

Ten Things You Need to Know...

...About Financial Support for Post-Secondary Students in Canada

Joseph Berger and Andrew Parkin

Introduction

Providing financial support for post-secondary students and their families is one of the key ways in which governments ensure that the country is prepared to face the future's social and economic challenges. Currently, students in Canada receive over \$7 billion dollars in student loans and grants, scholarships, education tax credits and savings grants from their federal, provincial and territorial governments and from the Canada Millennium Scholarship Foundation. Until recently, however, no one knew the exact total of the financial support that students in Canada received from these various sources. This made it difficult for the public and policy-makers alike to engage in an informed discussion about how well existing programs were serving students and what policy changes should be considered. In recent years, however, the Canada Millennium Scholarship Foundation's research program has collected and published data detailing how governments support students and has analyzed the implications of shifts in spending over time. This current report provides data from 2006-07, the most recent year for which complete data is available. This updates the information published in 2007 in the third edition of *The Price of Knowledge*.

The addition of data from 2006-07 provides a clearer picture of the impact of several program changes that took effect in the previous year, including the increase to maximum student loan amounts and the introduction of the millennium access bursaries and the Canada and Ontario access grants. These changes have resulted in a gradual and modest but noticeable improvement in the situation of students receiving need-based financial assistance. Recent improvements to the need-based system of student loans and grants, however, have not necessarily improved the financial situation of students; rather, they have prevented their financial situation from deteriorating further in the face of rising costs. Moreover, these improvements have not been on the same scale as other increases in spending, first on education tax credits and, subsequently, on education savings grants, which are not allocated on the basis of financial need. As the Foundation has noted on several occasions, there has been a steady shift in focus away from need-based assistance within the envelope of government spending on post-

secondary students that does not yet show any signs of slowing. This shift is even more pronounced if one takes into account new tax rebates for post-secondary graduates recently introduced in several provinces.

The main purpose of this report is to provide a national¹ overview of the amounts and types of financial support that post-secondary students receive. In so doing, we acknowledge that because of the significant differences in provincial financial assistance programs, and because of the different policy choices taken in each jurisdiction, a national overview can obscure as much of the story as it clarifies. To take one type of example, when investments made by some provinces occur at the same time as cuts made by others, a national portrait can give the misleading impression that on average nothing at all has changed. For this reason, the report tries to note provincial as well as national patterns wherever possible.

Finally, this report features a new element: data on undergraduate financial assistance provided by universities and colleges. Information on how much post-secondary institutions spend on different types of bursaries and scholarships is very hard to come by. The Foundation, however, recently commissioned a survey of institutions in order to attempt to fill this knowledge gap. While this survey was not able to cover all institutions, it did collect data from colleges and universities that include almost three-quarters of Canada's undergraduate students, providing a good basis for a first look at this important piece of the puzzle.

Acknowledgements

The data on both government and institutional aid presented and analyzed in this report was collected through two separate studies commissioned by the Canada Millennium Scholarship Foundation and carried out by the Educational Policy Institute (EPI). The original reports from both, *The State of Student Aid in Canada* and *Institutional Student Grants in Canada*, are available upon request from EPI. The Foundation would like to thank EPI for its work in preparing the reports. It would also like to thank the provincial and institutional officials that provided

¹ Unfortunately, this report does not include data from the three territories, all of which operate student financial assistance programs. We hope to include territorial data in the next version of this report that will be published in 2009.

data to EPI for inclusion in the reports. The authors would like to thank their colleagues, Noel Baldwin and David Simmonds, for their contribution to the development of this report, and Anne Blain for her work on preparing the data tables.

Executive Summary

1. Students now receive more than \$4 billion in need-based student financial assistance – more than ever before. Two main factors are driving this increase: demand for student financial assistance has been increasing; and student loan programs have become more generous.
2. There has been a significant increase in the amount of financial aid that students are receiving on a per recipient basis -- the first significant real increase in a decade. This shows that the increase in the total amount of loans and grants provided to students has more than compensated for increases in the number of aid recipients. The increase in aid per recipient, however, has not necessarily improved the financial situation of students; rather, it has prevented their financial situation from deteriorating further in the face of rising costs.
3. The proportion of need-based financial assistance that is non-repayable has reached 30 percent, a level which is twice as high today as it was 15 years ago. This change is explained by two waves of program improvement: the introduction of the millennium bursaries in 1999-2000; and the creation of the millennium access bursaries and the Canada and Ontario Access Grants in 2005-06. The proportion of non-repayable aid varies significantly from province to province, from a low of 12 percent in B.C. to a high of 48 percent in Manitoba. This variation produces differences in the amount of repayable aid (loans) that students are left with in each province.
4. In 2006-07, the federal and provincial governments provided \$2.5 billion worth of tax credits for students and their families and education savings grants for prospective students. The value of tax credits and savings grants has continued to expand rapidly since the early 1990s. This is in stark contrast to the increases in the value of need-based loans and grants, which are recent and relatively modest by comparison. In 1996-97, for every dollar provided in need-based loans and grants, governments spent 21 cents on education tax credits and savings grants. By 2006-07, they spent 61 cents on tax measures for every dollar they provided of need-based financial aid.

5. An assessment of student support plans announced in the 2007 and 2008 provincial budgets reveals that many governments continue to favour measures designed to benefit all students rather than ones that focus on students with financial need. A number of provinces have introduced or expanded post-graduation tax rebates, despite the absence of research indicating that the mobility of post-secondary graduates is influenced by such policies. These tax rebates are expensive. For example, their announced cost in the provinces concerned is greater than the entire budget for the federal access grant program serving low-income students and students with disabilities.
6. In real terms, the amount of money provided to Aboriginal bands for post-secondary student support has decreased, despite two factors: a growing Aboriginal youth population (particularly in Western Canada); and the consensus on the importance of increasing Aboriginal participation in post-secondary education. Federal funding for Aboriginal students was 8.5 percent lower in 2006-07 than it was ten years earlier. Once provincial aid for Aboriginal students is combined with federal aid, total support for Aboriginal students is only 5 percent lower than ten years ago.
7. Total annual government financial support for post-secondary students amounted to \$7.1 billion in 2006-07, once all forms of assistance, including need-based student loans and grants, Aboriginal student assistance, education tax credits and savings grants, and merit scholarships were taken into account. Since the mid-1990s, total financial support for students has increased by 53 percent (27 percent in real terms). The share of this total targeted to students with financial need, however, has fallen from over 80 percent a decade ago to 61 percent today.
8. Fewer than one in five undergraduates enrolled in Canada's major universities receives need-based support from their institution.
9. Need-based institutional aid has been significantly influenced by Ontario government policies. Both the tuition set-aside policy and the Ontario Student Opportunities Trust Fund have succeeded in encouraging Ontario institutions to be more generous in their student funding than institutions outside the province. It should be noted that both these policies were introduced to assist students to cover the cost of higher tuition fees not met by government student aid programs.

10. The financial aid data portrait is incomplete. While most institutions react positively to the need for better information, many lack the capacity to produce comprehensive figures about institutional spending on student support. In many cases, the data only exist at a very general level, making an analysis of which types of students are receiving which forms of aid difficult if not impossible.

