Financial Accessibility of PSE in Nova Scotia

Consultation Draft

TABLE OF CONTENTS

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1. Introduction

StudentsNS prioritizes the *accessibility* and *affordability* of post secondary education (PSE) as two of our foundational values because we believe that education is critical to the growth and development of individual Nova Scotians, their families, their communities, and the Province as a whole. These values are deeply rooted in some critical facts: first, that nearly three quarters of new Canadian jobs require a PSE credential (HRSDC, 2013); second, that the average PSE graduate still earns significantly more than the typical high school graduate over a working lifetime (OECD, 2012); and finally, that the myriad social benefits of post-secondary education are an indispensable public good and are just as valuable as the private financial benefits of pursuing PSE.[1] Thus, access to PSE will, in the near future, become even more critical to the financial and social security of individuals; and also to the creation of a more just, more equal, and more harmonious Nova Scotia for all citizens.

Unfortunately, many Nova Scotians continue to face one or more significant economic, social, or other personal barriers to the pursuit of a college diploma or university degree (e.g. socioeconomic status, gender, ethnicity, age, family educational background). In combination, these barriers contribute to a vicious cycle: preventing already disadvantaged individuals from reaching their full potential and increasing the likelihood that similar disadvantages will be passed on to subsequent generations. Financial need is one barrier that often unifies individuals from different underrepresented groups in Nova Scotia's PSE system. In this way, the *accessibility* of Nova Scotia's PSE system is intrinsically linked to its *affordability* for the individual student.

Meanwhile, pursuing PSE in Nova Scotia continues to get more expensive even though the incomes of most Nova Scotians are not growing nearly as fast. For example, average tuition for Canadian undergraduates has grown 165% since 1992 (MPHEC, 2013) and, at $6,185 in 2013-14, is third highest of all Canadian provinces and well above the Canadian average ($5,772) even after accounting for tuition bursaries(Statistics Canada, 2013). Meanwhile, cost-of-living, which typically represents more than half of students' out of pocket costs, has grown 50% (Statistics Canada, 2013). Over the same period of time, incomes in Nova Scotia have stagnated, growing little more than 10% (based on median income of all family units; Statistics Canada, 2013). Finally, the youth job market in Nova Scotia has remained stubbornly weak as revealed by the unemployment rate for 15-24 year olds: 18.8% in July (Statistics Canada, 2013).

As a result of these factors, Nova Scotian students accumulate among the highest debt loads in all of Canada (Statistics Canada, 2008, CUSC, 2009). Fully 70% of all Nova Scotia university students must borrow at least some money to pay for their education with a majority of these students borrowing primarily from government student loan programs (CUSC, 2012). Based on the most recent national data, Nova Scotia continues to have Canada's highest university graduate debt levels at $30,128 (CUSC, 2009). Based on provincial data student loan data since

[1] The magnitude of this premium is subject to serious debate and is known to be smaller in Canada than in most other affluent countries, largely due to underemployment of graduates (OECD, 2012; StudentsNS, 2013).

2009, the average federal student loan has increased by $265 (to $6,800) while the average provincial student loan has decreased by $252 (to $2,970), suggesting that overall debt levels are likely to have changed very little.[2] Meanwhile, compared with 2009, nearly 1,100 more students required government loans to pursue PSE in 2012. Finally, and most troublingly for Nova Scotia, Maritime students with high debt are the least likely to live and work in their home province after graduation (32% versus 18% nationally)(CASA, 2010).

In Canada, student financial assistance (SFA) programs are the primary instruments our governments use to reduce financial barriers to PSE access. Nova Scotia's student financial assistance framework is comprised of two different assistance providers, delivering many SFA programs, at multiple intervention points, to serve a diverse student population. In this paper, we critically review the complex array of complementary SFA policies and programs provided by the federal government and the Province of Nova Scotia. Briefly, governments take three basic approaches to make PSE more affordable to Canadian students. They provide:

- *Pre-Study* Financial Assistance (Section 2), by encouraging and assisting Canadians to save for the education of their children (i.e. through approved investment vehicles);
- *In-Study* Financial Assistance (Section 3), by operating student loan and/or grant programs providing direct assistance to current students with financial need; and
- *Post-Study* Financial Assistance (Section 4), by helping students to manage the repayment of their debt and by utilizing the federal and provincial income tax systems to further subsidize the investments in education after the fact.

