

Canadian Federation of Students' submission to the

2009 Pre-budget Consultations

August 2009

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The Canadian Federation of Students
85 Member Students' Unions
Over 600,000 University and College Students

British Columbia

University of British Columbia Students' Union Okanagan
Broadway Campus Students' Union of Vancouver Community College
Camosun College Student Society
Capilano Students' Union
Douglas Students' Union
Downtown (City Centre) Students' Union of Vancouver Community College
Emily Carr Students' Union
Kwantlen Student Association
College of New Caledonia Students' Union
North Island Students' Union
Northwest Community College Students' Union
Okanagan College Students' Union
College of the Rockies Students' Union
Selkirk College Students' Union
Simon Fraser Student Society
Thompson Rivers University Students' Union
Vancouver Island University Students' Union
University of Victoria Students' Society

Prairies

Alberta College of Art and Design Students' Association
Brandon University Students' Union
Graduate Students' Association of the University of Calgary
First Nations University of Canada Students' Association
University of Manitoba Students' Union
University of Manitoba Graduate Students' Association
University of Regina Students' Union
Association étudiante du Collège universitaire de Saint-Boniface
University of Saskatchewan Students' Union
University of Saskatchewan Graduate Students' Association
University of Winnipeg Students' Association

Ontario

Algoma University Students' Union
Brock University Graduate Students' Association
Carleton University Students' Association
Carleton University Graduate Students' Association
Association étudiante de la Cité collégiale
Student Association of George Brown College
Glendon College Student Union
University of Guelph Central Student Association
University of Guelph Graduate Students' Association
Lakehead University Student Union
Laurentian Association of Mature and Part-time Students
University of Guelph Central Student Association
University of Guelph Graduate Students' Association
Lakehead University Student Union
Laurentian Association of Mature and Part-time Students

Members continued:

Laurentian University Graduate Students' Association
Laurentian University Students' General Association
Association des étudiantes et étudiants francophones de l'Université Laurentienne
McMaster University Graduate Students' Association
Nipissing University Student Union
Ontario College of Art and Design Student Union
Student Federation of the University of Ottawa
Graduate Students' Association des étudiant(e)s diplômé(e)s de l'Université d'Ottawa
Queen's University Society of Graduate and Professional Students
Ryerson Students' Union
Continuing Education Students' Association of Ryerson
Saint Paul University Students' Association
University of Toronto at Scarborough Campus Students' Union
University of Toronto Graduate Students' Union
University of Toronto Students' Union
University of Toronto at Mississauga Students' Union
Association of Part-Time Undergraduate Students of the University of Toronto
Trent University Central Student Association
Trent University Graduate Student Association
University of Western Ontario Society of Graduate Students
Wilfrid Laurier University Graduate Students' Association
University of Windsor Students' Alliance
University of Windsor Graduate Students' Society
University of Windsor Organisation of Part-time University Students
York Federation of Students
York University Graduate Students' Association

Québec

Concordia Student Union
Concordia University Graduate Students' Association
Dawson Student Union
Post-Graduate Students Society of McGill University

Maritimes

Cape Breton University Students' Union
Dalhousie Association of Graduate Students
Holland College Student Union
University of King's College Students' Union
Mount Saint Vincent University Students' Union
University of New Brunswick Graduate Students' Association
Student Union of NSCAD University
University of Prince Edward Island Student Union
University of Prince Edward Island Graduate Student Association
Association générale des étudiants de l'Université Sainte-Anne

Newfoundland & Labrador

Grenfell College Student Union
Marine Institute Students' Union
Memorial University of Newfoundland Students' Union
Graduate Students' Union of the Memorial University of Newfoundland
College of the North Atlantic Students' Union

Executive Summary

The federal government has a long history of involvement in the funding of post-secondary education. Canadian universities and colleges have benefitted from more than six decades of federal funding, from direct and indirect transfers, to student loans and grants. This kind of national leadership will be critical in steering the economy out of recession and protecting vulnerable Canadians at the same time.

This brief reviews recent federal policy and outlines areas for prioritization in three sections:

Section 1. Past investments: Which programs are worth protecting? Which are not?

Section 2. Current challenges: What is the role of education in economic recovery? What needs are not being properly met?

Section 3. Future priorities: What solutions fit the current challenges?

By realizing and consolidating existing federal powers, the government can protect the value of past investments and expand areas that will reduce socioeconomic disparities and grow the economy. This is an opportunity to make Canadian universities and colleges the most affordable and high-quality institutions of learning and research in the world.