Note on the Presentation of Data

The amounts of financial aid provided to students often vary significantly from year to year as a result of federal or provincial policy changes. Sometimes those policy changes have long-lasting effects; in other cases, they can produce short-term anomalies. Anomalies also arise when provinces change the way in which they account for financial aid. This has happened in at least two significant cases. The first, in Ontario, occurred at the end of the last decade when the province switched from a post-graduation to an annual loan remission program. This change required the province to pay multiple years worth of loan remission over a very short period time, artificially inflating their expenditures. The second occurred more recently in Quebec, when a change in the 12-month period used in financial aid reports meant that figures for 2003-04 actually cover a 16 month period. Because of these and other occurrences, it can be unwise to compare spending between two single points in time (perhaps separated by a five or ten year interval), because of the risk that in at least one province, one of the years in question will be anomalous. For these reasons, this report often compares figures that represent annual averages from two- or three-year periods. Specifically, for the purpose of tracking changes over time, the report compares annual averages for three distinct periods: the late 1990s (1996-97 to 1998-99), after major changes in both federal and provincial programs occurred in the early- to mid-1990s but before the accounting issue in Ontario arose and before the creation of the Canada Millennium Scholarship Foundation; the early part of this decade (2001-02 to 2003-04), after the creation of the Foundation but before the most recent system-wide changes took effect in 2005-06; and the most recent period (2005-06 to 2006-07). Readers who wish to review the data from all individual years can refer to the tables used to construct this report which are posted on the Foundation's website at [www.millenniumscholarships.ca/\[more specific website address?\]](http://www.millenniumscholarships.ca/[more specific website address?]).

Comment [b1]: This needs to be addressed once we are closer to publication.

Part One: Need-Based Financial Assistance (Student Loans and Grants)

1. Students are now receiving more than \$4 billion in need-based student financial assistance – more than ever before.

In 2006-07, Canada's provincial and federal governments provided more than \$4 billion in need-based student loans and grants to post-secondary students, more than ever before. After falling in the late 1990s, the value of loans and grants has been steadily increasing since 2001-02. The average over the last two years is 18 percent higher than it was in the first few years of this decade (see Table 1).

The increase is more modest once figures are adjusted for inflation: students are receiving 10 percent more in real terms than they were at the beginning of the decade.

Two main factors are driving this increase:

- a. *Demand for student financial assistance has been increasing, most notably in Ontario.* After falling significantly between the mid-1990s and the early part of this decade, the total number of student loan recipients in Canada began to increase after 2001. It rose by 7 percent between 2001-02 and 2004-05 (see Table 2). Nationally, numbers have stabilized since then, although the stable national average masks considerable movement at the regional level. In Ontario alone, the number of student aid recipients increased by a further 9 percent in the three years between 2004-05 and 2006-07 while it has dropped significantly in the four Western provinces and remained more or less unchanged in Quebec and the Maritimes.
- b. *Student loan programs have become more generous.* In 2005-06, the federal government and many provincial governments increased the maximum amount of assistance provided to students. They also reduced the amount of the financial contribution students are expected to receive from their parents. As a result, more students became eligible for financial aid, and those with high levels of financial need became eligible to receive larger amounts of aid. The value of financial assistance provided to students jumped 7 percent between 2004-05 and 2005-06 alone.

Figure 1: Total Need-Based Student Aid (By Type): Canada in Real 2007 \$

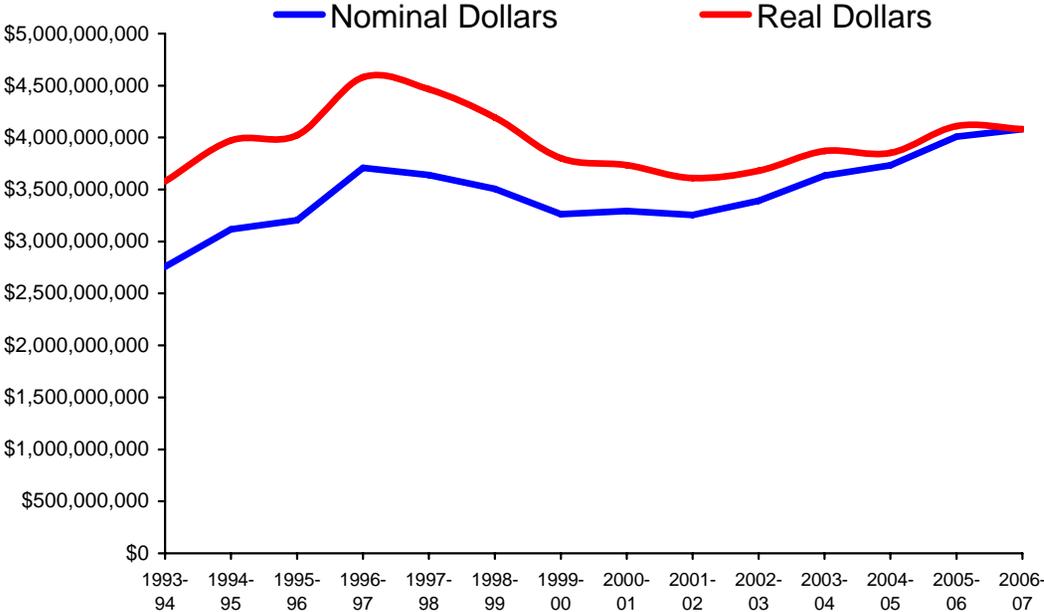


Table 1: Number of Student Loan Recipients and Total Amount of Aid Received (Selected Periods)

	Nominal Dollars				Real 2007 Dollars			
	3 Year Average	3 Year Average	2 Year Average	Most Recent Year	3 Year Average	3 Year Average	2 Year Average	
	1996-97 to 1998-99	2001-02 to 2003-04	2005-06 to 2006-07	2006-07	1996-97 to 1998-99	2001-02 to 2003-04	2005-06 to 2006-07	
BC	\$416,095,380	\$593,727,633	\$627,952,704	\$626,417,234	\$507,026,795	\$644,820,024	\$635,734,838	
AB	\$263,918,201	\$359,855,456	\$365,989,155	\$370,026,729	\$321,630,109	\$390,744,376	\$370,463,831	

SK	\$108,976,376	\$144,512,363	\$137,082,058	\$128,222,955	\$132,702,345	\$157,067,067	\$138,886,275
MB	\$62,592,971	\$69,830,122	\$76,623,394	\$77,466,357	\$76,270,455	\$75,870,679	\$77,560,240
ON	\$1,587,113,212	\$1,199,287,285	\$1,516,904,730	\$1,547,470,490	\$1,936,181,252	\$1,302,334,986	\$1,535,279,799
QB	\$762,150,489	\$662,807,442	\$884,066,330	\$897,989,660	\$930,246,408	\$719,212,786	\$894,823,593
NB	\$122,206,038	\$133,866,672	\$160,042,258	\$158,268,662	\$149,003,196	\$145,359,259	\$162,042,729
NS	\$124,354,148	\$139,131,572	\$163,711,942	\$162,701,583	\$151,457,611	\$151,152,291	\$165,748,343
PE	\$18,834,649	\$26,085,027	\$26,001,487	\$26,288,597	\$22,944,814	\$28,336,450	\$26,319,385
NL	\$150,810,181	\$97,204,794	\$87,193,874	\$85,897,614	\$183,833,749	\$105,758,471	\$88,287,846
Canada	\$3,617,051,646	\$3,426,308,367	\$4,045,567,931	\$4,080,749,880	\$4,411,296,734	\$3,720,656,389	\$4,095,146,879