Given this complexity, it is perhaps unreasonable to expect students and their families to make sense of the programs available to them. Demystifying these programs and policies for Nova Scotia's students is one critical objective of this project.

In our analysis of these programs, we focus primarily on those features that either promote or detract from the accessibility and affordability of PSE in Nova Scotia, especially for individuals with the most financial need. Our key findings show that:

- Since 1992-93, access to Nova Scotia's universities has changed little, with enrolment of NS residents declining more-or-less proportionately with youth population decline.
- Access to full-time college programs has nearly quadrupled, to approximately 12,000 students, due largely to expansion of the NSCC.
- Clear linkages between SFA policy and access to education are difficult to make due to a lack of systemic data and insufficient passage of time since recent policy changes.
- Changes to provincial In-Study and Post-Study SFA programs have helped to reduce the cost and debt burdens on many students but significant room for improvement remains.
- Pre-study SFA programs and Post-Study Tax Credits favour higher income Nova Scotians at the expense of promoting accessibility and affordability for individuals with the greatest financial need.

[2] Provincial figures do not account for the impact of the debt cap (see Section 4 for further details).

Based upon these findings, *StudentsNS* recommends a package of incremental proposals aimed at creating the strongest, most progressive student financial assistance program in Canada by:

1. Improving accessibility to PSE for underrepresented groups in Nova Scotia;
2. Providing the most needy students with more money while they study; and
3. Reducing the burden of student debt on new graduates.

2. Evaluating Accessibility in Nova Scotia's PSE System

To even begin evaluating the accessibility of Nova Scotia's PSE system, our definition of 'accessibility' must be formally operationalized. How would we know, for example, whether accessibility has increased or decreased as the result of a particular policy change? Making this determination is particularly difficult because the concepts of accessibility and affordability are intertwined. Clearly, PSE cannot be considered accessible if it is not affordable; but for some, accessibility to PSE is often incorrectly reduced to being primarily a cost consideration (i.e. high tuition means inaccessible, and vice versa). In reality, of course, accessibility is much more complicated than this. It has a cost component, to be sure, but it is equally important to recognize all of the other factors that may stand as barriers to PSE access: ethnic or cultural background, age, sexual orientation, family educational history, and so on.[3]

Of course, financial accessibility *is* the primary focus of this paper, so we are left with the challenge of how to measure it. Analysing the various SFA programs and the policies defining who is eligible for them is extremely helpful in identifying areas where the existing SFA framework may be weakest (see Sections 3 to 5). On its own, however, this tells us little about how the potential population of PSE students responds to actual SFA policy change. With all of this in mind, it is useful to first take a step back and look at the big picture: to observe accessibility as reflected by two different sets of system-level metrics: changes to PSE enrolment over time and total funding for SFA programs.

2.1. Enrolment as a Measure of Accessibility

From our previous work, we know that Nova Scotia's university system has grown substantially since the early 1990s (*StudentsNS*, 2013). We also know that a considerable chunk of that growth has come as a result of large increases to the out-of-province and international student populations, which grew by 66% and 185%, respectively, between 1992/93 and 2010/11 (Table 2-1) (MPHEC, 2013). These increases have helped to offset a 17% decline in NS resident enrolment and allowed for the system to maintain modest growth over that period.

Insert full page of Figures and Table 2-1

But since we are primarily interested in PSE accessibility to Nova Scotian students (the targets of provincial SFA programs), it makes sense that we exclude students from all other locales from this analysis. Notably, the decline in Nova Scotia's resident university population (-17%) slightly surpasses the overall rate of decline in Nova Scotia's youth population over the same period (-16%). On its own, this might imply a very modest decrease in university accessibility for one or more groups, but actual student population data would have to be parsed further to be certain. Unfortunately, such data is not readily available in Nova Scotia.

[3] These issues will be explored more fully in an upcoming project focusing on the social determinants of accessibility to post secondary education.

Figure 2-1 shows total enrolment at NS universities and enrolment of NS residents in NS universities plotted together in Chart A. Meanwhile, total Nova Scotia Community College enrolment is plotted in Chart B.[4] From these plots, it is clear that the NSCC student population has been the sole driver of internal PSE enrolment growth in Nova Scotia over this period (StatsCan, MPHEC, 2013), with most growth occurring in two specific time windows.

