

2011 FEDERAL BUDGET

GENERAL OVERVIEW

The 2011 federal budget introduced on June 6, 2011 by the newly elected Conservative majority government was almost identical to the budget presented but not adopted, due to the fall of the minority government, in March 2011.

The few changes to the budget reflect Conservative platform points presented during the recent federal election: the removal of per-vote party subsidies; the inclusion of more aggressive cuts to the public service; and a commitment to eliminate the deficit by 2014.

Tax and spending cuts are the focus of the budget, starting with \$4 billion in cuts to the public service. In addition, it is projected that an additional \$11 billion in cuts will be introduced over the coming years resulting in the elimination of more than 80,000 public service jobs—nearly one in every three public service workers.

As part of its plan to cut public services, the Conservative government will undertake its second strategic review since the 2008 recession. Many federal government departments will be asked to identify a further five to ten percent in potential cuts from their budgets. The government has stated that the review will result in some programs being eliminated, the details of which have not been released.

Table 1: 2011-12 federal budget priorities

Priority	Cost
Corporate tax cuts	\$4 billion ¹
Public service cuts	\$4 billion ²
Fighter jets	\$29.3 billion ³

The full budget can be downloaded at: www.budget.gc.ca.

STUDENT FINANCIAL ASSISTANCE

The federal budget does not include any major announcements or investments in the area of student financial assistance. There are small changes to student financial assistance programs including an increase to income thresholds when assessing qualification for student loans, better in-study interest relief for part-time students and a doubling of income exemptions for full-time students that may provide some relief for students who rely on loans to pay for their education.

Student Loan In-Study Interest Relief

Students with Canada Student Loans will have interest on those loans reduced while still studying. For part-time students, the in-study interest rate on Canada Student Loans will be reduced from the current 2.5 percent to zero percent.

Part-time Income Threshold

The income threshold, the maximum amount students can earn while in study and qualify for government loans and grants, will be increased for part-time students to that of full-time students. This change represents an increase in the income threshold of approximately 50 percent for part-time students allowing more middle income students to apply for Canada Student Loans. However, part-time students will continue to be ineligible for Canada Student Grants.

In-Study Income Exemption

The In-Study Income Exemption, the amount students are allowed to earn before the federal portion of their loans are clawed back, will be increased from \$50 to \$100 per week for full-time students. The government estimates that this will affect approximately 100,000 students at a cost of \$30 million per year.

College Certification Examinations

College students are currently required to pay up-front for college certification examinations. A small change to the tax system will make examinations tax-deductible.

ABORIGINAL FUNDING

The federal budget did not address the funding needs of Aboriginal students. Instead, the two percent per year funding cap introduced in 1996 for the Post-Secondary Student Support Program, the most important funding vehicle for Aboriginal students, will remain in place. In contrast, many provinces receive federal funding that increases an average of six percent each year.

RESEARCH FUNDING

Innovation Strategy

Commercialisation was a prominent theme for the federal budget with the creation of new, and increases to existing, targeted funding initiatives. These initiatives include new programmes promoting commercialisation of college research and the creation of ten new Canada Excellence Research Chairs at a cost of \$53 million. An additional investment of \$65 million was made to Genome Canada.

Granting Councils

The federal budget provides for increases totaling \$37 million to granting agencies:

- \$15 million to the Canadian Institutes of Health Research
- \$15 million to the Natural Science and Engineering Research Council
- \$7 million to the Social Sciences and Humanities Research Council

While these increases to the granting agencies are distributed in a more equitable way than previous budgets, the distribution still undervalues the work of researchers in the social sciences and humanities who conduct roughly half of the research undertaken in Canadian universities.

The federal government is continuing its focus of directing research money towards private interests over that of basic, curiosity-driven, and academic research. \$24 million has been allocated directly to commercialisation and business innovation research.

Graduate Students

Apart from the minor funding increases to the granting councils, of which a portion will go to funding graduate students, the budget made no mention of Canada Graduate Scholarships. Given that previous investments into the program will end in the next couple of years, the lack of new funding will mean fewer scholarships for graduate students.

INTERNATIONAL STUDENT RECRUITMENT BRANDING

The government has committed \$10 million over two years for developing a brand for the Canadian post-secondary education system and using this branding to advertise to and recruit potential international students.

STUDENT EMPLOYMENT

Funding for Canada Summer Jobs, which provides wage subsidies for businesses and not-for-profit organisations providing meaningful employment opportunities for students during the summer months, will remain stagnant. Instead, the Canadian Youth Business Foundation, which supports start-up companies, will receive \$20 million in funding over the next two years. In other words, at a time when many students are looking to gain experience in established work environments, the Conservative government is expecting students to create their own businesses as a means to solve high levels of student unemployment.

FOOTNOTES

1. Canadian Centre for Policy Alternatives, "Alternative Federal Budget 2011" March 15, 2011. www.policyalternatives.ca
2. Canadian Centre for Policy Alternatives, "This or That" March 22, 2011. www.policyalternatives.ca
3. Parliamentary Budget Office, "An Estimate of the Fiscal Impact of Canada's Proposed Acquisition of the F-35 Lightning II Joint Strike Fighter" March 10, 2011. www.parl.gc.ca/pbo-pbd