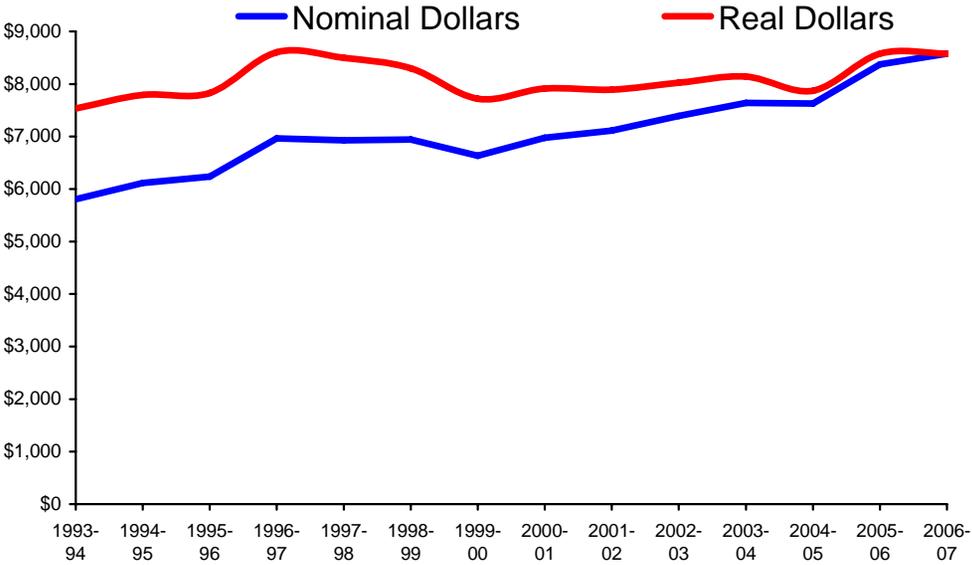
	3 Year Average	3 Year Average	2 Year Average	Most Recent Year
	1996-97 to 1998-99	2001-02 to 2003-04	2005-06 to 2006-07	2006-07
BC	54,256	65,889	56,661	56,306
AB	39,548	42,518	37,884	37,884
SK	14,186	16,128	14,442	13,828
MB	9,648	9,949	9,343	9,305
ON	188,892	151,055	182,016	182,016
QB	158,416	129,704	131,809	131,809
NB	14,766	15,652	15,987	15,683
NS	18,142	16,959	16,275	16,110
PE	2,528	3,319	3,239	3,239
NL	20,435	12,754	9,750	9,640
Canada	520,818	463,926	477,405	475,820

2. There has been a significant increase in the amount of financial aid that students are receiving on a per-recipient basis.

In 2006-07, the average Canadian student aid recipient received \$8,576 in loans and grants from federal and provincial governments and the Canada Millennium Scholarship Foundation, more than ever before.

The most recent expansion to the student aid system (described above), which took effect in the 2005-06 academic year, produced a 10 percent increase in the amount of aid per recipient. This marked the first significant real increase in the amount of aid provided on a per-recipient basis in a decade. On average, in the most recent two year period, students received 15 percent more on a per-recipient basis than at the beginning of this decade (7 percent after adjusting for inflation). This translates into an increase of more than \$1,000 in assistance each year compared with students who studied at the beginning of the decade (or over \$500 more in real terms). These figures show that recent increases in the total amounts of loans and grants provided to students, noted above, have more than compensated for increases in the number of aid recipients.

Figure 2: Total Student Aid (By Type): Canada in Real 2007 \$ Per Student Aid Recipient



Other points of note include:

- a. *The amount of money provided on a per-recipient basis varies considerably by province.* These variations are caused by differences in levels of financial need (which are driven by differences in tuition and other costs and in student and family income and savings) and in program regulations. Student aid recipients in Quebec, where university tuition fees are less than half the national average

and college is free, received an average of \$6,813 in 2006-07. Those in B.C., where tuition increased substantially during the early part of this decade, received an average of \$11,125 the same year (see Table 3).

- b. *Despite the recent increase, students receive about the same amount of aid in real terms as those who studied in the mid-1990s before aid levels (particularly in Ontario) were cut.*
- c. *There is significant provincial variation in the way aid levels have changed.* In six provinces – BC, Alberta, Saskatchewan, Manitoba, Quebec, and Nova Scotia – aid levels per recipient are significantly higher in real terms today than they were in the late 1990s (see Table 3). In Ontario, they are significantly lower. Thus, while aid per recipient nationally on average is about the same today in real terms as it was at the end of the last decade, it is in fact 18 percent lower in Ontario but 16 percent to 22 percent higher in BC, Alberta, Quebec and Nova Scotia.
- d. It is particularly noteworthy that the 18 percent real increase in annual total aid provided by Ontario between the most recent period and the early part of this decade was not enough to match the 20 percent increase in the number of student aid recipients in that province, resulting in a two percent decrease in aid on a per recipient basis.
- e. Finally, it is important to note that recent improvements to the need-based system of student loans and grants have not necessarily improved the financial situation of students. These improvements may have simply prevented students' financial situation from deteriorating further in the face of rising costs. Indeed, one of the reasons why maximum loan amounts were increased in 2005-06 was the recognition that aid levels needed to be adjusted upwards to allow students to cover cost increases. It is difficult to contextualize changes in government support for students without access to comprehensive, up-to-date information on the costs students face (including but not limited to tuition and living expenses) and on the resources they have access to, including employment.

Table 3: Total Annual Need-Based Assistance Per Student Loan Recipient (Selected Periods)

	Nominal Dollars				Real 2007 Dollars			
	3 Year Average	3 Year Average	2 Year Average	Most Recent Year	3 Year Average	3 Year Average	2 Year Average	Most Recent Year
	1996-97 to 1998-99	2001-02 to 2003-04	2005-06 to 2006-07	2006-07	1996-97 to 1998-99	2001-02 to 2003-04	2005-06 to 2006-07	2006-07
BC	\$7,672	\$9,010	\$11,083	\$11,125	\$9,355	\$9,787	\$11,219	\$11,125
AB	\$6,677	\$8,466	\$9,661	\$9,767	\$8,137	\$9,192	\$9,779	\$9,767
SK	\$7,677	\$8,961	\$9,483	\$9,273	\$9,350	\$9,740	\$9,603	\$9,273
MB	\$6,487	\$7,026	\$8,202	\$8,325	\$7,907	\$7,630	\$8,302	\$8,325
ON	\$8,404	\$7,938	\$8,334	\$8,502	\$10,245	\$8,626	\$8,435	\$8,502
QB	\$4,803	\$5,104	\$6,707	\$6,813	\$5,859	\$5,540	\$6,789	\$6,813
NB	\$8,319	\$8,549	\$10,013	\$10,092	\$10,153	\$9,284	\$10,135	\$10,092
NS	\$6,871	\$8,207	\$10,060	\$10,099	\$8,366	\$8,915	\$10,183	\$10,099
PE	\$7,544	\$7,871	\$8,028	\$8,116	\$9,208	\$8,558	\$8,126	\$8,116
NL	\$7,384	\$7,625	\$8,943	\$8,911	\$9,000	\$8,285	\$9,054	\$8,911
Canada	\$6,945	\$7,382	\$8,474	\$8,576	\$8,467	\$8,018	\$8,578	\$8,576

3. The proportion of need-based financial assistance that is non-repayable is twice as high today as it was 15 years ago.

