

THE HOUSE OF COMMONS STANDING COMMITTEE ON FINANCE: PRE-BUDGET CONSULTATIONS

CASFAA has identified three major issues that relate directly to ensuring Canadians, particularly those facing financial challenges, can take advantage of educational and lifelong learning opportunities. The first is the widening gap between student need and the availability of government student assistance, which is commonly referred to as 'unmet need'. The second is the complex nature of the current student loan delivery infrastructure, and the resulting lack of student information regarding current and past loans. The third issue involves the challenges facing students in repayment, including inappropriately high interest rates and the restriction on including student loans in bankruptcy proceedings even when other relief measures have been exhausted.

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**Canadian Association of Student Financial Aid
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September 11, 2007



THE HOUSE OF COMMONS

Pre-Budget Consultations

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

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

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

This year's consultation process focuses on "The Tax System the Country Needs for a Prosperous Future." The most fundamental prerequisite in ensuring our success in a competitive world is a skilled and educated work force, and post-secondary education is the primary means of achieving this objective.

CASFAA recently commissioned the Educational Policy Institute (EPI) to complete "The End of Need-Based Student Financial Aid in Canada?" report which provides an overview of how the Canadian student financial assistance system has changed over the past 15 years. The report articulates our concern, as an association, that "student need" may not be the determining factor in identifying which students benefit from government student assistance. This report scrutinizes changes in the Canadian student financial assistance system over the past 15 years and examines the most recent policy decisions in each jurisdiction, identifies what target groups - if any - are recognized to receive aid and catalogues what students actually benefit.

The report provides valuable insight into the metamorphosis of the Canadian student financial aid system. What began as a structure founded on need-based principles designed to assist underrepresented students has been transformed to a predominantly non-need-based system of aid where little attention is paid to who receives benefits. This process has been slow and is inexorably a result of federal and provincial governments. The report also reveals that ideology has not played a part in the transformation since governments of both the left and right alike have invested, with abandon, into non-need-based projects (i.e., tuition fee freezes and tax credits).

I have listed below an excerpt from the Summary and Conclusion developed by Junor S. and Usher, A. (2007). "The End of Need-Based Student Financial Aid in Canada?" Toronto, ON: Educational Policy Institute.

"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 students¹. 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 Bursaries². Table 12 shows the distribution of new money by province and type of expenditure."

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)³ | 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 |

¹ 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.

² Canada Millennium Scholarship Foundation Access Bursaries do not exclusively 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.

| | | | | | |
|---|--------------------|---------------|----------------|----------------|-------------------|
| 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 ⁴ |
| Government of Canada | \$115 ⁵ | \$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.”

The changes to the Canada Student Loans Program in 2005, in the form of increased loan limits, a relaxation of parental contribution expectations, and a new grant program for low income, dependent students have enhanced the program and provided encouragement for many students and their families. However, CASFAA believes that more needs to be done to improve access to post-secondary and to encourage and support successful completion of programs, particularly for low-income students and students who have traditionally been under-represented in post-secondary studies.

EDUCATION TAX MEASURES

Government has spent increasingly on student assistance through fiscal measures introduced to the tax system, such as scholarship and bursary exemptions, credits for tuition fees, and an allowance for each month of full-time enrolment, as well as contributions to Registered Education Savings Plans (RESPs). These tax credits are distributed almost entirely without regard to financial need, disproportionately benefiting families with higher incomes. They do little to assist high-need students and underrepresented groups (e.g., students from low income families, students with disabilities, aboriginal students, adult learners) to enter our post-secondary education system. CASFAA believes that means-tested

⁴ This number includes Access Bursary expenditures in the province of Quebec where there is no identified target audience.

⁵ 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.

student financial assistance that is accessible through a simplified application process and that delivers funds at the time that expenses are to be incurred represents the most effective use of taxpayer dollars.

Recommendation 1: CASFAA recommends that the federal government review its education related tax credits and give serious consideration to redirecting a portion of the funding towards means tested programs that support high need and underrepresented groups.

