

Enhancing Capacities and Fostering Potential for Nova Scotia

2014 Pre-Budget Submission

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Introduction

Nova Scotia's population is on track to fall 4.6% between 2004 and 2026, with the traditional workforce shrinking at triple that rate due to population aging. Our youth population has been in steady decline since 2006, falling by 7,000 individuals, while outmigration has accelerated since 2009. Facing these challenges, the Province must take action not only to retain Nova Scotian residents, but to attract more newcomers from across Canada and overseas. We must make very effort to maximize the capacities of young people in our communities so they can maintain and enhance our economic, social and cultural success immediately and well into the future.

It is in this spirit that StudentsNS has prepared the following submission in advance of the 2014 Nova Scotia Budget. Our Board of Directors, comprised of student union executives from our eight member student associations, have identified three evidence-based priorities for the budget: improving the Nova Scotia Student Assistance Program, introducing a provincial graduate studies scholarship program, and providing MSI coverage to international students immediately upon their arrival in Nova Scotia.

The dollar figures attached to our recommendations are very modest. The Province could finance the student assistance program improvements by redirecting funding already allocated to students and graduates through ineffective and regressive tax credits. We estimate that the combined cost of the other two investments does not exceed \$4.3 million.

Yet, these modest investments could make a disproportionate difference. We would ensure that all Nova Scotians have the financial support they need to develop their capacities through post-secondary education. We would better compete for graduate talent and enhance our research output. We would improve our attractiveness to international students, help support their personal wellbeing, and encourage them to think of Nova Scotia as a home for permanent settlement. All told, implementing these policies would dramatically advance economic, social and cultural priorities of our Province.

¹This recommendation is outlined in greater detail in StudentsNS' 2013 report: From Worst to First: How Nova Scotia Can Lead the Pack on Student Financial Assistance. To access the full report, including all the sources for evidence provided in this document, go to <http://studentsns.ca/wp-content/uploads/2013/11/NS-financial-assistance.pdf>

Priority 1: Reallocate funding from the Graduate Retention Rebate and Education Tax Credits to Build the Best Student Financial Assistance Program in Canada¹

The Province uses a number of different mechanisms to support students financially, including tuition regulation, the Nova Scotia University Student Bursary, the Nova Scotia Student Assistance Program (NSSAP), and a host of tax credits. StudentsNS has long prioritized NSSAP improvements as the most effective tool for ensuring that qualified students can access post-secondary education in Nova Scotia, while minimizing debt, because the NSSAP provides support based on students' need. StudentsNS recommends that the Province reallocate funding from its various student and graduate tax credits to the NSSAP so that we can make ours the strongest student financial assistance program in Canada.

Tax credits for students and graduates do little to promote PSE access and affordability for low and middle income Nova Scotians, who currently comprise only 24% of our total PSE student population. Yet, the Province currently spends \$40 million annually on these tax credits and this number will increase to an estimated \$65 million in 2014 unless policies are changed.

The distribution of most provincial education tax credits (ETCs) is broadly similar to that of their federal ETC analogues. The largest beneficiaries of federal ETCs are Canadians with above median incomes. In 2012, only one third of all federal ETCs were claimed by current students, with the rest claimed by a transferee (parent, grandparent, spouse), or a former student claiming a previous years' ETCs. StudentsNS' research has shown that the federal ETCs are somewhat more progressively distributed in Nova Scotia; yet Nova Scotians earning less than \$25,000 still receive only 25% of all benefits. Since the vast majority of students earn much less than this, we can confirm that most ETC benefits claimed each year are enjoyed by non-students with higher incomes.

Of course, Nova Scotia's Graduate Retention Rebate (GRR) has no federal analog but it more heavily disfavours lower income Nova Scotians. It can only be claimed after graduation and then, only after all other tax credits have been exhausted. As a result, the typical GRR recipient has an income above the provincial median. In addition to the distributional issues, there is no evidence that the GRR has improved the retention and attraction of recent graduates to Nova Scotia.

Total Cost of Provincial Expenditures (2011) and Projected Costs to 2014

Provincial Tax Expenditures	Actual		Estimated	
	2011	2012	2013	2014
Student Loan Interest	\$1.2m	\$1.2m	\$1.2m	\$1.2m
Tuition and Education amounts				
self/partner claim	\$10.8m	\$10.8m	\$10.8m	\$10.8m
transfer from child	\$6.3m	\$6.3m	\$6.3m	\$6.3m
Graduate Retention Rebate	\$21.2m	\$29.5m	\$37.7m	\$45.9m
TOTAL	\$39.6m	\$47.9m	\$56.1m	\$64.3m

Eliminating these tax credits is not a decision to be taken lightly, but the payoff could be enormous. By reallocating this funding, the Province of Nova Scotia could make very significant improvements to the Nova Scotia Student Assistance Program to meet students' needs and minimize debt burdens at graduation. We will highlight in this Submission four specific changes to the NSSAP that would make a significant difference for students.