Beyond the recent increases in the quantity of aid received (noted above), the quality of aid received by students has also improved: students receive more of their aid in the form of non-repayable grants and less in the form of loans. In 2006-07, 30 percent of need-based student aid was provided in the form of non-repayable grants or loan remission. The remaining 70 percent was provided as loans. The proportion of financial aid that is non-repayable is twice as high as it was 15 years ago and, for all intents and purposes, the highest in the 14-year period covered by this report.² This represents an important shift in the way student financial aid is delivered in Canada.

² The share of non-repayable aid was technically higher in 1999-2000 and 2000-01, though this is a result of an accounting change in Ontario. Prior to 1999-2000, the Ontario Student Assistance Program made its loan remission payments at the end of a student's program of study. That year, the province began

This change is explained by two waves of program improvement:

- a. *The first and most important is introduction of the Canada Millennium Scholarship Foundation's millennium bursaries in 1999-2000.* This injected \$285 million in new federally-funded grants into the system and led, through side-agreements between the Foundation and its provincial partners, to the simultaneous expansion of a number of provincial grant programs.³ The result was a dramatic 44 percent increase in the value of non-repayable aid received by students between the late 1990s and the early 2000s (28 percent when adjusted for inflation), and an increase in the proportion of total aid that is non-repayable from 19 percent to 28 percent (see Table 4).

- b. *The second was the creation of the millennium access bursaries and the Canada and Ontario Access Grants in 2005-06.*⁴ This resulted in approximately \$125 million in additional grants. The change is clearly visible in Ontario where the proportion of aid that is non-repayable jumped from 22 percent to 32 percent between 2004-05 and 2006-07. The effect of the introduction of these access grants, however, is not as visible at the national level because it was offset by significant reductions in existing grant programs in B.C. and Quebec in the preceding year (2004-05).⁵ In fact, the addition of the access grants simply served to return the national proportion of aid that is non-repayable to the level that it had reached before the cuts in BC and Quebec took effect.

making payments at the end of each year of study. As a result, it was required to make several years' worth of payments to all those who had completed their programs as well as payments to all those who had completed a year of study en route to finishing their program. Ontario loan remission figures for these two years therefore are artificially inflated as the province adjusted to this "double cohort."

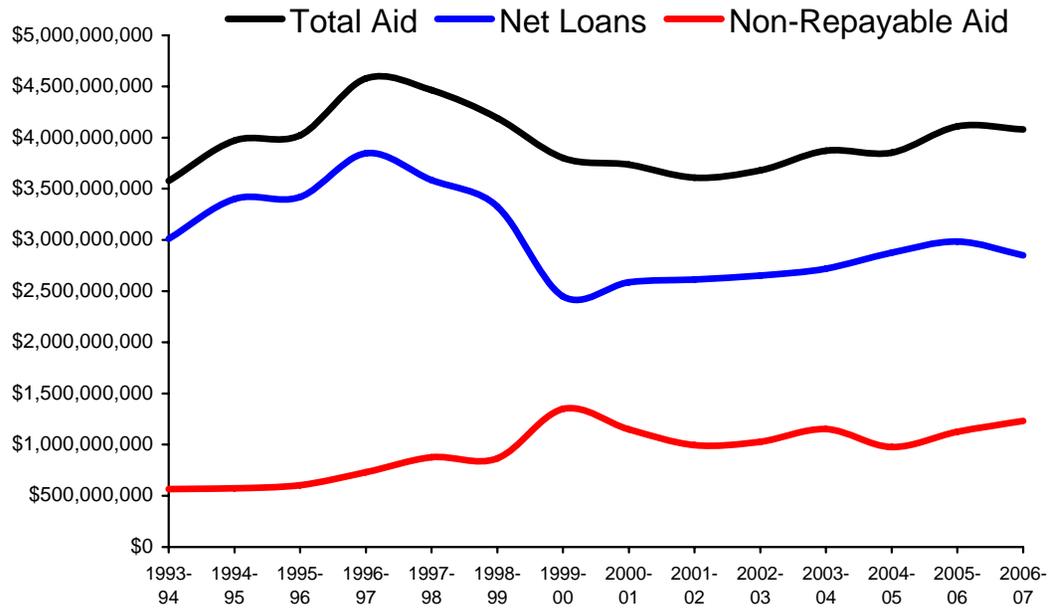
³ According to a comparison of the five-year average value of financial aid distributed before and after the introduction of the Canada Millennium Scholarship Foundation in 1999-2000 conducted by Human Resources and Social Development Canada (2007), the value of grants provided by the Canada Student Loans Program almost doubled. This contributed to the increase in non-repayable assistance.

⁴ Millennium access grants were introduced in most provinces in 2005-06, and in Alberta and PEI in 2006-07. Eligibility for Ontario access grants was significantly expanded in 2006-07. In effect, the phasing in of access grants occurred over a two year period, from 2005-06 to 2006-07.

⁵ A significant portion of the reduction in Quebec was short-lived, as a new agreement between the provincial government, student groups and the Canada

Millennium Scholarship Foundation in 2005 resulted in a re-injection of provincial grant funds beginning in 2005-06.

Figure 3: Total Need-Based Student Aid (By Type): Canada in Real 2007 \$



It should be noted that, as both costs and overall assistance levels increase, the only way to avoid escalations in student debt is to at least maintain if not increase the proportion of assistance that is provided in the form of grants rather than loans. In the mid- and late-1990s costs and assistance level increases were passed on to students in the form of loans which, on average, doubled student debt levels for university undergraduates. In contrast, the two waves of program improvement just noted – and particularly the creation of the Foundation – have served to stabilize, and in some provinces, reduce overall levels of student debt since 2000, leaving students much better off. Other noteworthy points include:

- c. *The proportion of aid that is non-repayable varies significantly from province to province, from a low of 12 percent in B.C. to a high of 48 percent in Manitoba (see Table 4).*
- d. The variation in the proportion of aid that is non-repayable, combined with the differences in total aid discussed above, produce differences in the amount of repayable aid (loan) that students are left with in each province. For instance, while student aid recipients in BC, New Brunswick and Nova Scotia each receive an average of more than \$10,000 in aid per year, the proportion of aid that is non-repayable is currently much higher in Nova Scotia (22 percent) than in the other two provinces, resulting in a loan amount that is much lower. This is illustrated in Table 5.
- e. In several provinces, the share of non-repayable aid has increased in recent years: Nova Scotia, Newfoundland, Manitoba and Ontario had all attained record highs in 2006-07.⁶ On the other hand, the proportion has been decreasing in New Brunswick and British Columbia with the latter at a record low in 2006-07.

⁶ See note 2.