Recommendations:

1. The federal government should, in cooperation with the provinces, create a post-secondary education cash transfer payment for the purpose of reducing tuition fees and improving teaching, learning, and research infrastructure at universities and colleges. The transfer should be guided by the principles set out in a federal Post-Secondary Education Act.
2. The federal government should discontinue education tax credits and instead use the funding to increase Canada Student Grant assistance levels.
3. The federal government should remove the funding cap on the Post-Secondary Student Support Program and increase funding to meet the needs of all Aboriginal post-secondary learners.

Past Investments in Post-Secondary Education

In 2007, an \$800 million boost to cash transfer payments for post-secondary education was announced in the budget. Unfortunately, this new payment—the largest in decades—was introduced without any provisions to guarantee that new funding would be used to improve access to post-secondary education. Not surprisingly it is unclear what impact, if any, the massive influx of cash transfers have had on the lives of students and their families.

The 2008 federal budget answered the Canadian Federation of Students' call to replace the Millennium Scholarship Foundation with a publicly accountable and professionally administered federal grants program for students. Students and their families welcome the new investment in non-repayable assistance, set to be disbursed in September 2009.

As Canada entered a deep recession in late 2008, the federal government delivered a budget lined with infrastructure funding for several sectors, including nearly \$2 billion for university and colleges. The 2009 budget also temporarily restored approximately \$20 million in cuts made to the Canada Summer Jobs program in 2007.

Current Challenges

Tax Fairness

The country's progressive system of taxation, where affluent Canadians pay a higher percentage of their income in tax than do lower-income Canadians, is necessary for the equitable well being of all members of society. Canada's tax system has become increasingly eroded as tax cuts introduced since the early part of the decade take their effect. For example, tax cuts introduced in the 2007 federal budget exceeded social spending by a two-to-one margin.

As the government continues to shrink its fiscal capacity, tax cuts have become more arbitrarily

applied—seemingly dependent on political opportunism more than effectiveness. For example, income splitting provides increased benefit for only relatively affluent couples. Tax schemes such as these, targeting specific groups without economic rationale, are creating unfairness in the tax system.

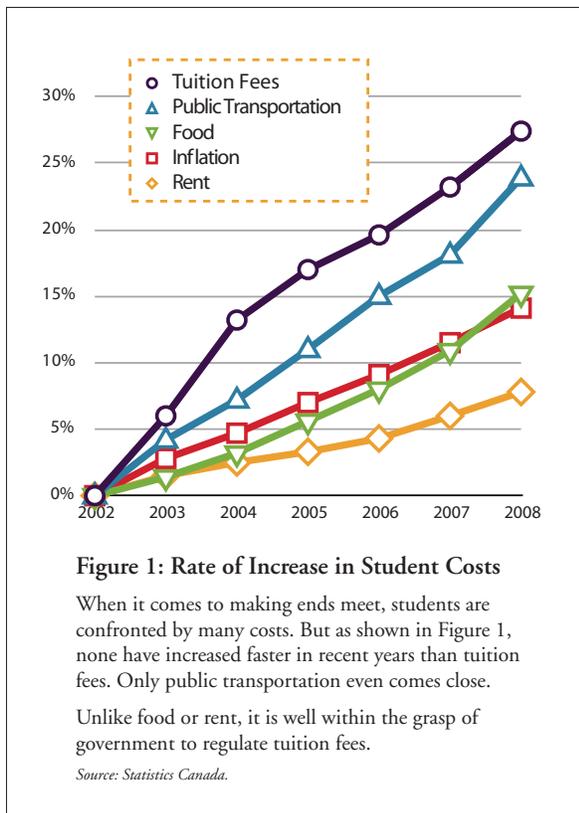
The reduced fiscal capacity caused by tax cuts introduced in the last number of years will eventually make it impossible for the federal government to address the concerns of Canadians. Programs geared at reversing inequality, improving health care and post-secondary education, and protecting the environment form the top of the priority list for Canadians, none of which can be properly addressed with tax cuts.

As the Canadian Centre for Policy Alternatives points out in its Alternative Federal Budget (AFB), the most problematic tax cuts introduced in the last two years are those that do little to help those most in need. The AFB offers a number of measures to enhance tax fairness, including more revenue from the affluent and large corporations, and directing these additional funds at programs to support low-income Canadians.

Tuition Fees are a Barrier: Let the income tax system do its job

The responsibility for financing post-secondary education has been increasingly downloaded onto families since the federal funding cuts of the mid-1990s. Government grants as a share of university operating revenue plummeted from 80% to less than 57%. As a direct result, the share of university operating budgets funded by tuition fees more than doubled between 1986 and 2006 (14% to 29%)¹. Today, tuition fees are still increasing more rapidly than any other cost faced by students (see Figure 1).