Eliminate the \$180 per week limit on provincial financial assistance for students at Nova Scotia's public PSE institutions. Student assistance programs calculate financial need by determining a student's costs to attend to post-secondary minus their available resources. Need that exceeds the maximum assistance amount available from the Canada Student Loans Program and the NSSAP is referred to as "unmet". Based on data available from the NSSAP, roughly 1,727 Nova Scotia students at our public post-secondary institutions have unmet need. The majority of these students are undergraduates, with an average unmet need of \$2,049. These students may be forced to take on expensive bank loans, work extra hours that may undercut their studies, or simply be unable to attend post-secondary. The Provincial government should fully meet students' financial need (as judged by its own program) to ensure that all Nova Scotians can afford to attend our public post-secondary institutions.

Expected parental contributions are simply too high for many families and should be reduced. Many families across the income scale are left with less than \$10,000 in discretionary income. This is true even before they make reasonable contributions to their Registered Pension Plan, Registered Retirement Savings Plan, Registered Education Savings Plan for additional children and a Registered Disability Savings Plan. StudentsNS believes that parents should not be forced to choose between these important priorities and supporting their child's studies. Meanwhile, unrealistic

expectations of parents can leave students struggling to make ends meet.

The NSSAP should apply the same standard of living to spouses and parents.

The NSSAP currently assumes that spouses should have a very different standard of living from parents and therefore expects much more significant contributions. For example, a parent with one dependent child would be expected to contribute 3% of a \$53,100 income (\$1,515) to their child's education, while a student's spouse (provided the couple does not have children) would be expected to contribute 46% of the same income; fully \$24,124.80. The notion that spouses should contribute more because they are likely to benefit more from their partner's education is completely divorced from the reality of today's couples, who are notably more likely to split up than in the past.

Provide all NSSAP funding as an up-front grant to students at Nova Scotia's public PSE institutions. Nova Scotia has had among the highest student debt levels in Canada for a long time. High student debt is associated with more students choosing to leave Nova Scotia post graduation, feeding our significant demographic challenges.² Converting provincial loans to grants would cap student debt at the maximum Canada Student Loan amounts, reducing student debt levels dramatically, and creating a much more equitable post-secondary education system.

These improvements to the NSSAP would radically improve post-secondary access and affordability in Nova Scotia. They represent a much more evidence-based approach to youth retention than the GRR. Critically, Nova Scotia could implement these changes just by reallocating part of the funding that the Province is already spending to support students through ineffective tax credits, although StudentsNS should be involved in discussions around how further tax credit savings could be spent.

² <http://studentsns.ca/wp-content/uploads/2013/04/CanStudSurvey-Next-Steps-Upper-Year-Students-Plans-and-Debt.pdf>

Priority 2: Introduce a Provincial Scholarship Program to Support Graduate Studies

Nova Scotia should introduce a Graduate Scholarship program to help the province's universities compete for the best graduate students. We recommend the Ontario Graduate Scholarship as a model for the program. Providing the same value to the same proportion of our graduate students, the scholarship program would cost approximately \$3.7 million, providing a \$10,000 to \$15,000 annual benefit to 300 students per year.

The Ontario Graduate Scholarship was introduced in 1975 and reached a value of \$45 million in 2011-12. It awards Master's and Doctoral level recipients \$5,000 per semester for between two to six semesters over one to two years. In their case, the Province contributes two-thirds of the value and the university contributes the other third. The scholarship gives Ontario universities a significant advantage in competing for strong graduate students.

Nova Scotia's graduate enrolment grew at only half Ontario's pace between 2006 and 2011. Dalhousie University President Richard Florizone notes that Dalhousie University receives the least provincial research funding of any U-15 university, and Dalhousie is prioritizing increased funding for graduate students to address this problem.³ A Nova Scotia Graduate Scholarship program could not only improve our competitiveness for students offered the award, but also raise the prestige of our institutions through strong research.

Eligibility for the Nova Scotia scholarship should be extended to local, domestic and international students. Nova Scotia cannot simply retain youth to address our demographic challenges; we must attract them from other parts of Canada and the world. The scholarship should help us to compete for the most qualified students.

With respect to disciplines, the scholarship should be targeted at graduate research studies, excluding medicine, law, dentistry and non-research-based MBA students. We recommend that recipients be required to demonstrate the relevance of their research to Nova Scotia or the Maritimes explicitly, including through connection with growth sectors in the Nova Scotia economy. However, we would not recommend

³ 100 Days Report: <http://www.dal.ca/content/dam/dalhousie/pdf/about/100Days/100-Days-Report-02-ExecSummPreface-Dec23.pdf>

that all the scholarships be tied to growth sectors as Nova Scotia faces many other pressing challenges with significant implications for our quality of life. For example, StudentsNS has identified shortcomings in our understanding of the prevalence and circumstances of campus sexual assault, challenges in attracting and retaining immigrants, and impacts of student demand on the housing market.