	3 Year Average	3 Year Average	2 Year Average	Most Recent Year
	1996-97 to 1998-99	2001-02 to 2003-04	2005-06 to 2006-07	2006-07
BC	19%	27%	12%	12%
AB	16%	31%	32%	32%
SK	16%	27%	28%	30%
MB	3%	29%	46%	48%
ON	17%	24%	29%	32%
QB	31%	48%	43%	43%
NB	10%	14%	12%	13%
NS	8%	10%	21%	22%
PE	6%	15%	16%	16%
NL	1%	12%	24%	25%
Canada	19%	28%	29%	30%

	\$	%	\$	\$
	Total Aid	Non-repayable	Non-repayable	Net Loan
BC	\$11,125	12%	\$1,328	\$9,797
AB	\$9,767	32%	\$3,079	\$6,688
SK	\$9,273	30%	\$2,746	\$6,526
MB	\$8,325	48%	\$4,015	\$4,310
ON	\$8,502	32%	\$2,705	\$5,797
QB	\$6,813	43%	\$2,962	\$3,851
NB	\$10,092	13%	\$1,290	\$8,802
NS	\$10,099	22%	\$2,215	\$7,884
PE	\$8,116	16%	\$1,327	\$6,789
NL	\$8,911	25%	\$2,241	\$6,670
Canada	\$8,576	30%	\$2,588	\$5,989

Part Two: Education Tax Credits and Savings Grants

4. Non-need-based aid continues to grow at a faster rate than need-based aid

In 2006-07, the federal and provincial governments provided \$2.5 billion worth of tax credits for students and their families and education savings grants for prospective students. The value of tax credits and savings grants has continued to expand rapidly since the early 1990s, in stark contrast to the increases in the value of need-based loans and grants, which are recent and relatively modest by comparison.

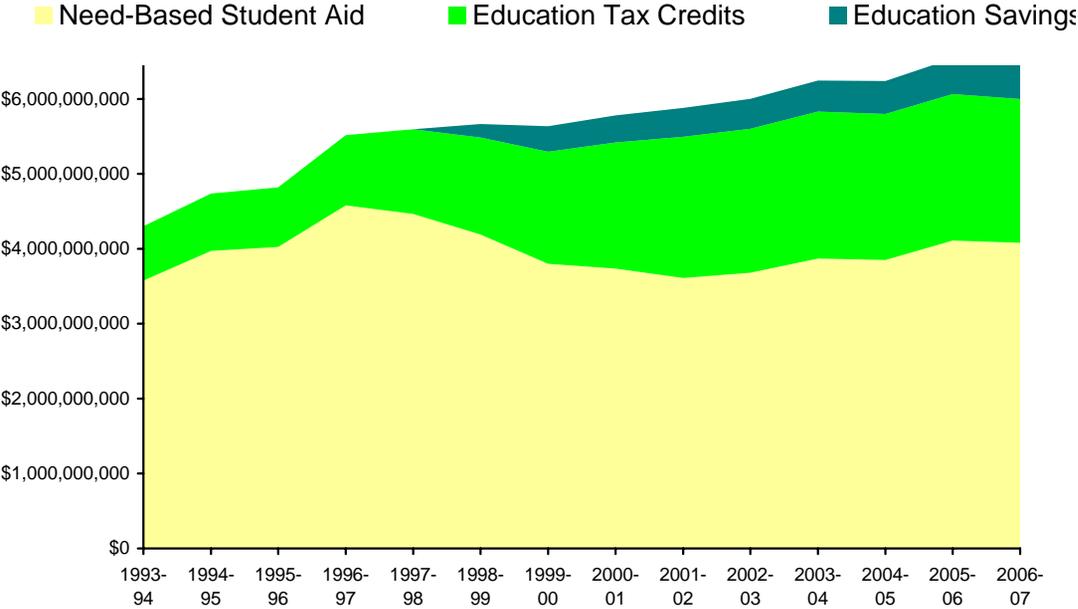
- a. The value of education tax credits, which can be claimed by students with taxable income or either carried forward to future years or transferred to family members, reached \$1.9 billion in 2006-07. Their value more than doubled in real terms between the late 1990s and today (by comparison, the total value of need-based loans and grants fell by 7 percent in real terms over the same period).
- b. Education savings grants were valued at \$559 million in 2006-07 and have tripled in value in real terms during the past nine years. These grants include the Canada Education Savings Grants (CESG), which are matching contributions made by the federal government to funds invested in a Registered Education Savings Program (RESP). The contribution is equivalent to 20 percent of the annual contribution to a maximum of \$400. Similar programs exist at the provincial level. Additionally, the Canada Learning Bond is provided as a grant to low-income families who have established an RESP, without requiring their own contribution. This is the only truly needs-based component of education tax credit and savings grant expenditures, yet the amount spent on Canada Learning Bonds in 2006 composed less than 2% of the total..
- c. In 1996-97, for every dollar provided in need-based loans and grants, governments spent 21 cents on education tax credits and savings grants. By 2006-07, they spent 61 cents on tax measures for every dollar they provided of need-based financial aid. This demonstrates the growing importance of tax credits and savings grants within the overall system of financial support for students and their families.

- d. Despite the steady increases in the value of education tax credits and savings grants, there is substantial room for more growth. According to the December 2007 quarterly program report⁷, 37 percent of Canadian children participated in the federal CESG program in 2007. As this program continues to expand, the amount of money provided in the form of non-need-based support for students will continue to grow.

- e. In terms of improving access, education tax credits and savings grants have three important limitations. First, not only do tax measures not target those in financial need, they actually tend to disproportionately benefit affluent families and students. After all, many of these tax supports cannot be fully used unless the student (or a family member) owes income taxes. Those who cannot use the tax credits can only carry them forward to future years. Second, tax credits do not help students pay for their tuition, books or housing when these costs become due. Even those that are not carried forward can only be claimed in the spring following the calendar year in which the student earned them. Third, as mentioned, the take-up rate for education savings grant programs is quite low. It is especially low in the case of the Canada Learning Bond that is targeted to low-income families. Fewer than 12 percent of low-income Canadian families eligible for the Learning Bond have received one. It is telling that the one element of the education tax credit and savings grant system that specifically targets families in financial difficulty is the least used.

⁷ Canada Education Savings Grant Program (2008) *Quarterly Statistical Review: December 31, 2007*. Human Resources and Social Development Canada.

Figure 4: Total Student Support (By Type): Canada in Real 2007 \$



5. Many governments continue to favour investments in non-need-based student aid

An assessment of student support plans announced in the 2007 and 2008 provincial budgets reveals that many governments continue to focus on measures designed to benefit to all students rather than ones that focus on students with financial need.

- a. A number of provinces, including Nova Scotia, Saskatchewan and Manitoba, have introduced or expanded post-graduation student support measures in the last two years, typically in the form of tax rebates for recent graduates related to the tuition fees they paid while studying. A similar program was previously introduced in New Brunswick. These tax rebates are expensive. For example, their announced cost in the provinces concerned is greater than the entire budget for the federal access grant program serving low-income students and students with disabilities.
- b. The goal of these programs is mainly to entice graduates to remain in or relocate to the province offering the rebate, although they have occasionally also been promoted as a measure to improve access. A literature search conducted for the Canada Millennium Scholarship Foundation, however, found no published research indicating that the mobility of post-secondary graduates is influenced by such tax measures.
- c. Governments in Alberta, Saskatchewan, Manitoba, New Brunswick, Newfoundland and Nova Scotia have all announced plans to maintain or introduce tuition freezes in their 2007 and 2008 budgets. In some cases, such as New Brunswick, the tuition freeze is relatively inexpensive (\$12 million per year). In Nova Scotia, by contrast, the freeze is expected to cost \$180 million through its three-year duration, ending in 2011.
- d. At the same time, almost all provinces have announced important investments in need-based aid, including more money for bursaries and improvements to student loans programs. Once again, however, the cost of these measures is significantly less than the cost of the post-graduation tax rebate programs mentioned above (in those provinces in which such tax measures are being introduced). In New Brunswick, for instance, the expanded eligibility for student loans announced in 2007 was expected to cost \$7 million per year, compared with \$32 million per year for the New Brunswick Tuition Rebate.⁸

⁸ When the Tuition Rebate was first announced in 2005, it was expected to cost \$32 million per year after five years, \$55 million after 10 years and \$63 million once fully mature after 15 years.