1. Canadian Association of University Teachers. CAUT Almanac of Post-Secondary Education in Canada – 2008. Ottawa, 2008.



Tuition fees act as a flat tax that is blind to the actual financial resources or to the future earnings of graduates. In spite of this, the earnings premium for those with a post-secondary education has often been used as an argument against tuition fee regulation. Some organisations make the dubious claim that university graduates will earn an additional \$1-million during their lifetime as a result of their education credentials. This mythical \$1-million figure has been thoroughly debunked²; and in reality, the vast majority of university and college graduates are middle-income earners. A university or college education is virtually a pre-requisite for meaningful participation in the rapidly evolving labour force.

The income tax system, not user fees, should be counted on for individual and collective support for post-secondary education. Without creating massive up-front financial barriers and massive

2. See Hugh MacKenzie's *Funding Postsecondary Education in Ontario: Beyond the Path of Least Resistance*.

student debt, fair income taxes gradually recover the cost of an individual's education many times over, while also supporting the post-secondary system for the upcoming generation. The progressive income tax system ensures that the statistical outliers—unusually wealthy and unusually poor graduates—are taxed accordingly in ways that are fair and reflective of their income.

Student Debt

Canadian families are making extraordinary sacrifices to prepare themselves for an evolving workplace. Past government decisions at both the federal and provincial level are forcing students and their families to take on more education related debt than any previous generation, all during a time when median earnings for the majority of families have been stagnant for the past twenty years.

Skyrocketing tuition fees and loan-based financial aid have pushed student debt up to historic highs: average student debt for a four-year program now ranges between \$21,000 to \$28,000 depending on the province or program of study³. In fall 2009, approximately 386,000 students in Canada will be forced to borrow to finance their post-secondary education.

Student debt levels have recently been linked to lower degree completion levels⁴ and reduced likelihood of continuing studies beyond a bachelor's degree or college diploma⁵.

Wanted: National Leadership

Education costs are a source of significant unease among Canadians. In polling done this year for the Canadian Federation of Students and the Canadian Association of University Teachers,

3. \$158,000 for young doctors according to the Canadian Association of Interns and Residents.

4. Millennium Scholarship Foundation, *The Impact of Bursaries: Debt and student persistence in post-secondary education*.

5. PRA incorporated, *Report on Student Debt: Canadian College Student Survey and Canadian Undergraduate Survey Consortium*.

pollster Harris-Decima reported that tuition fee reductions are Canadians' top priority for government investment in education. The same poll also found that 69% of Canadians—including a majority of Quebec residents—want the federal government to exercise more control over transfers to the provinces for post-secondary education.

Despite substantial investment in post-secondary education in recent years, the federal government has actually done very little to ensure that these investments will have the desired impact in the post-secondary education system. A paucity of regulations governing the Canada Social Transfer (CST) is only a symptom of a broader problem: the federal government has never outlined a vision for how to keep post-secondary education in Canada both affordable and cutting-edge. Without a vision, federal investments will continue to be undermined and devalued.

Future Priorities

Federal Cash Transfers for Post-Secondary Education

The 2007 federal budget announced the largest increase to core transfer payments for post-secondary education in fifteen years. Although this is the largest increase in recent memory, cash transfers for post-secondary education are still roughly one billion dollars short of 1992 levels when accounting for inflation and population growth. If the federal government were to contribute the same share of its program spending to post-secondary education when measured as a share of the Gross Domestic Product as it did in 1992, the federal government should be spending approximately \$4.4 billion per year in cash transfers for post-secondary education—\$1.2 billion more than the 2007 budget increase⁶.

Despite historic increases to federal funding for post-secondary education, the federal govern-

ment's CST investments are not reaching families. For example, the Government of British Columbia cut funding to universities in 2008 by \$50 million—the same year that the BC government received over \$110 million in new post-secondary funding from the federal government. Without any binding agreements or legislated guidelines, this type of displacement will continue to hamstring Canadian universities and colleges.

Towards a Post-Secondary Education Act

There is a consensus in the post-secondary education community that the current design of transfer payment mechanisms is insufficient to meet federal objectives for post-secondary education.

The federal government has a clear responsibility to ensure equality of access to post-secondary education in every province. Although provincial politicians are quick to declare post-secondary education the exclusive domain of their legislatures, they are only partially correct. A distinction must be drawn between “jurisdiction” and “responsibility”. Post-secondary education is within the legislative jurisdiction of provincial governments. However, this assignment of legal and legislative authority should not be confused with the responsibility of all levels of government to coordinate their behaviour in order to build the best system of post-secondary education possible.

If the federal government wants to play a role in reducing socioeconomic inequality and increasing global competitiveness, provincial coordination is not just an option, it is a requirement. The reductions in federal spending described in previous sections are only possible because of a lack of federal leadership.

