



# **Prosperity**

## **Education and Canada's Future**

**Pre-Budget Submission to the  
House of Commons Standing Committee on Finance  
August 2007**

**Canadian Alliance of Student Associations  
[www.casa.ca](http://www.casa.ca)**

## Prosperity: Education and Canada's Future

*"Globalization and the growth of the knowledge-based economy are also sharply increasing the importance of the skills, education and adaptability of our workforce for global competitiveness. This means that we need to focus on enhancing the education and skills of Canadians so they get the best jobs, earn a better living and build a strong future for their children."*

*-Advantage Canada*

The theme for this year's pre-budget consultation is "The Tax System the Country Needs for a Prosperous Future." When examining the forms and levels of taxation in Canada we must also examine the factors that contribute to a healthy tax base. In just five years two thirds of new jobs will require post-secondary education, yet only 44 per cent of Canadians currently hold such credentials.<sup>ii</sup> As *Advantage Canada* points out, we must enhance the skills and education of Canadians to ensure a better standard of living and to broaden our tax base.

Those who graduate from post-secondary education earn more and contribute more through the tax system than non-graduates.<sup>iii</sup> Canadian post-secondary graduates provide nearly 60 per cent of government income tax revenues, while receiving only 30 per cent of government spending.<sup>iv</sup>

There are significant issues facing higher education in Canada. This submission will examine what the government can do to develop a strong post-secondary education system that will lead to a prosperous economy and more tax revenue.

Serious demographic challenges face the Canadian economy. In the next decade the number of persons retiring will surpass the number of newcomers to the workforce.<sup>v</sup> In twenty years the government forecasts that retirees will outnumber new workers four to three. It is clear that in order for Canada to remain prosperous, we will need more highly-educated, skilled workers.

This submission will provide recommendations to ensure our post-secondary system is affordable and accessible. We must ensure that all Canadians are able to achieve their full potential. By assisting Canadians who are currently under-represented in the skilled economy to obtain the post-secondary education they need, we will ensure a more equitable society, with a prosperous economy.

### Recommended actions

- The Government of Canada must ensure that federal transfer funding for post-secondary education is truly *dedicated* funding. The government must work with the provinces to develop objectives for PSE funding as well as mechanisms to ensure funding is directed at meeting these objectives.
- Federal transfer funding for post-secondary education should be increased to a minimum level of \$4 billion in annual cash transfers, and be increased annually according to inflation and demographic growth.
- The Government of Canada should take a leadership role in working with the provinces and territories to develop a *Pan-Canadian Accord on Post-Secondary Education*.
- The government should implement *Advantage Canada's* commitment to modernize Canada's system of student financial assistance. This must be done through a holistic review of all SFA programs, not simply administrative improvements to the Canada Student Loans Program.
- A modernized system of student financial assistance must ensure an affordable, accessible post-secondary education system for all Canadians. The SFA system should be effective and accountable, ensuring that tax dollars are targeted towards students in need.
- The Canada Access Grant should be made available to students throughout the duration of their studies, not just in their first year. The Grant should cover a portion of the total costs of education, not just tuition.
- The government should work with Aboriginal communities and the provinces and territories to develop a plan to increase participation and retention of Aboriginal Canadians in post-secondary education. Aboriginal student grant funding should be increased through the Post-Secondary Student Support Program, the Canada Student Loans Program, and/or the Canada Millennium Scholarship Foundation.
- The Government should renew or indefinitely extend the mandate of the Canada Millennium Scholarship Foundation. The CMSF should be provided with funding to continue providing needs-based grants to the same, or greater, proportion of students as it did in 1999. Estimates are that this would require a \$3.5 billion ten year endowment.