CANADA STUDENT LOAN INTEREST RATES

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

Recommendation 2: CASFAA recommends that the federal government reduce the interest rates for Canada Student Loans to prime + ½% (floating), and prime + 3% (fixed).

BANKRUPTCY AND INSOLVENCY ACT (STUDENT LOANS)

Extensive work has been completed by the Personal Insolvency Taskforce in 2002 and the Senate Standing Committee on Banking Trade and Commerce (report released in 2003). During this time period, CASFAA was approached for support of Bill C-55 reducing the discharge from 10 (ten) to 7 (seven) years and a hardship provision which made it possible to discharge after a five year period. The President of Canadian Association of Student Financial Aid Administrators (CASFAA) in 2002-2003, Ms. Judy Dyck, worked with AUCC, CFS and CASA in support of this change to legislation. I agree that students need a greater provision of relief in reference to the repayment of government student loans. As an association, we stand behind Ms. Dyck's support of the revision proposed by the tabled Bill C-55 (and the pending Bill C-62). We wholeheartedly agree that more compassion has to be built into the Bankruptcy and Insolvency Act (student loans) in order to assist students facing extreme hardship.

Recommendation 3: CASFAA recommends that the federal government reduce the Bankruptcy discharge from 10 (ten) to 7 (seven) year with a hardship provision making it possible to appeal for discharge after a 5 (five) year period.

NON-REPAYABLE ASSISTANCE

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

Recommendation 4: CASFAA recommends that the Canada Access Grant for Low Income Families be extended to students in subsequent years of their programs, up to a maximum of four years.

CANADA MILLENNIUM SCHOLARSHIP FOUNDATION

Since 2000 the Canada Millennium Scholarship Foundation has delivered more than \$1.5 billion to students across Canada. The Foundation provides \$350 million per year in grants to high-need and low-income students. Students in all jurisdictions have benefited from non-repayable financial assistance provided by the CMSF. Many students have seen significant reductions to their debt loads, through grants delivered either as up-front funding that decreases the amount they are then required to borrow or delivered as direct pay-downs on their student loan debts. The Foundation is scheduled to cease operation in 2010. The removal of the funds administered by the Foundation from the student aid system at large will be devastating to the many students who have been beneficiaries of the bursaries the Foundation provides. Further, the Foundation has produced, and continues to provide, a wealth of vital research on student financial assistance in Canada. The knowledge gathered by the CMSF plays an important role in policy decisions at all levels.

Recommendation 5: CASFAA strongly encourages the government to continue the Foundation's mandate beyond 2010. If the Foundation's mandate is not renewed, we recommend that the federal government create another program that would provide non-repayable assistance at the level currently being disbursed by the CMSF.

STUDENT IN-STUDY RESOURCES EXEMPTIONS

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

Recommendation 6: CASFAA recommends that the CSLP in-study work exemption be increased to \$100 per week from the current \$50 per week.

Recommendation 7: That a federal student Work Study program be implemented. In addition to contributing necessary financial support, these programs also provide valuable career-related work experience.

Recommendation 8: That all need-based awards administered by post-secondary institutions be exempted from the CSL need assessment calculation.

CSLP WEEKLY AND LIFETIME ASSISTANCE LIMITS

The current weekly limit of \$210 per week is insufficient to meet rising educational and living costs. Furthermore, as more students enter into graduate and doctoral programs, they reach their lifetime limits and find themselves without essential financial support to complete the final stages of their educational careers.

Recommendation 9: CASFAA recommends that a review process to adjust the weekly assistance limits be implemented, and that such a review be undertaken at a minimum of every 3 years.

Recommendation 10: That the weekly lifetime limits be increased to allow for the completion of graduate and doctoral programs.

UNSUBSIDIZED PARENTAL LOAN PROGRAM

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

Recommendation 11: That the federal government implements an unsubsidized parental loan program to fund post-secondary educational costs.

CONCLUSION

CASFAA is grateful for the opportunity to share our insights with the Standing Committee on Finance. Investing in post-secondary education through measures such as those we have recommended will strengthen our country, and will help ensure that all citizens, as individuals, and Canada, as a nation, can compete effectively in the global economy.

Executive Summary

Summary of Recommendations

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