Historically, Canada has a solid record of federal-provincial collaboration when there is federal legislation to lend structure to the relationship. Canada's Medicare system is the envy of the world, and a living example of how governments can prioritise the needs of Canadians over their

6. Canadian Association of University Teachers.

own jurisdictional posturing. With the increase in core funding announced in the 2007 federal budget, the next logical step for the federal government is to institute federal legislation to govern the funding set aside for post-secondary education. Although the increased funding has been “earmarked” for post-secondary education, there is nothing holding provincial governments to spend the increased funding on post-secondary education (as seen in the British Columbia example).

The Canadian Federation of Students and the Canadian Association of University Teachers (CAUT) both recommend the adoption of legislation or other binding forms of agreement that would establish conditions for federal post-secondary education transfers. These conditions must commit the provinces to upholding principles similar to those of the Canada Health Act: public administration, affordability, comprehensiveness, democratic governance, and academic freedom. In return for upholding these principles, provincial governments would receive increased and predictable funding from the federal government.

Provincial premiers have signaled that they are interested in exploring further collaboration with the federal government to improve the affordability and quality of post-secondary education. Most recently, all provincial governments have signed onto the federally-initiated “Service Delivery Vision” for integrating the provincial and federal student loan and grants programs.

The federal government must use this willingness to reach an agreement on transfers for post-secondary education, in part by restoring cash transfer levels to 1992 levels. Most importantly, the federal government and provincial governments should establish long-term objectives, including reducing tuition fees.

Aboriginal Learners

The federal government provides financial assistance to status First Nations and Inuit students through the Post-Secondary Student Support Program (PSSSP). Prior to 1992, the annual PSSSP budget was determined based on the number of eligible students and expenses. Between 1992 and 1997, the funding shifted from a per-student funding model to block funding envelopes for each region. In 1997, increases in funding to the program were capped at 2% annually.

A 2005 review of the PSSSP conducted by Indian and Northern Affairs Canada found that the current formula for living allowances was 14 years out of date and that funding for Aboriginal students was \$500 to \$4,000 short of living expenses. The current student allowances established in the PSSSP are well below the national average set for other Canadians under the Canada Student Loan Program.

In a 2004 report of Canada’s Auditor General, lack of federal funding to the PSSSP was cited as the cause of preventing approximately 9,500 eligible First Nations students from pursuing a post-secondary education in 2000. Between 2001 and 2006, the Assembly of First Nations estimates that 10,588 eligible students were denied funding from the PSSSP, with an additional 2,588 denied in 2007-08 alone.

To reduce socioeconomic disparities between non-Aboriginal and Aboriginal Canadians, the Canadian Federation of Students recommends eliminating the cap on the PSSSP and funding all Aboriginal post-secondary students.

Canada Student Grants

In fall 2009, the Millennium Scholarship Foundation will be replaced with a publicly accountable and professionally administered federal grants program for students. The Canadian Federation of Students proposes that the federal govern-

ment increase assistance levels under the Canada Student Grants Program by re-allocating funding from education tax credits.

The non-refundable education and tuition fee tax credits have been the most widely used and expensive federal tax measures for post-secondary education. In 2006 tax year, the most recent year for which statistics are available, 2,221,820 individuals claimed the education and tuition fee credits, costing the federal government almost \$1.44 billion in foregone tax revenue.

This massive public expenditure, if offered as upfront grants, could have nearly eliminated the need for students to borrow. For example, the Canada Student Loans Program lent approximately \$1.92 billion in fall 2006. In other words, if the amount of money the federal government spent on the tuition fee and education tax credit each year had been simply shifted to the “front-end” in the form of grants through the Canada Student Loans Program, student debt could have been reduced by approximately 75%.

Despite their large price tag, federal tax expenditures are a very poor instrument to either improve access to post-secondary education or relieve student debt. Moreover, since everyone who participated in post-secondary education qualifies for tax credits regardless of financial need, the federal government is diverting vast sums of public funding where they are not necessarily required.

Conclusion

The Government of Canada, with large investments in core funding and student grants, has made the monetary changes that have the potential to get Canada’s post-secondary education on track. However, crucial structural changes in the post-secondary policy area must be made to the federal government’s relationship to the provinces. Fiscal investments from recent years must be followed with federal legislation and a federal ministry to cement the progress espoused to by the Finance Minister.

The federal government should draw upon the leadership demonstrated when renewing Health Care legislation in the early 1980s. The federal government has no choice but to mimic successful Medicare model of inter-jurisdictional collaboration if Canada’s universities and colleges are to achieve world-class status for affordability and quality.