## I. Excellence in Post-Secondary Education

### **Dedicated transfer funding**

A high-quality post-secondary education system contributes to a strong economy and a healthy society. An educated and highly-skilled population leads to a more significant and sustainable tax base. There are serious problems that must be addressed, however, if Canada wishes to have the kind of post-secondary education system that will ensure our continued prosperity. In their 2004 TD Economics Special Report, "Time to Wise Up on Post-Secondary Education in Canada" Don Drummond and Craig Alexander emphasize this point:

*Canadians are blessed with a good post-secondary education system. Enormous benefits have flowed to the country as a whole and to many individuals. And, that may be precisely the problem at the moment. We take the quality of the system for granted and that is clouding our focus for the future. The system is no longer well placed to serve the future needs of Canadians*<sup>vi</sup>

Canadians deserve the highest quality education and training, and to ensure this our post-secondary institutions must be well-funded. Unfortunately, Canada is falling behind other developed countries when it comes to investing in high-quality education. Government funding to universities and colleges is now 20 per cent lower than in was in the 1980s. Meanwhile, other countries have been ramping up investment. American universities receive \$5000 more per student in government funding than their Canadian counterparts. Coupled with other sources of funds, American institutions enjoy an \$8000 per student funding advantage.<sup>vii</sup>

While the provinces hold legislative jurisdiction over education, the federal government, through transfer payments, provides essential funding to Canada's post-secondary institutions. Unfortunately, the federal government began to cut post-secondary transfer payments in 1993, and in 1995 lumped funding into the Canada Health and Social Transfer (CHST), cutting nearly \$4.6 billion in education and social spending in the process.

Our post-secondary system has suffered from under-funding for over a decade now. The provinces have been forced to cut support to colleges and universities. Class sizes have increased, it has been difficult to retain quality professors and instructors, and our campuses are literally crumbling, with universities facing an accumulated deferred maintenance price tag of \$3.6

billion.<sup>viii</sup> Quality post-secondary education in Canada is clearly in jeopardy.

Faced with dramatic cuts to their operating budgets, colleges and universities have turned to students to make up for lost revenue. Since the 1990s, tuition has tripled with an average undergraduate university student paying \$4966 in tuition and fees (nearly \$13,000 for international students).<sup>ix</sup> An average college student faces tuition of over \$2000. The growing cost of a post-secondary education makes it increasingly unaffordable for many Canadians.

The current method of funding post-secondary education raises serious accountability and transparency issues. There is no way of knowing how much federal money goes from the CST into post-secondary education. The federal government cannot tell taxpayers how much money it spends funding colleges and universities. There are no reporting measures for just how provinces are spending federal funds meant for post-secondary education.

Students, along with university and college administrators and instructors, have long been calling for an improved federal funding mechanism for post-secondary education. CASA has advocated for a dedicated post-secondary education transfer payment, similar to the Canada Health Transfer, which was separated from the CST in 2004.

CASA believes the government made great strides in Budget 2007, when they committed to "identifying" and "earmarking" funding towards post-secondary education *within* the CST. Furthermore, CASA commends the government's commitment to increasing post-secondary transfer funding by \$800 million in 2008-09, for a total of \$3.2 billion. However, in order to restore funding levels to those before the creation of the CHST, a post-secondary transfer payment would have to be at least \$4 billion. The Provinces believe a re-investment of at least \$2.2 billion is needed to make up for previous cuts.

With a per capita GDP 15 per cent lower than that of the U.S and low university participation rates in comparison to other developed nations, Canada can no longer afford to be under-investing in knowledge and innovation. CASA continues to call on the government to restore post-secondary funding to at least \$4 billion.

### **A Pan-Canadian Accord**

What our post-secondary education system needs most is vision and leadership. In recent years, the provinces, through the Council of the Federation, have shown a commitment to working together to improve higher education in Canada, and have

agreed that post-secondary education is a Canadian issue that requires a pan-Canadian will to address it. To ensure that it is effective, accountable, and transparent, the federal government must work with the provinces and territories to develop goals and objectives for transfer funding. Reporting and accountability mechanisms must be developed so that taxpayers are assured that funding truly is going towards post-secondary education.

Students believe a dialogue between all governments is needed to ensure we are addressing the needs of all Canadians. CASA is calling on the federal government to work with the provinces and territories to develop a *Pan-Canadian Accord on Post Secondary Education*. Such an accord would outline the roles of the federal and provincial governments and establish a national direction and objectives for post-secondary education. It would lay out a vision for an accessible, affordable post-secondary system, of the highest quality, and would ensure accountability and transparency.

