

Canadian Federation of Students' Submission

# **2010 PRE-BUDGET CONSULTATIONS**

August 2010

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OF STUDENTS**

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# CANADIAN FEDERATION OF STUDENTS

With over 600,000 members in 85 students' unions and all ten provinces, the Canadian Federation of Students is the voice of post-secondary students in Canada. Founded in 1981, the CFS represents students at the college, undergraduate and graduate level, and students who study both part and full time.

## British Columbia

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

## Ontario (cont'd)

University of Guelph Central Student Association  
University of Guelph Graduate Students' Association  
Lakehead University Student Union  
Laurentian Association of Mature and Part-time Students  
Laurentian University Graduate Students' Association  
Laurentian University Students' General Association  
Association des étudiants 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 University Students' Union  
Continuing Education Students' Association of Ryerson  
Saint Paul University Students' Association  
University of Toronto at Scarborough Campus Students' Union

## Ontario (cont'd)

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 Students' Union  
Concordia University Graduate Students' Association  
Dawson Students' 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**

For over half a century the federal government has recognised the crucial role post-secondary education plays in driving economic growth and innovation, and increasing social and economic equality. The substantial public investments that led to the expansion of universities and the creation of colleges in the 1960s were based on the belief that, in Canada, access to post-secondary education should be dictated by ability and not means.

Canada's public post-secondary system has become remarkably less public over the last two decades. Beginning in the 1980s, the federal government severely limited funding increases, despite substantial enrolment growth. This led to a marked drop in per-student funding. In 1994, following a recession, the federal government made one of the deepest cuts in history, slashing transfers to the provinces for social programs by \$7 billion. In all provinces with the exception of Québec, this cut was passed directly onto students and their families in the form of double digit fee increases.

Despite the federal government posting annual surpluses in excess of \$10 billion by the end of the decade, funding for post-secondary education was not restored. The underfunding that resulted from these cuts has paved the way for a dramatically larger role for the private sector in Canada's universities and colleges. Increasingly, operating funds for post-secondary institutions are coming from private sources, primarily composed of tuition and ancillary fees. While before these cuts Canadians had relatively equitable access to post-secondary institutions, today tuition fee levels vary widely from province to province, making geography one of the biggest factors in whether an individual can afford to go on to post-secondary education.

In order to reduce inequalities across socio-economic strata, as well as regional disparities, and to increase the country's competitiveness internationally, the federal government must once again prioritise affordable, high quality post-secondary education. This submission will outline how this can be achieved with the following recommendations:

## **RECOMMENDATIONS:**

- 1. The federal government should, in cooperation with the provinces, implement a federal Post-Secondary Education Act modeled after the principles of the Canada Health Act, accompanied by a dedicated cash transfer that restores federal funding for post-secondary education to 1992 levels;*
- 2. Increase the value and number of up-front grants available to students by redirecting funds currently used on education related tax credits and savings schemes to the Canada Student Grants Program;*
- 3. Increase funding by \$10 million for Statistics Canada's branch for the collection and analysis of post-secondary education statistics;*
- 4. Remove the funding cap on the Post-Secondary Student Support and ensure that every eligible Aboriginal learner is provided adequate funding to attend post-secondary education.*

## FEDERAL FUNDING

### Erosion of the revenue base

The federal government's aggressive push to lower corporate income tax rates, the goods and services tax, and taxes on the wealthy has seriously eroded Canada's ability to fund social programs. While the government posted an \$18.1 billion surplus in the year 2000, by 2009 that surplus became a multi-billion dollar deficit. While a large part of the deficit can be attributed to short term stimulus spending, Parliamentary Budget officer Kevin Page projects that Canada has a structural deficit that will continue after Canada's economy has rebounded and stimulus spending has wound down.

The reduced fiscal capacity caused by these tax cuts has made it impossible for the federal government to meet Canada's social and economic challenges including adequately retraining out-of-work Canadians, and training our future workforce.

Investments in public social programs, such as health care and post-secondary education, continuously rank as top priorities for Canadians. In a recent poll conducted by Harris-Decima, only 8 percent of Canadians identified tax cuts, and 12 percent deficit reduction, as the most important priority. By comparison, over 60 percent identified investments in social programs and unemployment and poverty reduction as the top priority. Despite this, the federal government has prioritised tax cuts and deficit reduction over needed investments in Canada's ailing social programs.

### User fees are a barrier:

#### Let the income tax system do its job

The responsibility for financing post-secondary education has been downloaded onto students and their families since the

federal funding cuts of the mid-1990s. Government grants as a share of university operating revenue plummeted to nearly 50 percent in some provinces, down from over 80 percent less than three decades ago. This resulted in a doubling of the share of university budgets funded by tuition fees between 1985 and 2007, from 14 to 34 percent.<sup>i</sup> Despite over a decade of growth, prosperity and flush government coffers, funding levels have yet to return to pre-cut highs.