First, NSCC's population more than doubled (from 3,000 to over 7,000 students) in a single year (1994/95 to 1995/96) when several existing private career colleges were incorporated under its banner. Thus, this particular expansion of the NSCC population does not represent "real" growth. More significantly, after growing modestly for five years and spiking to over 10,000 students in 2000/01, the population once again dropped below 8,000 (2003/04) before gradually rebounding to reach 11,811 by 2010/11 (average annual growth of 6.5%). This second phase of growth can be attributed largely to concerted efforts at growing the NSCC, beginning with a provincial investment of $123 million in 2003 to build NSCC's Waterfront Campus in Dartmouth and to upgrade facilities at campuses around the Province.

Taken together, these data clearly show that while Nova Scotia has improved access to its community college system, PSE access for Nova Scotians, as measured by total enrolment, has stagnated (Table 2-1). In fact, the impressive growth in the college ranks falls just short of offsetting the losses in the university population (net loss of 341 students). Based on the overall make-up of the college student population, however, it may be reasonable to assume that college growth has helped to improve accessibility for certain underrepresented groups.

- The gender balance in college enrolments is very close to 50/50, whereas the balance in university enrolment favours women with a split closer to 60/40.
- Historically, lower income individuals are more likely to choose college over university, which is also generally true of individuals from certain underrepresented subpopulations, including Aboriginals, African Canadians, and first generation students.
- Based on student loan data, we can also see that students with dependents make up a much larger share of the college population (particularly the PCC population).

Increased accessibility within any of these groups could be an unreservedly positive outcome. Unfortunately, a lack of system-wide enrolment and participation data on many of these subpopulations make it difficult to draw firm conclusions as to how much accessibility has actually changed.

Moreover, none of the above provides any certainty that changes to SFA programs, the very programs purported to address accessibility (and affordability) issues, are at the root of this

[4] Based on the available data from more recent years, we estimate that between 90 and 95% of the annual college student population is made up Nova Scotia residents. In the absence of data for each year in the sample, we assume a constant population share of 95% in all plots and calculations. By doing so, we maximize our estimate of the overall accessibility increase. Please not that comparable data for Nova Scotia's Private Career Colleges is not readily available.

increase. To the contrary, the driving force behind this growth is clearly a concerted effort to expand enrolment in Nova Scotia's college system (Table 2-1 a/b).[5] We do know, however, that many underrepresented groups encounter financial barriers as well as others. In addition, we know that a significant share of all NS resident students will use one or more SFA programs while pursuing their studies, including 30% of SFA-eligible NSCC students and 45% of PCC students. So it is fair to conclude, with some certainty, that many of these students would not have been able to access PSE if In-Study SFA programs were not available. In this way, strong SFA programs are surely indispensable to enhancing accessibility for disadvantaged persons, even though financial barriers may be secondary to other issues for any individual or group. Once again, however, to fully understand these issues we require much better socioeconomic data on the population of PSE students and the subpopulation of SFA recipients.

PRINCIPLE: *Every qualified Nova Scotia student who wishes to pursue post- secondary education should be able to do so, irrespective of their financial situation, socioeconomic or ethnic background, physical, psychological or mental ability, age, sexual orientation, geographic location, or any factor other than qualification.*

PRINCIPLE: *The cost of PSE in Nova Scotia should not cause undue hardship upon any student or make them financially unable to live in Nova Scotia.*

PRINCIPLE: *The concepts of accessibility and affordability of post-secondary education are not equivalent to one another, but are inextricably linked.*

CONCERN: *A lack of data on the post-secondary participation of different social groups hinders effective policy analysis on the accessibility and affordability of PSE for Nova Scotians.*

2.2. Government SFA Funding as a Measure of Accessibility

Governments often point to their investments in SFA as evidence of their commitment to issues like accessibility, affordability, and student debt reduction. But as we have already seen, a dearth of reliable public data makes it difficult to assess the true impact of such investments. Despite this limitation, it is extremely important that we understand the costs of the currently existing SFA programs: first, because in Nova Scotia, these programs are used by more than half of all resident PSE students (NSSAO, 2013); and secondly, because information about where governments choose to invest do provide useful insights about their priorities with respect to PSE accessibility and affordability.

Table 2-2 summarizes the costs of most of the major SFA programs discussed in this document – programs available to students before, during, and after their studies. At a total cost of $291

[5] Here it is also important to mention that the college figures do not include 10,000 to 15,000 part time students that access short-term programming over the course of a given year. These are not subject to SFA programs but they should nonetheless be noted as a component of our college system.

million for all NS PSE students in 2012-13 – $225 million for those studying in-province – government investments in SFA are clearly significant. On a percentage basis, our estimates for NS residents studying in Nova Scotia break down as follows:

- Pre-Study investments make up 5% of the total, In-Study investments of 62%, and Post-study investment of 33%;
- Federal investment accounts for 68% of the total amount with provincial investment making up the remaining 32%; and
- Provincial tax credits account for $29.7 million in expenditures: equivalent to 40% of the combined federal-provincial Post-study investment and 80% of the total provincial investment.