#### **Actions**

- **The government must ensure that post-secondary funding is truly *dedicated* funding. The government must work with the provinces to develop objectives for PSE funding as well as mechanisms to ensure funding is directed at meeting these objectives. Additional federal transfer funding for PSE must not displace existing funding.**
- **Federal transfer funding for post-secondary education should be increased to a minimum level of \$4 billion in annual cash transfers, and be increased annually according to inflation and demographic growth.**
- **The Government of Canada should take a leadership role in working with the provinces and territories to develop a *Pan-Canadian Accord on Post-Secondary Education*.**

## II. Towards an Effective, Modernized System of Student Financial Assistance

Canada's social and economic prosperity hinges on our ability to graduate more students from university, college, and technical programs. This cannot be accomplished simply by creating more spaces for traditional students. And while improved immigration will help somewhat, it is not a solution. This is recognized in *Advantage Canada*:

*...these efforts will not be enough to keep our standard of living growing at its recent pace. Higher skills and knowledge will become increasingly important... Programs need to help people who have traditionally been under-represented in the workforce.<sup>x</sup>*

Currently, certain groups of Canadians are under-participating in the skilled workforce. Canadians from low-income families and Aboriginal Canadians are just two of these groups. In order to meet the challenges of the future, we must first improve access for under-represented groups in our colleges and universities. In fact, Canadians' number one priority for post-secondary education is improving access.<sup>xi</sup>

#### **Modernization of Student Financial Assistance in Canada**

The federal and provincial government's student financial assistance programs are intended to ensure that no student is barred from obtaining a post-secondary education because of financial barriers. Unfortunately, Canada's student financial assistance system is doing a poor job of making education more affordable and accessible. As Drummond and Alexander put it:

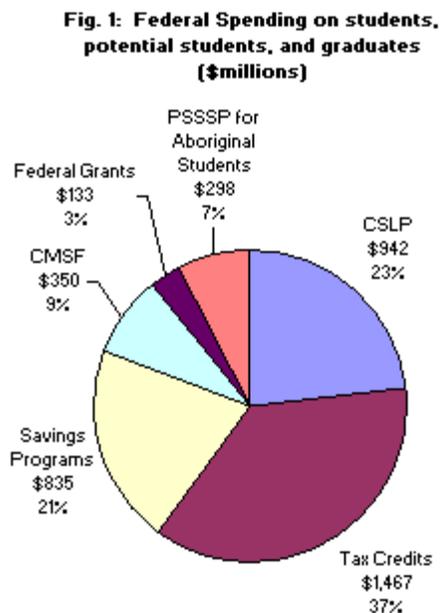
*In Canada the student financial assistance regime is a bewildering hodgepodge of federal and provincial programs, featuring loans, grants, and tax incentives...It does not effectively target funding at low-income groups. And, despite considerable money being added in recent years, the situation has not improved much.<sup>xii</sup>*

CASA has been calling on the government to review student financial assistance in Canada and in the government's economic plan, *Advantage Canada*, they committed to "modernizing Canada's system of student financial assistance to make it more effective."

In Budget 2007 the government announced they would launch:

*a review of the Canada Student Loans Program (CSLP)...to simplify CSLP instruments, make them more effective, and ensure integrated administration and efficient delivery.<sup>xiii</sup>*

However, the focus of the announced review is far too narrow to truly result in a modernized system of student financial assistance. The review should examine the CSLP's mandate and assesses its success at meeting its goals. To be truly comprehensive, the review must be holistic and go beyond the scope of the CSLP, assessing all support programs for students and graduates – loans, grants, tax credits, savings programs - to ensure that assistance is being delivered effectively and efficiently.



The federal government's spending on student financial assistance is inefficient and lacks direction. It may surprise many taxpayers, but the government spends nearly twice as much on tax credits and savings programs than it does on loans and grants. Such programs cost Canadians over \$2.3 billion per year, are not targeted towards students in need, and do not improve accessibility.

The federal government's largest expenditure on students is the \$1.5 billion for education-related tax credits. This money is not going towards students in need, and only 31 per cent of these credits actually go to students while they are studying.<sup>xiv</sup> Nearly half of this "student assistance" is transferred to parents or spouses, and half of the credits are used by

individuals with above-average incomes.<sup>xv</sup> These credits are a prime example of a failing in the tax system, as this money could be spent far more effectively.

