-income students: much of the rest was spent on loan remission and grants for independent students (much of which ends up in the hands of students from higher-income families) or on expanding loan and grant eligibility for wealthier families. Only \$187 million came in the form of targeted money for low-income students⁹. Of this, half came from the new Canada Learning Bond and thus will not affect the actual student body for another 18 years; the remainder came from targeted grant programs initiated by the Governments of Canada and Ontario and the creation of the new Canada Millennium Scholarship Foundation Access Bursaries¹⁰. Table 12 shows the distribution of new money by province and type of expenditure.

⁹ The authors have selected student financial assistance triggered on the basis of family income as a measure of targeted need-based assistance. There are other triggers for targeted student financial assistance in Canada (e.g., Geography, demography and ethnicity) and those programs will be examined in Appendix A.

¹⁰ Canada Millennium Scholarship Foundation Access Bursaries do not exclusive target low-income, single dependent students. In some cases, grants are awarded to other targeted groups such as Aboriginal Canadians, adult learners and rural residents.

Table 12 - New Expenditures on Student Aid and Tuition Freezes/Reductions by Province, in Millions of Current Dollars

| | Targeted Need-Based (Income) | Targeted Need-Based (All other measures) ¹¹ | Untargeted Need-based | Non-need-based | Total |
|--|------------------------------|--|-----------------------|----------------|--------------------|
| Alberta | \$0 | \$4.5 | \$33 | \$145.5 | \$183 |
| British Columbia | \$0 | \$0 | \$.2 | \$50 | \$50.2 |
| Manitoba | \$0 | \$0 | \$2.5 | \$92 | \$94.5 |
| New Brunswick | \$0 | \$0 | \$0 | \$22 | \$22 |
| Newfoundland | \$0 | \$0 | \$10.7 | \$24.3 | \$35 |
| Nova Scotia | \$0 | \$6.1 | \$2.8 | \$35 | \$43.9 |
| Ontario | \$26 | \$0 | \$245 | \$115 | \$386 |
| Prince Edward Island | \$0 | \$0 | \$0 | \$3.6 | \$3.6 |
| Québec | \$0 | \$0 | \$0 | \$25 | \$25 |
| Saskatchewan | \$0 | \$3.4 | \$0 | \$48.5 | \$51.9 |
| Provinces Total | \$26 | \$14.0 | \$294.2 | \$560.9 | \$895.1 |
| Canada Millennium Scholarship Foundation | \$29.0 | \$10.0 | \$11.0 | \$0 | \$50 ¹² |
| Government of Canada | \$115 ¹³ | \$23 | \$100 | \$245 | \$483 |
| Canada Total | \$170 | \$47.2 | \$405.2 | \$805.9 | \$1,428.1 |

One key trend appears to have reversed itself in the last five years; in the years running up to 2003, it was the Government of Canada that was ramping up its student aid expenditures. For the most part, the federal increases were led by increases in non-need based expenditures, notably tax credits. Since 2004, however, it is the provinces rather than the Government of Canada who are putting most of the new money into student aid. Moreover, with the notable exception of Ontario, provinces appear to have abandoned their attempt to remain focused on need-based aid and have now wholeheartedly embraced non-need based measures. If Ontario is excluded, then provincial need-based expenditures have only increased by about \$60 million, compared to an increase on non-need-based aid of over \$360 million.

Three provinces – Québec, Prince Edward Island and New Brunswick – spent absolutely no new money on need-based aid, while a fourth, British Columbia, at one point (2004) reduced their need-based expenditures in favour on non-need based measures. Of the 12 major sources of funding shown in Table 12, only the Government of Ontario and the

¹¹ For a full explanation and more details, please see Appendix A.

¹² This number includes Access Bursary expenditures in the province of Quebec where there is no identified target audience.

¹³ It is very likely that this number is grossly inflated since it includes the Canada Learning Bond and March 2006-2007 data shows the Government of Canada spent \$22 million on the program not the budgeted \$85million discussed in other documents.

Canada Millennium Scholarship Foundation put the majority of their money into need-based programs. The Government of Canada's total came close, with need-based announcements making up almost 50 percent of the total, but there is some evidence to suggest the take-up rate projections for the Canada Learning Bond and on the expected take up of RESPs among lower-income families will be lower than expected. As a result, in practice, Government of Canada expenditures on need-based programs may be much lower than those shown in Table 12.

