

Canadian Federation of Students' submission to the

2008 Pre-budget Consultations

August 2008

National Office • Bureau national
500-170 rue Metcalfe Street
Ottawa, Ontario
K2P 1P3
(613) 232-7394
www.cfs-fcee.ca

The Canadian Federation of Students
88 Member Students' Unions
500,000 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 College 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 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
Atkinson Students' Association
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

Continued . . .

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 University 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' Administrative Council
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
Student Society of McGill University

Maritimes

Acadia Students' Union
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

Affordable and high-quality post-secondary education and training has long-term impacts on the workforce and social inclusion. Prioritising post-secondary education will help to secure Canada's global position as a competitive, sustainable, livable, and just society.

In the 2008 budget, the Government of Canada showed considerable foresight to end the Millennium Scholarship Foundation debacle once and for all. The new Canada Student Grants Program has the potential to be a marquee social program that will be a cornerstone of post-secondary participation for decades to come.

Yet the ongoing value of the Canada Student Grants is undermined by runaway student costs. The federal government must take responsibility for maintaining the integrity and real value of federal grants by playing a larger role in establishing a national vision for access to post-secondary education. This brief recommends that this be done, at least in part, by creating a Post-Secondary Education Act and a federal ministry responsible for post-secondary education and research.

With this in mind, the Canadian Federation of Students' key recommendation is the following:

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.

Background: The Investments

For two consecutive federal budgets, the post-secondary education sector has been a priority for the federal government. In 2007, an \$800 million boost to cash transfer payments to the provinces for post-secondary education will provide substantial improvements across-the-board. The 2008 budget answered the Canadian Federation of Students' call to replace the Millennium Scholarship Foundation with a publicly accountable, professionally administered federal grants program for students.

With some of the most important components in place, it is time for the Government of Canada to reflect on how to secure the ongoing efficiency and effectiveness of its recent investments. This brief will review the challenges to ensuring affordable high-quality post-secondary education and what federal policy instruments can be used to overcome these challenges.

The Many Challenges

Erosion of the revenue base

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 continuous tax cuts introduced since the early part of the decade take their effect. 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 through the tax base, tax cuts have also become more arbitrary and seemingly dependent on political opportunism. For example, the much discussed proposal of "income splitting" only provides increased benefit for 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 are issues that form the top of the priority list for Canadians. None of these issues 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 corporations, and directing these additional funds at programs to support low-income Canadians.

User fees are a barrier: Let the income tax system do its job

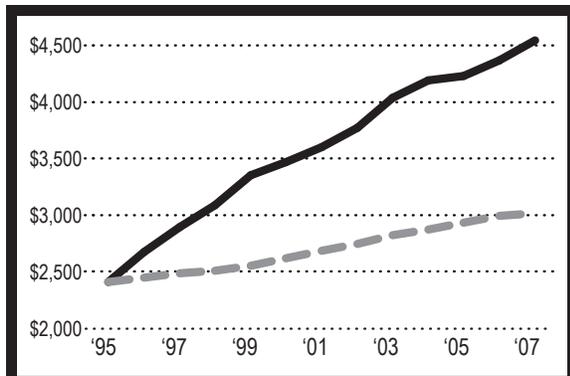
The responsibility for financing post-secondary education has been increasingly downloaded onto families since the federal funding cuts of the mid-1990s. Government grants as a share of university operating revenue plummeted from 80% to less than 60%. As a direct result, the share of university operating budgets funded by tuition fees more than doubled between 1985 and 2005 (14% to 30%)¹.

Tuition fees act as a flat tax that is blind to the actual current 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. But not only has the mythical \$1-million figure

1. Canadian Association of University Teachers. CAUT Almanac of Post-Secondary Education in Canada - 2007. Ottawa, 2007.

been thoroughly debunked², 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 accessible post-secondary education. Without erecting massive up-front financial barriers and mortgage-level 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 following genera-



**FIGURE 1:
TUITION FEES IN CANADA 1995-2007**

In 1995, average university tuition fees were about \$2,400. If you follow the dashed line, you will see that if tuition fees had increased at the rate of inflation, they would now be just over \$3,000.

