

Post-Secondary Education

Background

Since the federal funding cuts of the mid-1990s, the financing of post-secondary education has been increasingly downloaded onto students and their families. Between 1979 and 2009, government grants as a share of university operating revenue plummeted from 84% to nearly 58%. As a direct result, the share of university operating budgets funded by tuition fees more than doubled during the same period from 12% to 35%. Tuition fees have increased at more than double the rate of inflation since the early 1990s, with the largest increases occurring in professional programs. As a result, low-income families are now half as likely to attend post-secondary education in Canada.

Average undergraduate tuition fees in Canada increased by 4.3% over the 2010–11 academic year to \$5,366.¹ Combined with additional compulsory fees that most institutions charge to circumvent provincial tuition fee regulation, total average undergraduate fees climbed to over \$6,419. In specialized programs such as medicine, law and dentistry, students often pay three or more times the Canadian average, driving student debt for many future health professionals into the six-figure range. Medical students saw an increase of 6.4% in their tuition fees to an average of \$16,024.

As Canada entered the recession in late 2008, the federal government delivered a budget brimming with infrastructure funding, including nearly \$2 billion for colleges and universities. Despite this substantial investment, the budget did not increase core funding nor did it contain any measures to reduce student debt or increase accessibility. Further, Budget 2011 contained some tweaks to the student loan system, but provided no increase to the grants system or increases to the social transfer to provinces.

Core Funding

The federal government has a long history of involvement in post-secondary education, notwithstanding provincial constitutional jurisdiction in education, beginning with the creation of the Dominion-Provincial Student Loan Program in 1939. The federal government's role in funding post-secondary education institutions stretches back to 1966 with the first transfer payments introduced through the Canada Assistance Plan. These transfers reached their apex in the 1980s, before declining throughout the 1980s and '90s. Funding has fallen from a high of 0.56% of GDP in 1981 to a low of 0.15% in 2005, roughly the same level as when the transfer was first introduced. Since then, federal transfers have increased slightly to 0.20% for 2008–09.

When the Canada Health and Social Transfer (CHST) was introduced in 1996, it removed the accountability of transfers to the provinces for post-secondary education. The CHST — renamed the Canada Social Transfer (CST) after health care funding was changed to a dedicated transfer payment — lumped all social program funding transfers from the federal government to the provinces together, providing no guarantee that federal monies intended for post-secondary education would reach students and their families. The 2007 federal budget took a step in the right direction by earmarking funds for post-secondary education, but while the earmark seemingly added some degree of transparency, provincial governments are still under no obligation to ensure that federal monies transferred to them benefit students. There is consensus in the post-secondary education community that the current design of transfer payments is insufficient to meet any objectives set out by the federal government for post-secondary education.

The federal government increased transfer payments in the 2007 federal budget. While this was a good first step, the Canadian Federation of Students estimates that the federal contribution is \$1.7 billion short of 1992–93 levels when university-specific inflation and enrolment growth are factored in. Lagging federal funding for colleges and universities has resulted in higher tuition fees, as costs are passed on to students. As the value of federal transfers diminished in the 1990s, tuition fees skyrocketed from an average of roughly \$1,460 in 1990 to \$5,366 in 2011. Lower levels of funding also impair the ability of institutions to hire an adequate number of instructors and support staff, resulting in a reduction in the quality of Canada's universities and colleges.

A similar situation existed with federal funding for health care, until the introduction of the Canada Health Act in 1984. This act established guiding

principles to maintain high standards in quality and accessibility, and made federal funding conditional on these principles being respected.

Student Financial Aid

Past government decisions at the federal and provincial levels are forcing students and their families to assume more education-related debt than any previous generation, during a time when earnings for the majority of families have been stagnant for the past 20 years. High tuition fees and an increasing reliance on loans have pushed student debt to historic highs. Monies owed to the federal government alone for student loans are set to surpass \$15 billion in January 2013. This number becomes much larger when you count payments owed to provincial governments, families, and private lenders.

Student debt is one of the primary effects of policy that downloads the costs of public education onto students and their families. Student debt levels have been linked to lower degree completion rates and a reduced likelihood of continuing studies beyond a bachelor's degree or college diploma. Heavy debt loads are also a negative factor in an already weakened economy. Student loan obligations reduce the ability of new graduates to start a family, work in public service careers, invest in assets, build career-related volunteer experience, or take lower-paying work in order to get a "foot in the door."

In fall 2009, the federal government established the Canada Student Grants Program (cSGP). This new program greatly increases support for students, but, in order to meaningfully reduce student debt, a much larger investment is required. The cSGP will distribute roughly \$614 million this year, while the Canada Student Loan Program expects to lend \$2.3 billion. Although a substantial amount of funds is being distributed through the cSGP, it pales in comparison with the \$2.81 billion the government will spend on education-related tax credits and savings schemes. Despite their large price tag, federal tax expenditures are a poor instrument to either improve access to post-secondary education or relieve student debt, since everyone who participates qualifies for tax credits regardless of financial need. The federal government is diverting vast sums of public funding where they are not necessarily required.