The key question, however, is not whether aid is need-based or not. The question rather is: what post-secondary education student benefits most from the aid? After all, low-income students benefit from non-need-based aid; it's just that they receive a smaller portion of the benefits of non-need-based programs than they do of need-based ones.

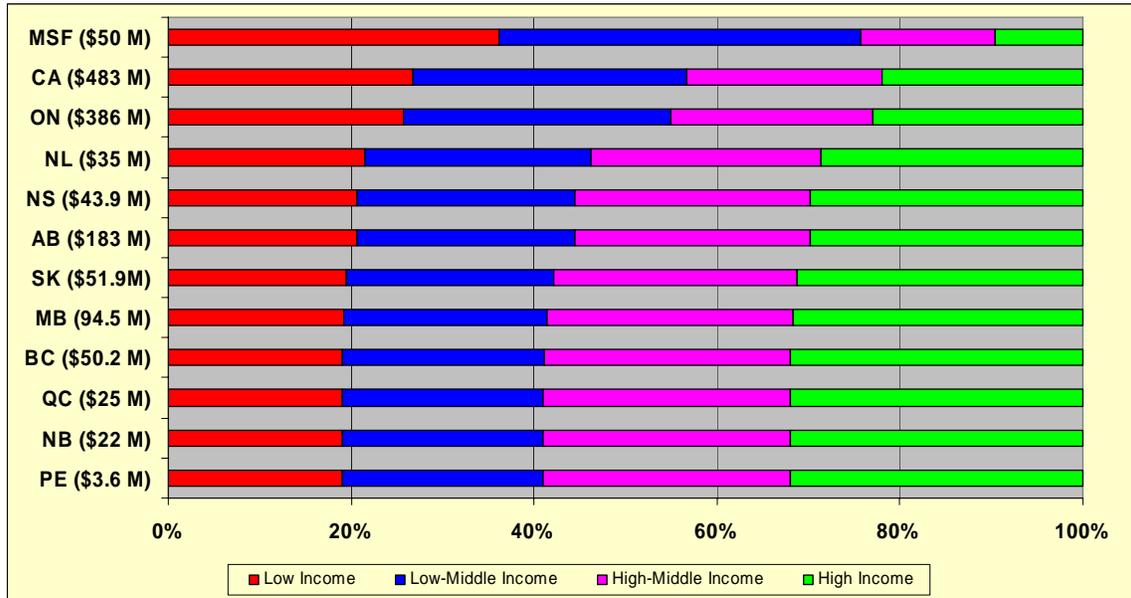
Three years ago, the Educational Policy Institute published two papers which looked at the distribution of various benefits by income quartile, entitled *Are the Poor Needy? Are the Needy Poor?* and *Who Gets What: the Distribution of Benefits in Post-Secondary Education*. In these papers, a series of calculations were made to arrive at a rough estimate of the distribution of benefits of various types of aid among income quartiles. Based on this work, the paper will estimate the distribution of the benefits distributed in the last four years according to the estimates shown below in Table 13.

Table 13 – The Distribution of Student Financial Assistance by Income Quartile (Percentage)

| | Highest Income Quartile | Middle-high Income Quartile | Middle-Low Income Quartile | Lowest Income Quartile |
|-------------------------|--------------------------------|------------------------------------|-----------------------------------|-------------------------------|
| Targeted Need-Based Aid | 2% | 10% | 46% | 43% |
| Need-based Aid | 21% | 21% | 31% | 27% |
| Non-need-based Aid | 32% | 27% | 22% | 19% |

Based on Table 13, it is possible to show the distribution of benefits between income quartiles graphically, as is done below in Figure 21.

Figure 21 – Distributions of New Student Aid Expenditures, by Province and Income Quartile



Nationally, only the Canada Millennium Scholarship Foundation could be said to have effects which policy analysts describe as strongly progressive. Of the rest, only the Governments of Canada and Ontario give even half of their new benefits to students with below-median incomes. In most provinces, students from families with above-median incomes receive almost 60 percent of all benefits, while students in the top income quartile – who are not generally thought to have any serious difficulties in accessing post-secondary education – are receiving over 33 percent of all new benefits.

As need-based aid becomes rarer, so naturally a decreasing proportion of aid is being channeled towards students from wealthier backgrounds. This process has been underway for nearly a decade now. At first it was just the Government of Canada involved in this policy shift; now, clearly, the provinces have joined as well.