### Students from low-income families

Canadians from low-income families are half as likely to attend university as those from high-income families.<sup>xvi</sup> Only 29 per cent of children from low-income families going on to college, and only 19 per cent to university.<sup>xvii</sup> If we wish to have more Canadians participating in the skilled economy, clearly something must be done to encourage post-secondary attainment.

Targeted grants are one of the best ways to combat financial barriers to post-secondary education.<sup>xviii</sup> While the *Canada Access Grant* currently provides students from low-income backgrounds with a grant to cover half of their tuition for their first year of post-secondary studies, it does not go far enough.

The main reason young people drop-out of college or university is because they cannot afford to continue.<sup>xix</sup> As such, grants should focus on the *total* cost of education, not just tuition. Living expenses, books, transportation etc. can often equal as much or more than tuition. This is especially the case for college students and rural Canadians. Furthermore, grants must be made available to students for the duration of their studies, rather than just in their first year. CASA believes that the Access Grant should be expanded to cover a portion of a student's total need for up to four years of study.

### Aboriginal students

Aboriginal peoples are the fastest growing segment of the population, and by 2017, the Aboriginal population 20-29 years of age will have increased over 40 per cent. Unfortunately just 23 percent of Aboriginal Canadians have post-secondary credentials, 15 percentage points below the non-Aboriginal population.<sup>xx</sup> As a booming generation of Aboriginal youth prepares to enter the workforce, time is of the essence to ensure they have the opportunity to receive the skills and education they need to succeed in a knowledge economy.

Status Indian and Inuit students receive funding from their bands which is provided through the federal *Post-Secondary Student Support Program (PSSSP)*. This is a \$270 million program whose funding has not increased since 1994, despite both the rapid growth of the Aboriginal youth population and the increasing cost of college and university. Students who do not receive PSSSP funding, or who are ineligible (e.g. non-status Aboriginal students), rely on federal and provincial loan and grant programs.

CASA is calling on the federal government to work with Aboriginal communities, and the provinces and territories, to develop a plan to increase participation in post-secondary education by Aboriginal Canadians to match that of the overall population. This should include non-repayable assistance, specifically increased funding to the PSSSP, and grants issued through the Canada Student Loans Program or the Canada Millennium Scholarship Foundation.

### **Renewal of the Canada Millennium Scholarship Foundation**

In 2009, the mandate of the Canada Millennium Scholarship Foundation (CMSF), which provides \$350 million in grants to students annually, will expire. Each year since its inception, the Foundation has distributed 90,000 needs-based bursaries and 900 merit-based awards at an average of \$3000 each. They have recently initiated new targeted grants for under-represented students. The Foundation works closely with the provinces, as provincial assistance programs both assess students' needs and distribute the awards.

The Foundation provides 30 per cent of student grants in Canada, and nearly half of grant funding in many provinces. CASA is calling on the government to renew the Foundation and provide it with the necessary funding to distribute grants to the same proportion of students, at the same grant value as it did at its inception. The Foundation's programs are vital, as needs-based grants are one of the best ways to ensure post-secondary students continue their studies and do not amass higher levels of debt.

CASA believes that the Foundation is the best vehicle through which to continue delivering its important grant programs. It is fiscally efficient and has lower administrative costs than government departments, which ensures that students receive the maximum benefit from federal funds. The CMSF is the only body currently able to distribute grants to students in all thirteen provinces and territories – the CSLP only operates in nine provinces (not Quebec). This allows the Foundation to negotiate agreements that meet the provinces' and territories' unique needs. The Foundation's new grants for rural students in Alberta and low-income students in Ontario serve as testaments to this strength.

Action is needed immediately. Provincial Finance Ministers need to plan for their student financial assistance programs after 2009. If the government does not commit to filling the \$350 million hole that will be left by the Foundation, the picture will be bleak for Canadian families hoping to send their children to post-secondary education.