- e. In the case of the federal government, the 2008 budget announced the creation of the Canada Student Grant Program, beginning in the 2009-10 year, that will consolidate funds currently spent on the federal grants (including Canada Study Grants and Canada Access Grants) and by the Canada Millennium Scholarship Foundation (the Foundation's mandate expires after the end of 2009). The new federal grant program is expected to provide \$350 million in grants in 2009-10, an amount that will increase to \$430 million by 2012-13.

Part Three: Other Government Assistance

6. Federal support for Aboriginal students is almost 10 percent lower in real terms than it was 10 years ago

Most financial assistance for Aboriginal students is provided through two programs operated by the federal department of Indian and Northern Affairs Canada (INAC). The Post-Secondary Student Support Program (PSSSP) offers Aboriginal students non-repayable funding to support their tuition, books, travel and living costs. The University College Entrance Preparation Program (UCEP) is available to Aboriginal Peoples seeking to upgrade their skills prior to beginning their studies. The federal government does not make payments to Aboriginal students directly; instead it provides non-repayable funding to bands, which in turn fund students. This makes it rather difficult to determine how many students benefit from the PSSSP and UCEP programs. Best estimates suggest that the \$305 million INAC provides annually through its two programs supports approximately 26,000 students.

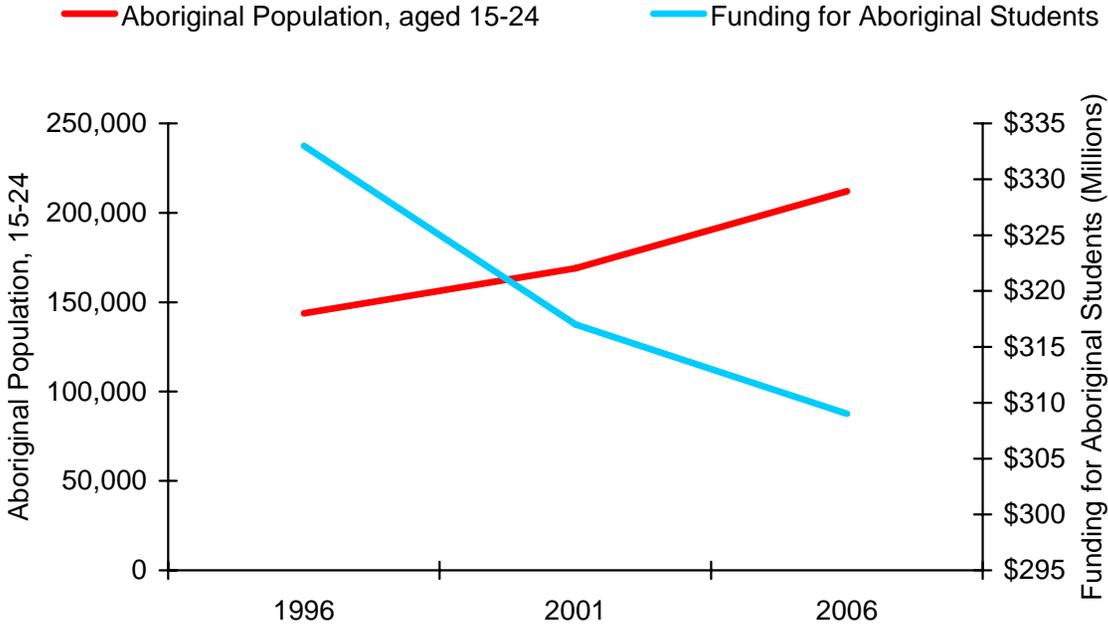
- a. A recent study⁹ showed that PSSSP funding increased by 13% between the 1994-95 and 2002-03. The following year, it jumped by 5.6 percent, to \$305 million per year (in nominal terms), where it has remained. In real terms, the amount of money provided to Aboriginal bands for student support has decreased, despite a growing Aboriginal youth population, particularly in Western Canada and consensus about the importance of increasing Aboriginal participation in post-secondary education. Federal funding for Aboriginal students was 8.5 percent lower in real terms 2006-07 than it was ten years earlier.
- b. At the provincial level, governments in Alberta, Saskatchewan and Manitoba provide funding specific for Aboriginal students, though data are only available for the last few years. In 2006-2007, these three provinces together provided just under \$4 million in financial assistance earmarked for Aboriginal students. Once provincial aid for Aboriginal students is combined with federal aid, total support for Aboriginal students is 5 percent lower than ten years ago.

⁹ R. A. Malatest. & Associates Ltd. and Blair Stonechild, *Factors Affecting the Use of Student Financial Assistance by First Nations Youth* (Montreal: Canada Millennium Scholarship Foundation, 2008).

- c. Additionally, the Canada Millennium Scholarship Foundation introduced access bursaries specifically for Aboriginal students in Saskatchewan and Manitoba beginning in 2005-06.¹⁰

¹⁰ Note that the value of these millennium access bursaries for Aboriginal students (approximately \$3.5 million to date) is included in the totals for need-based grants discussed above in Section 3.

Figure 5: Aboriginal Youth Population Growth and Funding for Aboriginal Students, 1996 to 2006