While government funding has been partially restored, thanks to a significant increase in the 2007 budget, fee increases have made up the lions share of the difference. Tuition fees act as a flat tax that is charged to all students at the same rate, regardless of their socio-economic status or financial resources. The argument that post-secondary education will increase a student's long-term earning potential is often presented as an argument against tuition fee regulation. Some organisations continue to make the dubious claim that university graduates will earn an additional \$1 million during their lifetime as a result of their education credentials. Not only has this mythical \$1-million figure been thoroughly debunked, research has found that claims of increased income are greatly exaggerated and most graduates are middle-income earners.<sup>ii</sup> Rather than being a luxury, 70 percent of new jobs require a university or college degree. Post-secondary education has become a virtual pre-requisite for participation in the labour market, not a guarantee of future wealth.

The most equitable way to finance the public post-secondary system is through the progressive tax system. A fair system recovers the cost of an individual's

education many times over, while also supporting the post-secondary system for the next generation. The progressive tax system ensures that the wealthy and poor are taxed in a fair manner, reflective of their ability to contribute.

### **Accountability Needed**

Although the federal government is one of the biggest funders of post-secondary education, there is no mechanism to ensure that the monies transferred to provincial governments who administer education, actually make it into the post-secondary system. Under previous cost-sharing federal-provincial funding models, the provinces had to invest their own funds in order to receive federal monies. If a provincial government chose to cut funding, federal transfers were reduced by a proportionate amount. The current block-funding model—with funds transferred through the Canada Social Transfer—has no requirement that provincial governments maintain their funding in order to receive federal money. Indeed, there have been numerous examples of provinces receiving additional federal funds, only to turn around and reduce their own funding. For example, in 2008, the Government of British Columbia cut funding to universities by \$50 million in the same year that it received over \$110 million in new post-secondary education funding from the federal government. The federal government has abdicated its responsibility to ensure that federal funds for social programs are used as intended and as a result, provincial governments have been free to misappropriate federal transfers intended for post-secondary education.

### **Impacts of Funding Cuts**

Cuts to federal transfers payments in the 90's led to massive increases in user

fees and a drop in the quality of post-secondary education. Class sizes have increased substantially, while institutions have pushed to casualise the academic workforce, replacing full-time tenured faculty members with overworked and poorly compensated sessional instructors. Between 1990 and 2006, the ratio of students to full-time faculty members increased by almost 40 percent.<sup>iii</sup>

University and college budgets have become strained to such an extent that deferred maintenance has grown to such a degree that it has begun to pose serious health and safety risks to students and staff. In 2009 the Canadian Association of University Business Officers estimated that the total value of deferred maintenance on Canadian campuses was more than \$5 billion, half of which is considered urgent, a 35 percent increase in less than a decade.<sup>iv</sup> The 2009 federal budget attempted to address this capital deficit by allocating \$2 billion to college and university infrastructure. However, the government placed conditions on the funding, reserving it for new projects with a research-intensive focus and requiring that provincial governments or the private sector match half of all funds. These restrictions meant that funds would not go to addressing the high-levels of deferred maintenance.

### **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 was the largest increase in recent memory, cash transfers for post-secondary education are still roughly \$1 billion short of 1992 levels when accounting for inflation and population growth. To be at the level of funding transferred in 1992 measured as a percentage of gross domestic product,

cash transfers to the provinces would need to rise to approximately \$6.4 billion; an increase of \$3.2 billion .

### **Towards a Post-Secondary Education Act**

The Canadian Federation of Students recommends the adoption of a post-secondary education act that would establish conditions on the provinces for receiving post-secondary education transfers payments. Such legislation would require provinces to uphold principles similar to those found in the Canada Health Act: public administration, comprehensiveness, universality, portability and accessibility. In return for upholding these principles, provincial governments would receive adequate and predictable funding from the federal government.

#### **Recommendation:**

*The federal government should, in cooperation with the provinces, implement a federal Post-Secondary Education Act modeled after the principles of the Canada Health Act, accompanied by a dedicated cash transfer that restores federal funding for post-secondary education to 1992 levels.*

### **TACKLING STUDENT DEBT THROUGH GRANTS**

Skyrocketing tuition fees and loan-based financial assistance have pushed student debt to historic levels. Loans disbursed by the Canada Student Loans Program, less those that have been repaid, are increasing by nearly \$1 million dollars a day. The total amount of student loans owing to the federal government surpassed \$13.5 billion this summer. This does not include provincial or personal loans, lines of credit, or credit card debt. This past year, almost 400,000 students were forced to borrow to finance their education.

High student debt levels are linked to lower completion rates, not to mention financial stress that is disproportionately borne by those from low-income backgrounds. After graduation, student debt perverts career choice, especially for professionals, which in turn impacts certain populations' access to health care and legal aid. They also prevent individuals from starting families, working in public service careers, purchasing a home, and pursuing low paying or volunteer experience, often necessary to "get a foot in the door".

Savings schemes and education tax credits are by far the most costly measures the government uses to help Canadians afford the costs of attending college or university. Despite their substantial price tag, these expenditures do little to help those most in need. The primary beneficiaries of tax credits and savings schemes are medium and high-income earners who have a greater capacity to save. The schemes are a costly and ineffective mechanism to improve access to post-secondary education or relieve student debt.