This is not an encouraging policy development. Governments of all stripes and at both levels now appear to view student aid largely as a way to help students who are already in college or university. Outside of Ontario, little if any investment is being made that would make any kind of difference to help those not already enrolled. The danger here is that provincial initiatives, though frequently cloaked in the rhetoric of promoting post-secondary education for all, are in fact doing very little for the poorest quarter of society.

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APPENDIX A: TARGETED NEED-BASED STUDENT ASSISTANCE

Canadian governments support different individuals through the student financial assistance system through a series of different programs. In addition to bursaries, grants and loans available in the basic packages, most programs provide additional (and targeted) assistance to Aboriginal students, adult learners, students with dependents, students with disabilities and students from geographically underserved post-secondary areas (i.e., northern, remote and rural areas).

The total amount of assistance available for students from these programs, not surprisingly, varies somewhat across the country. Within the Canada Student Loans Program zone there is more or less a standard assistance floor known as the Canada Study Grants (CSG) - some provinces such as Ontario {e.g., child-care bursary} often top-up these programs). In 2003-2004 loan year (the last published CSLP Annual Report), the Government of Canada spent \$77 million on the program to support over 53,000 students. The majority of CSG expenditures (67 percent or \$52 million) go to support the nearly 40,000 students with dependents. Table 14 displays the 2003-2004 CSG total expenditures by program and province.

Table 14 – 2003-2004 Canada Study Grant Program Expenditures by Type and Jurisdiction¹⁴

| Jurisdiction | Student with Dependents (Full and Part-Time) | | Students with Permanent Disabilities | | High-Need Students with Permanent Disabilities | | High-Need Part-Time Students | | Females in Non-Traditional Doctoral Studies | | Total | |
|---------------------------|--|---------------|--------------------------------------|---------------|--|---------------|------------------------------|---------|---|---------------|--------|---------------|
| | # | \$ (millions) | # | \$ (millions) | # | \$ (millions) | # | \$ | # | \$ (millions) | # | \$ (millions) |
| Alberta | 5,558 | \$7,984 | 430 | \$1,294 | 16 | \$.030 | 963 | \$.744 | 10 | \$.030 | 6,977 | \$10,083 |
| British Columbia | 11,393 | \$9,912 | 923 | \$2,083 | 580 | \$.899 | 2,553 | \$2,229 | 79 | \$.207 | 15,528 | \$15,334 |
| Manitoba | 1,198 | \$1,626 | 142 | \$.503 | 37 | \$.051 | 47 | \$.049 | 4 | \$.001 | 1,428 | \$2,244 |
| New Brunswick | 1,441 | \$1,944 | 147 | \$.278 | 74 | \$.110 | 60 | \$.028 | 11 | \$.033 | 1,701 | \$2,394 |
| Newfoundland and Labrador | 1,172 | \$ | 34 | \$.143 | 26 | \$.035 | 10 | \$.011 | 3 | \$.001 | 1,245 | \$1,003 |
| Nova Scotia | 1,233 | \$.803 | 384 | \$1,845 | 24 | \$.042 | 60 | \$.68 | 2 | \$.001 | 1,703 | \$3,748 |
| Ontario | 15,887 | \$20,022 | 4,433 | \$9,337 | 1,377 | \$2,146 | 328 | \$.219 | 82 | \$.219 | 22,107 | \$36,040 |

¹⁴ It should be noted that the financial displacement effect from the Canada Study Grants for Students with Dependents was quite high upon introduction in 1995. It is estimated that for every federal dollar spent, almost \$.90 in provincial expenditures were saved.

| | | | | | | | | | | | | |
|---------------------------|--------|----------|-------|----------|-------|---------|-------|---------|-----|--------|--------|----------|
| Prince Edward Island | 145 | \$.167 | 47 | \$.116 | 0 | \$0 | 103 | \$.107 | 0 | \$0 | 295 | \$.390 |
| Quebec ¹⁵ | - | - | - | - | - | - | - | - | - | - | - | - |
| Saskatchewan | 1,707 | \$4,026 | 242 | \$1,053 | 162 | \$.253 | 117 | \$.134 | 6 | \$.018 | 2,236 | \$5,486 |
| Total¹⁶ | 39,775 | \$52,329 | 6,784 | \$16,658 | 2,297 | \$3,570 | 4,215 | \$3,697 | 201 | \$.541 | 53,272 | \$76,798 |

Historical provincial expenditure data were not available for this report, however, a catalogue of programs was compiled. Table 15 displays each jurisdiction's activity with respect to targeted need-based student financial assistance programs.