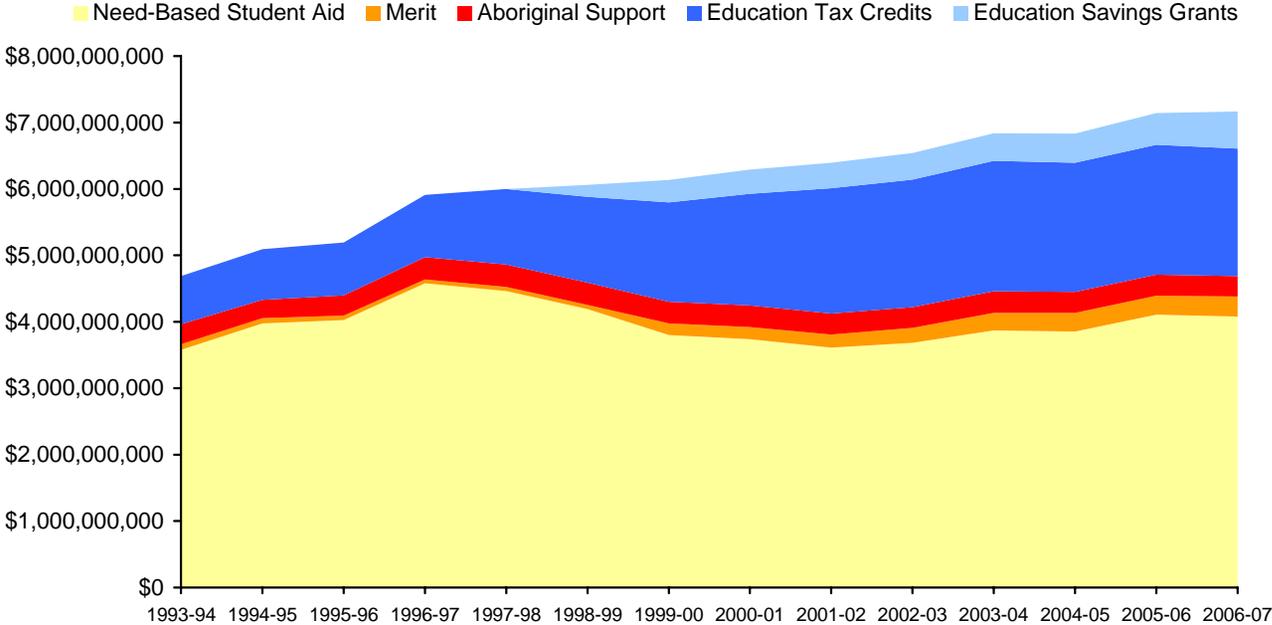


7. Total annual government financial support for students is now more than \$7 billion

Once Aboriginal assistance, tax credits, savings grants and merit scholarships (the latter represents about \$300 million per year) are added to the need-based system of student loans and grants, the total amount of financial support provided to Canadian students amounts to \$7.1 billion, as

demonstrated in Figure 1. This total does not include measures such as tuition freezes or post-graduation tax rebates discussed in section 5, or the institutional aid discussed below.

Figure 6: Total Student Aid in Canada by Type, 1993-94 to 2006-07



a. Since the late-1990s, financial support for post-secondary students has increased by 52 percent (27 percent in real terms).

- b. As discussed above, non-need-based aid has increased at a much faster rate than need-based aid. As a result, need-based aid (in this case, need-based loans and grants as well as support for Aboriginal students) now comprises only 66 percent of the \$7.1 billion national total financial support for students. A decade ago, it comprised over 80 percent.
- c. While students received \$7.1 billion in financial support, governments spend less than this amount because loans cost less than their value to issue. Because student loans are repaid, governments only assume the cost of the interest subsidy (interest does not accumulate on the loan while the student is in school) and costs related to defaulted loans and bad debt. While it is difficult to determine exactly how much governments spend on each dollar of student loan issued, it is estimated that the cost is approximately 30 to 40 per cent of the value of the loan. Though 66% of the *value* of support for students is need-based, approximately 40% of the *cost* is need-based.

Part Four: Institutional Aid

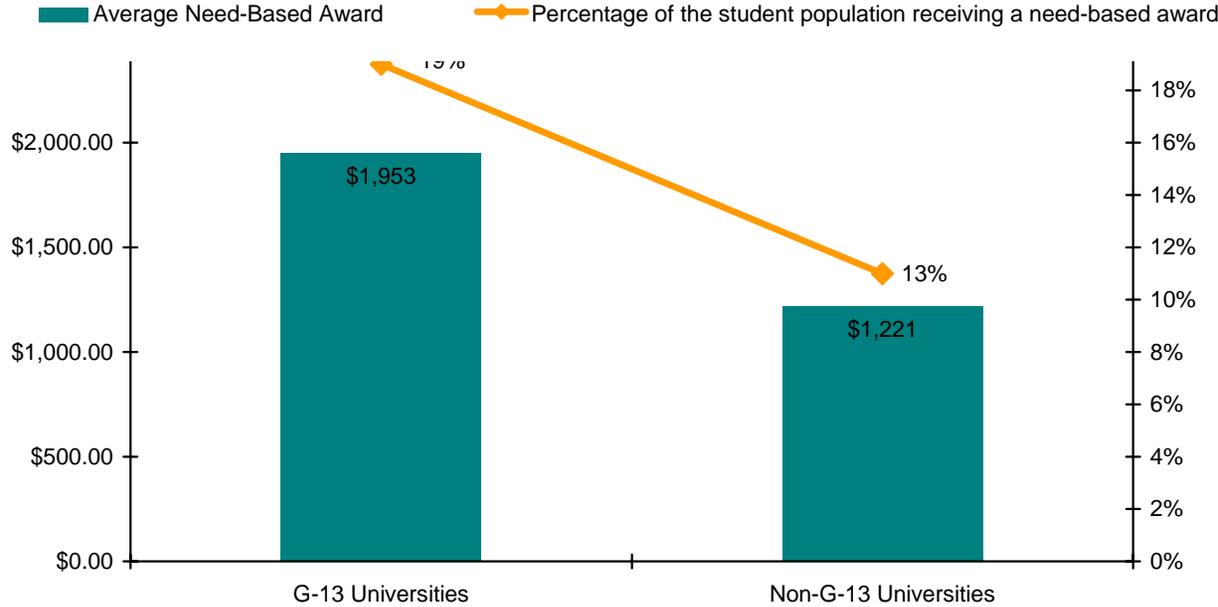
8. Less than one in five undergraduates enrolled in Canada's major universities received need-based support from their institution.

In addition to government student financial assistance, students can receive need-based or merit-based support from their post-secondary institution. A recent survey of 31 universities and 11 colleges whose enrolment covers roughly 73 percent of Canada's undergraduate student population shows that colleges and universities spend at least \$144 million each year on merit scholarships and more than \$114 million on need-based financial aid for undergraduates (more is provided in graduate student assistance but this is not covered here). While institutional financial aid is not formally bundled with government aid, it is an increasingly important source of student support.

- a. Among the “G-13”¹¹ – Canada’s group of major universities – 19 percent of undergraduates received a need-based bursary in 2006-07; the average value was \$2,000. Non-G-13 universities provided less financial aid. Eleven percent of students at these institutions received need-based bursaries, whose average value was \$1,200.
- b. Universities are more likely to provide students with merit scholarships than with need-based awards. G-13 institutions provided scholarships to 23 percent of the undergraduate student population, while non-G-13 universities did so for 20 percent of their undergraduates. The average value of these scholarships at G-13 universities, however, was lower (\$1,750) than the average value of the need-based bursaries they provided. At non-G-13 institutions, the average value of undergraduate merit scholarships (\$1,375) was higher than the average need-based award.
- c. Canada’s community colleges lack the resources to provide similar levels of financial aid. Only 8 percent of college students at those institutions that took part in the survey received a need-based bursary. The average bursary was worth \$800. Six percent of received a merit scholarship; the average value was \$911. (It should be noted that college students have substantially lower costs than university students).
- d. A comparison of the recent survey of institutional financial assistance with a similar survey conducted at the beginning of this decade reveals an increase in the number of in-course scholarships, which are offered to a student partway through his or her program of study. In the recent survey, as many students received an in-course scholarship as did an entrance scholarship.

¹¹ The 13 universities are University of British Columbia, University of Alberta, University of Calgary, McGill University, McMaster University, University of Ottawa, Queen’s University, University of Toronto, University of Waterloo, University of Western Ontario, Dalhousie University, Université Laval and Université de Montréal (the latter two did not participate in the survey).