In terms of actual expense, the non-refundable education tax credits have been the most widely used, and costly, federal tax measures for post-secondary education. In the 2007 tax year, the Canada Revenue Agency reported that 2,707,990 claims were filed for the Education, Tuition Fee and Student Loan Interest Credits, costing the federal government almost \$1.8 billion in foregone tax revenue. When combined with the \$770 million spent on the CESG and RRSPs, the government spends more on ineffective savings schemes and tax-credits than the Canada Student Loan Program lends out in a year.

In fall 2009, the Millennium Scholarship Foundation was replaced with a publicly accountable federal grants program. This was an important first step by the federal government towards tackling student debt.

In order to meaningfully reduce debt, a larger investment in up-front grants is required. Fortunately this investment can easily be made, without additional costs to the government. If all education related savings schemes and tax credits were shifted to up-front assistance through the Canada Student Grants Program, every dollar currently loaned by the federal government could be converted to a non-repayable grant, distributed on the basis of financial need.

**Recommendation:**

*Increase the value and number of up-front grants available to students by redirecting funds currently allocated to education related tax credits and savings schemes to the Canada Student Grants Program.*

**MONITORING SUCCESS**

Although the federal and provincial governments spend tens of billions of dollars per year on post-secondary education, adequate information to fully analyse that spending is not collected. A 2006 report by the Organisation for Economic Cooperation and Development (OECD) noted that Canada couldn't provide data on 57 of the 96 indicators used to compare countries with respect to post-secondary education.<sup>v</sup>

In May 2010, the Department of Human Resources and Skills Development Canada announced that it would be discontinuing funding to Youth in Transition Survey (YITS) and the National Longitudinal Survey on Children and Youth. These studies are the primary sources of information on who pursues, and who is excluded from, post-secondary education. They provide vital information on students, their first post-graduation interaction with

the labour market, and the relationship between education and employment. The YITS is critical to fulfilling Canada's international commitment to provide the OECD with comparable data on post-secondary education.

Without the data supplied by these studies it is impossible for governments to make proper decisions about post-secondary education policies and priorities. The lack of this information will also make it extremely difficult to conduct further research on students and the post-secondary system. While the costs to discontinuing research of this nature are great, the amount of funding necessary to properly conduct research on students and the post-secondary system is extremely small. An increase of \$10 million, less than one-hundredth of one percent of the federal budget, would go along way to funding this research.

**Recommendation:**

*Increase funding by \$10 million to Statistics Canada's branch for the collection and analysis of post-secondary education statistics.*

**RESPECTING CANADA'S TREATY OBLIGATIONS**

While the educational attainment of the Canadian population as a whole has been steadily increasing over the latter half of the past century, the attainment of Aboriginal peoples' have not increased comparatively. This disparity is one of the many barriers to socio-economic equality facing Canada's Aboriginal peoples.

Currently, the federal government provides student financial assistance to status First Nations and Inuit students through the Post-Secondary Student Support Program

(PSSSP). The PSSSP facilitates access to post-secondary education by providing funding for the costs of tuition fees, books, supplies, travel, and living expenses.

Prior to 1992, PSSSP funding was determined by the number of eligible students and the amount of eligible expenses. In 1992, the Department of Indian and Northern Affairs Canada (INAC) replaced the per-student funding model with a system of block funding to Band Councils. In 1996, funding increases were capped at 2 percent annually, regardless of increases in tuition fees, living costs and increases in the Aboriginal population.

Prior to the implementation of the funding cap, approximately 27,000 Aboriginal students received financial assistance through the PSSSP. In 2006, the number had fallen to roughly 22,000. It is estimated that between 2001 and 2006, the funding cap resulted in over 10,500 students being denied funding, with an additional 2,588 denied in 2007-08 alone.

The cost to government to fulfill its treaty obligations with respect to Aboriginal education is minimal compared to the long-term implications of maintaining the status quo. As long as the gap in educational attainment, and therefore employment and income remains Canada stands to lose between \$400 billion in GDP and \$116 billion in social programme spending and tax revenues over the next 20 years.<sup>vi</sup>

**Recommendation:**

*The federal government should remove the funding cap on the Post-Secondary Student Support and ensure that every eligible Aboriginal learner is provided adequate funding to attend post-secondary education.*

**END NOTES**

- i. Canadian Association of University Teachers. CAUT Almanac of Post-Secondary Education in Canada - 2009. Ottawa, 2009.
- ii. Hugh MacKenzie. Funding Postsecondary Education in Ontario: Beyond the Path of Least Resistance. Toronto, 2009.
- iii. Canadian Association of University Teachers. "2009-2010 Almanac of Post-Secondary Education in Canada", September, 2009.
- iv. Canadian Association of University Business Officers. "A Point of No Return: The Urgent Need for Infrastructure Renewal at Canadian Universities". 2009
- v. Education at Glance — OECD Indicators 2007, OECD, Paris, 2007.
- vi. Centre for the Study of Living Standards, The Effect of Increasing Aboriginal Educational Attainment on the Labour Force, Output and the Fiscal Balance, May 2009