If you follow the solid black line, you'll see that tuition fees have actually increased much faster than inflation to more than \$4,500. The difference between the red line and the blue line is the tuition fee gap. It shows how much more students today (taking the same courses at the same institutions) pay than their predecessors just a decade ago.

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

tion. 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 (see Figure 1) and loan-based financial aid have pushed student debt up to historical 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 2008, approximately 360,000 students in Canada will be forced to borrow to finance 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

Families feel anxiety about the increasing cost of post-secondary education. In polling done this year by Harris-Decima, over 75% of Canadians believe that it is harder to participate in post-secondary education than 20 years ago. Polling also indicates that Canadians want lower tuition fees, and that in most provinces (Alberta, British

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.

Columbia, Ontario, and Atlantic Canada) families are prepared to pay more taxes to get there. A 2007 poll showed that Canadians would forego the GST cut to reduce university and college tuition fees.

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 had a vision for how to keep post-secondary education in Canada both affordable and cutting-edge. Without this vision, federal investments will continue to be undermined and devalued.

Making Past Investments Count

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, 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 government'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 half right. 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 emasculation of federal spending described in previous sections is 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 is the envy of the world, and a living example of how governments can prioritise the needs of Canadians over their 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 spending the in-

6. Canadian Association of University Teachers.

creased 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, accessibility, comprehensiveness, transferability, and mobility. 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.

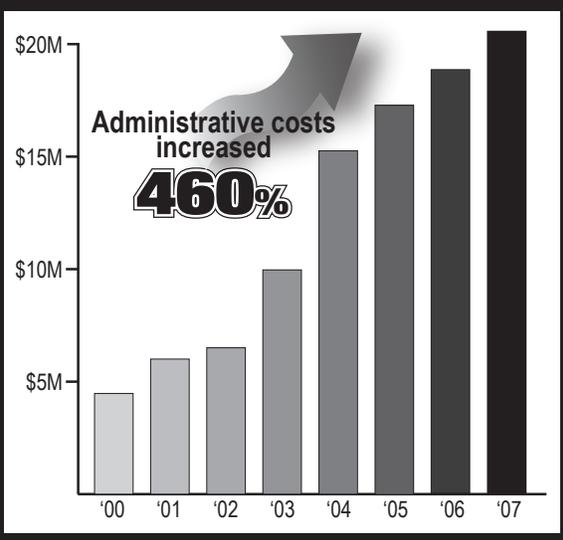
The federal government must use this willingness to reach an agreement on transfers for post-secondary education, in part by restoring cash transfer levels to at least 1992 levels. Most importantly, the federal government and provincial governments should establish long-term objectives, including reducing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

Monitoring success

As new programs are implemented and mature, it is important for future policy-making to measure output.

In addition to the widely recognised operational failures of the Millennium Scholarship Foundation, there have also been concerns about the lack of transparency and public accountability in the Foundation’s work. According to its annual reports, administration costs alone have quadrupled from \$4.63 million in 2000 to approximately \$21.3 million in 2007 (see Figure 2).

FIGURE 2:
MILLENNIUM SCHOLARSHIP FOUNDATION
ADMINISTRATIVE COSTS



This lack of accountability is particularly disconcerting given that the Foundation is awarding lucrative contracts to former employees. In 2005, the Foundation awarded a \$4 million contract to two former employees who left the Foundation to work at a U.S.-based consulting firm—an amount that could have funded over 1,300 scholarships for students in need.

The litany of concerns surrounding the Millennium Scholarship Foundation’s research department makes it unwise to trust the Foundation with future public investments destined for research on student financial aid. Instead, the federal government should provide financial support for transparent government services such as Statistics Canada or Human Resources and Social Development to monitor and research the Canada Student Loans and Grants Program.

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 back 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 2007 and 2008 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 the successful Medicare model of inter-jurisdictional collaboration if Canada's universities and colleges are to achieve world-class status for affordability and quality.