Figure 7: Need-Based Institutional Financial Aid in Canada

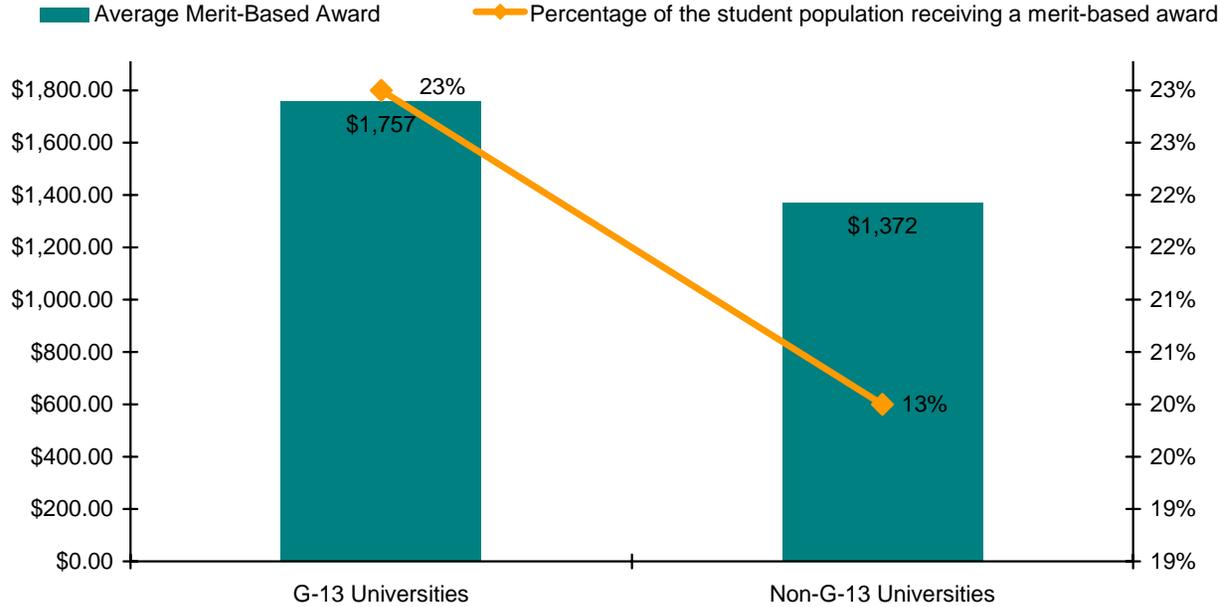


9. Need-based institutional aid has been significantly influenced by Ontario government policy

As noted earlier, post-secondary institutions provide hundreds of millions of dollars in the form of need-based financial aid to their students. Ontario universities compose five of the 13 institutions known as the G-13. These five universities are subject to recent provincial policies designed to increase institutional financial aid. The first, known as tuition set-asides, requires institutions to take a portion of funds raised through tuition increases and provide them to students on the basis of financial need, often to make up for need that is recognized but not

funded by government student aid programs. Second, the Ontario Student Opportunities Trust Fund matches funds used to create need-based awards, acting as an incentive to increase need-based institutional funding. As a result of these policies, Ontario institutions are more generous than institutions outside the province, though it should be noted that tuition at G-13 institutions in the province, at an average of \$5,470, was 28% higher than tuition at G-13 institutions outside Ontario. The Ontario G-13 universities provided need-based awards to 22 percent of their undergraduates, compared to the 13 percent at the G-13 institutions located outside the province. Moreover, they provided an average award that was \$225 higher than the non-Ontario G-13 universities. In the case of universities that are not part of the G-13, Ontario institutions provided need-based awards to 14 percent compared to 10 percent for institutions outside of Ontario, although the value of the bursaries in Ontario is only \$50 greater.

Figure 8: Merit-Based Institutional Financial Aid in Canada



10. The financial aid data portrait is incomplete

As noted earlier, the survey of institutional financial aid only covers about three-quarters of Canada’s undergraduate population. Clearly, there are missing elements of this portrait. While most institutions reacted positively to the survey, many lacked the capacity to produce comprehensive figures about institutional spending on student support. In many cases, the data only exist at a very general level, making an

analysis of which types of students are receiving which forms of aid difficult if not impossible. Though institutions receive the majority of their funds from public sources (or from students themselves), they are under no obligation to report their own support for students in a more comprehensive manner. It is impossible, therefore, to report with certainty the total amount spent on institutional financial aid. A full picture of who gets what in terms of college and university based financial aid will not emerge until a culture of reporting is more widespread among Canadian post-secondary institutions.

- a. We face a number of other challenges. For instance, there is a lack of good timely data about the socio-economic profile of the post-secondary population. While we have developed a portrait of what governments provide, we know very little about what individual students receive, particularly if we seek information about specific types of student (such as those from low-income or Aboriginal backgrounds). We cannot, for example, easily document how the \$7.1 billion in total financial support noted in this report is shared out across students from different income groups.
- b. Unlike the United States, Canada does not collect data on a regular basis from a large national sample of post-secondary students that would allow policy-makers to understand their financial circumstances and the effectiveness of student aid programs. The National Postsecondary Student Aid Survey (NPSAS) in the United States tracks information on students at two-year, four-year and less-than-two-year public, private, for-profit, not-for-profit and community colleges. The survey provides information about the cost of attendance (tuition fees, books, living costs, etc.), the distribution of financial aid, and the characteristics of students (aid recipients and non-recipients). Though Statistics Canada's longitudinal Youth in Transition Survey and the Foundation's "Measuring the Effectiveness of Student Aid" or MESA project is offering new avenues for research in the Canadian context, we sorely lack a comprehensive equivalent of the NPSAS.
- c. The future of research on access to post-secondary education, student finances and student aid policy is uncertain. While the Canada Millennium Scholarship Foundation has made these themes the focal point of its research program, the upcoming expiry of its mandate means there will soon be no home for the study of these issues. This is not to say that research in these areas will cease; to the contrary, interest in and engagement with these issues has grown exponentially since the Foundation was created in 1998. Certainly the network of researchers that is now in existence will carry on after the Foundation closes. However, as the Millennium Research Program ceases to exist, so will much of the infrastructure supporting this research in Canada.

Conclusion

Are Canadian post-secondary students receiving enough financial support? Certainly, students are receiving more financial support in total today than in previous years. The answer to the question of whether students are receiving enough support, however, depends in part on what one considers the objective to be. If the objective is moderating the accumulation of student debt, then it is clear that overall students are in a better position today than they were a decade ago. A much greater portion of need-based financial aid is provided in the form of non-repayable grants rather than loans. Despite this, it is not always enough. In provinces such as BC, New Brunswick and Nova Scotia, students with financial need are still contracting loans in excess of \$7,500 per year. If the objective is to improve access by helping students struggling to meet the costs of a higher education, it is clear that government spending is not as effective as it could be. Recent increases in need-based aid are welcome. In the face of rising costs, however, this aid has not so much improved the financial situation of students as it has simply kept it from deteriorating further. But governments clearly have more money to spend. For example, spending on education tax credits has doubled in ten years and has reached almost \$2 billion. These benefits are available to all students and, as a result, go mainly to those who have the means to pay for their education rather than those with financial need. They are also not particularly helpful in covering the costs of tuition, books and student housing when they are due. In recent years, several provincial governments have turned even farther away from need-based aid by adopting universal tax rebate programs for post-secondary graduates in the hopes of enticing them to reside in their jurisdiction, despite the lack of evidence that the mobility of young graduates is influenced by such policies. For these reasons, in terms of facilitating access by targeting support to students with financial need, there is much room for improvement. If, however, the objective is to distribute benefits widely to all students and their families, regardless of financial need without necessarily improving access, then governments are doing better than ever.