Based on the above, the key questions for Nova Scotia's students is whether these investments are having the desired impacts of making PSE more accessible and affordable to Nova Scotians and just as importantly, whether we could reallocate any of these funds to another purpose that would make an even larger impact. StudentsNS believes that we can.

Insert Table 2-2

Unfortunately, looking at aggregate financial inputs in isolation really tells us very little about these issues. In fact, it is only through in depth, evidence-based program evaluation that we can truly evaluate the impacts of these investments. But again, without the necessary descriptive data on the socioeconomic characteristics of our student population, it is extremely difficult to perform such analyses.

2.3. Section Summary

Given the complex mix of SFA programs in Nova Scotia – comprised of pre-study savings instruments, student loans and grants, and post-graduate tax expenditures and debt relief programs – it is difficult to isolate and assess the impact of any one program or policy on PSE accessibility. It is equally difficult to assess the impact of each marginal investment in program or policy change. This is particularly true of those investments that have occurred very recently.

In the sections to follow, we critically review existing policy and practice in *Pre-Study* Financial Assistance (Section 3), *In-Study* Financial Assistance (Section 4), and *Post-Study* Financial Assistance (Section 5). We conclude with recommendations designed primarily to enhance the SFA package available to Nova Scotians with the largest financial barriers to PSE access.

PRINCIPLE: *Increasing access to PSE for student with high financial need takes priority over broad tuition reductions for all students.*

3. Pre-Study Financial Assistance

The Government of Canada has a number of programs in place to help students (and their families) accumulate money to pay for future education. These take the form of registered investments and/or targeted cash grants.

3.1. Investment Vehicles

a. Registered Retirement Savings Plan (RRSP) – Lifelong Learning Plan (LLP)

For those students with an existing RRSP, the LLP allows you to withdraw up to $20,000 over a four-year period from your RRSP to finance full-time training or education for you or your spouse (or common-law partner), but not for a child (CRA, 2012). The withdrawn amounts are not included as income and must typically be repaid within a 10-year period from the date of each withdrawal. Any amounts not repaid when due are included as income in that year. While the LLP program may apply to students of any age,[6] in general, this policy is more likely to apply to students that have had more time (and earnings) to contribute to RRSPs (e.g. mature students and/or students pursuing graduate or professional degrees, diplomas or other training).

The RRSP-LLP is not an education savings vehicle, *per se*, but does create another source of PSE funding for those that have previously invested in an RRSP. In fact, Nova Scotia's student assistance policy requires applicants to declare any existing RRSPs as financial resources in their applications for assistance, with an exemption of $2,000 annually for each year since the applicant has left high school (see Table 3 for details). Given this requirement, the special RRSP-LLP rules allowing withdrawals without immediate tax penalty are fair and appropriate.

b. Registered Education Savings Plan (RESP)

An RESP is a savings or investment account registered with the Government of Canada and held at a financial institution (e.g. bank, credit union, financial planner). Long before the first tuition payment is due, a child's loved ones may begin contributing to an RESP account on their behalf.[7] There is a $50,000 lifetime contribution limit for each individual beneficiary, though a single child may be named as a beneficiary in multiple RESPs. Additional RESP contributions can be made until the beneficiary turns 31 years of age and all proceeds must be used no later than 35 years after the RESP account is created.

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[6] In Canada, an individual may begin contributing to an RRSP as soon as they have employment income to file a tax return. At that point, an individual may claim up to 18% of the previous year's earned income up to a maximum amount (e.g. in 2013 the amount is $23,820).

[7] There are three types of RESPs available:

1. Individual RESPs: You can save for one child whether or note they are related to you.
2. Family RESPs: You can save for one or more children related to you (by blood/adoption) using one RESP account.
3. Group RESPs: Similar to many retirement funds, you can combine your contributions with those of others into a pooled investment fund and draw your share of the earnings when needed.