The non-refundable education and tuition fee tax credit alone will cost the federal government over \$1.54 billion this year. Tax credits are found to disproportionately benefit wealthy families. For those students who do earn enough to claim the credits and get money back on their taxes at the end of the financial year, these rebates do little to help them afford tuition fees in the first semester.

First Nations Students

The federal government has both a moral and legal responsibility to provide for the well-being of First Nations peoples, including access to post-secondary education. The Post-Secondary Student Support Program (PSSSP) is the primary mechanism by which status First Nations students receive financial support from the federal government, however this funding is only available to status First Nations and Inuit students.

Since 1996, annual growth in funding for the PSSSP has been capped at 2%. With inflation, population growth and tuition fee increases in most jurisdictions this cap results in an annual *decrease* in per-capita funding. In fact, the number of First Nations students receiving funding from the PSSSP declined from 22,938 in 1997 to 18,729 in 2009. It is estimated that between 2001 and 2006, over 10,500 students were denied funding, with roughly 3,200 more students per year denied funding since as a result of the funding cap.

It is estimated that the additional GDP contribution of First Nations peoples, if all educational attainment gaps were closed between First Nations and non-First Nations populations, would exceed \$400 billion over a 25-year period.²

University Research

A highly educated workforce is the foundation of a knowledge-based economy. Graduate students are instrumental in the production of basic research that lays the groundwork for future innovation and a better and broader understanding of our world.

Recent federal budgets have invested heavily in university research. However, much of the investments are geared towards producing a commercially beneficial end product, while offering comparatively little to basic research. By funding a narrow range of research disciplines – mostly in science, engineering, and business – funding decisions have led to a deterioration of a comprehensive research environment based solely on the academic merits of the work.

The federal government's science and technology strategy is geared towards producing products that can yield short-term results, with little consideration to long-term innovation. In addition, federal funding increases directed towards market-driven research programs are leading to an unhealthy private-sector dependency on universities for their research and development. This corporate subsidy contributes directly to Canada lagging behind other OECD countries in private-sector investment in in-house re-

search and development capacity. As this trend deepens, Canada's private-sector research and development infrastructure will give way to a publicly backed university system that does not have a consistent track record of bringing innovation to the marketplace.

Current Issues

Investing in post-secondary education is a necessity that pays substantial dividends for the economy and ensures that everyone in Canada, including First Nations peoples, can benefit from higher education. With an annual investment of \$2.9 billion, the federal government can create a more accessible, affordable system and halt the shift towards the privatized, user-pay model that is becoming more common in Canadian universities.

In cooperation with the provinces, the government should implement a federal post-secondary education act modelled after the principles of the Canada Health Act, accompanied by a dedicated cash transfer with funding allocated to:

- immediately restore per-capita funding to 1992 levels;
- over three years, reduce tuition fees to 1992 levels; and
- over five years, eliminate deferred maintenance at Canada's colleges and universities.

The projected costs of these objectives are as follows:

- Increase to post-secondary education transfer to address increases in full-time enrolment since 1992: \$637 million.
- Address funding gap to reduce tuition fees to 1992 levels: \$1.3 billion.
- Address deferred maintenance: \$1 billion (funding to remain at \$1 billion per year for five years).

The federal government should increase the value and number of non-repayable grants available to students by redirecting funds allocated to education-related tax credits and savings schemes to the Canada Student Grants Program. It should also permit graduate students to qualify for grants under the program.

The federal government should increase the number of Canada Graduate Scholarships by investing \$25 million per year over the next three years — con-

sistent with average growth in the program since 2003—and distribute the grants proportionally among research councils according to enrolment figures.

AFB Actions

- The AFB will introduce a new, dedicated post-secondary education cash transfer, to be guided by federal legislation based on principles of accessibility, comprehensiveness, collegial governance, public administration, and academic freedom. This new cash transfer will return post-secondary funding to pre-1992 levels by 2014–15, allowing for the reduction of tuition fees.
- The AFB will eliminate the need for new federal student loans by increasing the value and number of up-front grants available to students. This will be funded by redirecting funds currently used for education-related tax credits and savings schemes to up-front grants through the Canada Student Grants Program.³
- To reduce socio-economic disparities between First Nations and non-First Nations students, the AFB will remove the cap on funding for the Post-Secondary Student Support Program and increase funding and expand eligibility to meet the needs of all First Nations post-secondary students (see the First Nations chapter).
- Recognizing the importance of funding based on an independent, peer-reviewed, and merit-based approach, the AFB increases the federal granting agencies' base budgets by 10%, with greater funds asymmetrically allocated to the social sciences and humanities. In addition, the AFB will increase the number of Canada Graduate Scholarships to 3,000—consistent with the average growth of the program since 2003—to be distributed proportionally among the research granting councils according to enrolment figures.

Notes

1 The Daily (2011). University Tuition Fees. Ottawa: Statistics Canada.

2 Sharpe, Arsenault, Lapointe, Cowan. (2009). “The Effect of Increasing Aboriginal Educational Attainment on the Labour Force, Output and the Fiscal Balance.” Ottawa: Centre for the Study of Living Standards.

3 Canadian Federation of Students. (2010). *Post-Secondary Education Tax Credits: Billions in misdirected “financial aid”*. Ottawa: Canadian Federation of Students.