### **Actions**

- **The Government of Canada should implement *Advantage Canada's* commitment to modernize Canada's system of student financial assistance. This must be done through a holistic review of all SFA programs, not simply administrative improvements to the Canada Student Loans Program.**
- **A modernized system of student financial assistance must ensure an affordable, accessible post-secondary education system for all Canadians. The SFA system should be effective and accountable, ensuring that tax dollars are targeted towards students in need. It should encourage post-secondary participation by Canadians currently under-represented in colleges and universities.**
- **The Canada Access Grant should be made available to students throughout the duration of their studies, not just in their first year. The Grant should cover a portion of the total costs of education, not just tuition.**
- **The government should work with Aboriginal communities and the provinces and territories to develop a plan to increase participation and retention of Aboriginal Canadians in post-secondary education. Aboriginal student grant funding should be increased through the Post-Secondary Student Support Program, the Canada Student Loans Program, and/or the Canada Millennium Scholarship Foundation.**
- **The Government should renew or indefinitely extend the mandate of the Canada Millennium Scholarship Foundation. The CMSF should be provided with funding to continue providing needs-based grants to the same (or greater) proportion of students as it did in 1999. Estimates are that this would require a \$3.5 billion ten year endowment.**

## Endnotes

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<sup>i</sup> Advantage Canada, p. 48

<sup>ii</sup> HRSDC, *Looking Ahead: A 10-year Outlook for the Canadian Labour Market, 2004-2013, 2004*, <http://www11.hrsdc.gc.ca/en/cs/sp/hrsdcrarb/publications/research/2004-002795/outlook.shtml>.

<sup>iii</sup> Statistics Canada, *2001 Census*, 2003

<sup>iv</sup> Statistics Canada, *Survey of Labour and Income Dynamics (SLID)*, 2002

<sup>v</sup> Office of the Chief Actuary, Office of the Superintendent of Financial Institutions Canada, *Actuarial Report on the Canada Student Loans Program*, as of July 2005, 2006. Data Source: Statistics Canada.

<sup>vi</sup> Drummond, D. and Alexander, C., "Time to Wise Up on Post-Secondary Education in Canada," *TD Economics Special Report*, March 15, 2004

<sup>vii</sup> Association of Universities and Colleges of Canada, *People and Ideas: Why Education is a Cornerstone of Productivity*, October 2005.

<sup>viii</sup> CAUBO, *A Point of No Return: The Urgent Need for Infrastructure Renewal at Canadian Universities*, 2000, p. 22.

<sup>ix</sup> Statistics Canada, "University Tuition Fees", *The Daily*, September 1, 2006.

<sup>x</sup> Advantage Canada, pp. 48-49

<sup>xi</sup> Pacific Issues Partners, *Canadian Attitudes on Post-secondary Education: A Report for the Canadian Council on Learning*. CCL, Ottawa, 2006, [http://www.ccl-cca.ca/CCL/Reports/StateofLearning/CAPSE\\_2006.htm](http://www.ccl-cca.ca/CCL/Reports/StateofLearning/CAPSE_2006.htm)

<sup>xii</sup> Drummond, D. and Alexander, C., "Time to Wise Up on Post-Secondary Education in Canada," *TD Economics Special Report*, March 15, 2004

<sup>xiii</sup> Budget 2007, p. 209

<sup>xiv</sup> Canada Customs and Revenue Agency, *Taxation Statistics*, 2003 Edition (2001 Taxation Year)

<sup>xv</sup> Drummond, D. and Alexander, C., "Time to Wise Up on Post-Secondary Education in Canada," *TD Economics Special Report*, March 15, 2004

<sup>xvi</sup> Statistics Canada, *Survey of Labour and Income Dynamics (SLID)*, 2005

<sup>xvii</sup> Ibid

<sup>xviii</sup> St. John, E.P., Chung, C.G., Musoba, G.D., Simmons, A.B., Wooden, O.S., and Mendez, J.P., *Expanding College Access: The Impact of State Finance Strategies*, The Lumina Foundation, 2004; Wolanin, T. R. *Reauthorizing the higher education act: Issues and options*. Washington, DC: The Institute for Higher Education Policy, March 2003

<sup>xix</sup> Statistics Canada, *Who Pursues Post-secondary Education, Who Leaves and Why: Results from the Youth in Transition Survey*, November 2004.

<sup>xx</sup> Michalowski, Margaret, Loh, Shirley, Verma, Ravi, Germain, Marie-France and Grenier, Claude. *Projections of Aboriginal populations, Canada, Provinces and Territories 2001 to 2017*. Statistics Canada, June 28, 2005.