We recommend that the scholarships be distributed among Nova Scotia universities in proportion to their share of the province's graduate student population. We are concerned that in some cases this may permit weaker candidates to edge out stronger candidates simply because they attend a different school, but allowing universities to administer scholarships on this basis should be less administratively burdensome.

Priority 3: Provide MSI Coverage to International Students Immediately Upon their Arrival⁴

In *International Students and the Future of Nova Scotia's Universities*, StudentsNS reviewed the financial, social, health and employment concerns of international students. During consultations to prepare the report, international students and university international centre professionals consistently identified health insurance as a major challenge increasing costs and complicating access to health services. The Province of Nova Scotia should provide international students at public PSE institutions with MSI coverage immediately upon their arrival for study. This policy would support the provincial post-secondary education, immigration and healthcare objectives at an estimated cost of \$550,000 (current dollars).⁵ Approximately 5081 international university students would benefit along with 514 of their dependents.

International students are critical for our universities' success. StudentsNS predicts that domestic demographic trends will significantly depress enrolment at Nova Scotia's universities unless we double our international enrolment between 2011-12 and 2030-31. Meanwhile, international students' presence in the classroom enhances learning by allowing all students to learn greater intercultural communication skills

⁴ This recommendation is outlined in greater detail in recommendations from this section derive from StudentsNS' 2013 report: *International Students and the Future of Nova Scotia's Universities*. To access the full report, go to <http://studentsns.ca/wp-content/uploads/2013/06/SNS-Int-Stud-Report.pdf>

⁵ This prediction is based upon previous work done in *International Students and the Future of Nova Scotia's Universities*, but projecting enrolment for 2014-15 based on average annual enrolment growth from 2002-03 to 2012-13 (12%).

and share more diverse perspectives. Cultural competency and global connectivity are critical to economic, social and cultural wellbeing in the 21st century.

Just as importantly, international students represent a large and growing group of prospective immigrants for Nova Scotia. In fact, international students have been identified as ‘ideal’ immigrants because their local knowledge and training and concentration in technology, science or entrepreneurial sectors lead them to achieve comparatively strong economic outcomes.

International students contribute significant economic benefits even if they do not settle in Nova Scotia. It has been estimated that international students contribute \$231 million per year to Nova Scotia’s economy, or three times the amount government spent to support them in 2007. They pay income, property (through their rent) and sales taxes, while their economic spinoffs also generate tax revenues.

Currently, international students may receive Nova Scotia health card coverage under MSI once they have been studying in Nova Scotia for 13 consecutive months that do not include 31 consecutive days outside the province. Before they are eligible for MSI, these students are required to purchase mandatory health coverage through their institution or student union. Under these circumstances, they may have to pay the cost of health services up front and be reimbursed later, which can limit health-care access for lower-income students. Students can also be confused about what is covered and what is not. Overall, these costs may be prohibitive when added to differential tuition, especially for students with dependents.

International Student Savings through MSI Coverage (2012-13)

	Single Student	Single w/ Dependents
Acadia	\$522.05	\$913.97
CBU	\$477.00	
Dalhousie	\$383.00	\$974
MSVU	\$351.70	
StFX	\$625.00	
SMU	\$766.50	\$1633-\$2299.50

At \$98.37 per person, it is many times less expensive to insure international students and their dependents through MSI than through private providers. Much of these savings are generated through administrative efficiencies and the elimination of profit margins, while international students are mostly young and healthy, so their

combined impact on healthcare resources is minimal. By providing MSI coverage, the Nova Scotia government can therefore impact Nova Scotia's affordability as an international PSE destination in a way that is hardly commensurate to the size of its investment. Manitoba, Saskatchewan, Newfoundland and Labrador, and British Columbia provide health full health coverage to international students at the beginning of their studies, whereas Ontario provides no health coverage and is Nova Scotia's key domestic competitor.

Providing health coverage would allow international students to experience a major concrete benefit to being a Nova Scotian: our world-class public healthcare system. Students with families will benefit the most, obviously have a greater immigration impact and may be more likely to stay permanently as their families get settled.

Providing MSI coverage is among the simplest and most impactful steps that Nova Scotia can take to support these students' success, demonstrating commitment towards making Nova Scotia a more welcoming place for these prospective immigrants.

Additional considerations

The Province has important additional responsibilities in supporting post-secondary education and youth. It is important to highlight just a few of these, even though they are not subject to decisions for the 2014-15 Budget:

- Provide adequate operating funding to Nova Scotia's universities. StudentsNS has recommended tying university funding to growth in the economy, which is basically equal to the rate of growth in government revenues.
- Regulate tuition for all students. StudentsNS recommends that tuition be frozen at 0% growth until youth employment returns to pre-recession levels.
- Give students control over the approval of new fees for non-academic services.

Students at our post-secondary institutions, whether they come from Nova Scotia originally or not, represent an incomparable resource for our Province's social, economic and cultural wellbeing. Our short and long-term success hinges on how we support our students. In this endeavor, the complement of proposals in this Submission would be no less than transformative.