¹⁵ Students receiving assistance from the province of Quebec do not receive Canada Study Grants since the province opted out of the Canada Student Loans Program and receives an annual alternative payment intended to fund similar student assistance measures.

¹⁶ All grand totals include numbers for the Yukon and as a result are not intended to sum.

Table 15 – Targeted Need-Based Student Financial Assistance Programs (pre-2004)

| Jurisdiction | Aboriginal students¹⁷ | Adult learners¹⁸ | Low-income backgrounds | Students with dependents | Students with disabilities | Students from geographically underserved areas |
|--|---|------------------------------------|-------------------------------|---------------------------------|-----------------------------------|---|
| Alberta | N | N | N | Y | Y | Y |
| British Columbia | N | N | N | Y | Y | N |
| Manitoba | Y | N | N | N | N | N |
| New Brunswick | N | N | N | N | N | N |
| Newfoundland and Labrador | N | N | N | N | N | N |
| Nova Scotia | N | N | N | N | N | N |
| Ontario | N | N | N | Y | Y | N |
| Prince Edward Island | N | N | N | N | N | N |
| Quebec | N | N | N | Y | Y | N |
| Saskatchewan | Y | N | N | Y | Y | Y |
| Canada¹⁹ Millennium Scholarship Foundation | N | N | N | N | N | N |
| Government of Canada²⁰ | N ²¹ | N | N | Y | Y | N |

As mentioned earlier in the paper, there have been a series of new student financial assistance programs introduced in the past four years targeting certain individuals in society. These measures range from additional supports for students with disabilities to an increased recognition of higher educational costs associated with living in northern,

¹⁷ Some jurisdictions assistance available for Aboriginal students, however, it is often not administered through the student financial assistance program and thus there is no way of determining if the award utilizes financial need in the assessment.

¹⁸ This does not take into account any activity funded through Employment Insurance, Labour Market Development Agreements or any other government sponsored training.

¹⁹ Prior to 2005, the Canada Millennium Scholarship Foundation did not attempt to target any monies to specific individuals. All bursaries were awarded in conjunction with provincial and territorial student financial assistance programs and were dispersed to the qualified general student borrowing population.

²⁰ The Government of Canada also offers the Canada Study Grant for Females Pursuing Doctoral Studies available to women pursuing non-traditional doctoral studies. The annual expenditures on this program are \$500,000 with roughly 90 percent of the money going to students from British Columbia or Ontario.

²¹ The Government of Canada supports Aboriginal post-secondary education students through a series of programs often administered by individual First Nations bands. The two main programs are known as the Post-Secondary Student Support Program (PSSSP) and the University College Entrance Preparation Program (UCEP).

rural or remote areas. Table 16 displays the annual expenditures for new targeted student assistance programs launched since 2004.

Table 16 – New Targeted Need-Based Student Assistance Programs (since 2004)

| Jurisdiction | Annual expenditures in millions of dollars (\$) | | | | | |
|--|---|------------------------|--------------------------|----------------------------|--|---------|
| | Aboriginal students | Low-income backgrounds | Students with dependents | Students with disabilities | Students from geographically underserved areas | Total |
| Alberta | \$0 | \$0 | \$0 | \$0 | \$4.5 | \$4.5 |
| British Columbia | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Manitoba | * | \$0 | \$0 | \$0 | \$0 | \$0 |
| New Brunswick | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Newfoundland and Labrador | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Nova Scotia | \$0 | \$6.1 | \$0 | \$0 | \$0 | \$6.1 |
| Ontario | \$0 | \$26 | \$0 | \$0 | \$0 | \$26 |
| Prince Edward Island | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Quebec | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Saskatchewan | * | \$0 | \$3.4 | \$0 | \$0 | \$3.4 |
| Canada Millennium Scholarship Foundation²² | \$2.10 | \$29.0 | \$0 | \$0 | \$8.1 | \$39.3 |
| Government of Canada | \$0 | \$22.0 | \$0 | \$23.0 | \$0 | \$45 |
| Total | \$2.1 | \$83.1 | \$3.4 | \$23.0 | \$12.6 | \$124.3 |

²² The Canada Millennium Scholarship Foundation totals do not include the annual \$11 million expenditure on Access Bursaries in Quebec since the money is not targeted at any one particular group of students.