Contributions to an RESP may be packaged into a number of common investment vehicles, at varying levels of risk and return, including: regular or high-interest savings accounts, bonds, guaranteed investment certificates (GICs), mutual funds, or stocks. Each of these investment products has its own inherent risks, administration fees, and/or penalties that may apply for failing to contribute or making early withdrawals from the RESP. These features vary by financial institution.

RESP contributions are not tax deductible for the contributor but any earned interest is sheltered until the recipient withdraws funds. Since the recipient is a student, the interest is taxed at the lowest rate and, in combination with other student deductions and credits, usually amounts to little or no tax payable.

3.2. Federal Government Grants – Canada Education Savings Program

The Canada Education Savings Program, funded and administered through Human Resources and Skills Development Canada (HRSDC) has two distinct components: the Canada Education Savings Grants and the Canada Learning Bonds (HRSDC, 2013).

a. Canada Education Savings Grant (CESG)

The CESG programs are structured to incentivize families to begin saving early for the post-secondary education of their children. First introduced in 1998, the CESG program has since been modified to expand income eligibility (2005) and total benefit size (2007). In its current form, there are two components to the CESG.

1. CESG-B (Basic Grant) – Regardless of family income, this grant provides a 20% supplement to the contributions made to your RESP account each year, up to a maximum of $500. Thus, an annual contribution of $2,500 ($208.33 per month) is necessary to achieve the maximum CESG-B benefit in any given year.

2. CESG-A (Additional Grant) – This grant provides an additional supplement to the Basic CESG for low and middle-income families with children 18 and under.
    a. Low-income families (i.e. families that qualify for the National Child Benefit Supplement (NCBS) through the Child Tax Benefit (CTB) program, see Table 3-1), receive an additional 20% on the first $500 in annual contributions (i.e. maximum benefit of $100);
    b. Middle-income families (approx. $43-84k) receive an additional 10% (or maximum $50) on the first $500 in contributions.

In addition to the annual maxima, there is a combined lifetime CESG limit of $7,200 for each beneficiary (the sum of CESG-B and CESG-A).

Insert Table 3-1

b. Canada Learning Bond

The Canada Learning Bond (CLB), first introduced in 2005, is intended to benefit students from low-income families. To be eligible for the CLB, a student must have been born after December 31, 2003 and their family must receive the NCBS (see above). Based on the eligibility criteria, students currently engaged in PSE studies are not affected by this program (since the oldest potential beneficiary is currently less than 10 years old).

Nevertheless, to eligible families, the CLB consists of a $500 grant in the first year of eligibility and an additional $100 for every additional eligible year until the child turns 15 years of age. Thus, the maximum benefit for each child is $2,000 (assumes investment in year 1 and maintenance of low income status for all 15 years). These grants are added to an existing RESP account, with any earned interest subject to the same conditions as interest on principal contributions.

3.3. Accessibility Impact of Pre-Study SFA Programs

The existing federal programs designed to encourage education savings are a mixed bag from an accessibility perspective.

First, it is essential that governments take steps to encourage parents to think about (and hopefully plan financially) for the future education of their children. This is especially important for families that might not think about PSE until much later, if at all (e.g. families without a history of PSE attendance, low income families). To the extent that the CESG and CLB programs help to raise awareness of PSE and encourage savings, these programs may be viewed in a positive light.

Indeed, program uptake of the CESG and CLB has steadily increased as the programs have matured (Table 3-2), thus indicating that, on a percentage basis, more and more Nova Scotians (and Canadians) are starting RESP accounts, at the very least, to establish eligibility for CESGs and the CLB (HRSDC, 2013). With respect to encouraging savings behaviour, 97% of the cumulative 499,000 CLB beneficiaries in Canada have also received a combined $1.8 billion in RESP contributions since 2005 (an average of $3,733 per beneficiary).

On the other hand, increasing participation in these programs does nothing to mask the large proportion of otherwise eligible individuals who are *NOT* currently benefitting from these financial incentives. Nova Scotia's participation lags that of Canada for both programs, while participation in the targeted CLB programs lags participation in the CESG (a universal program with a small targeted component) both provincially and nationally. With over 80% of eligible individuals in Nova Scotia not receiving the CLB, it is clear that these benefits are not reaching a majority of those who would benefit from them the most.

Insert Table 3-2

The targeting of financial incentives based on income, such as the CESG-A and CLB, is a welcome but decidedly modest addition to the federal SFA regime for low-income families. Multiple lines of evidence clearly indicate that the largest beneficiaries of such savings programs are higher income families that are already in a better position to save and need less encouragement to do so.

At the level of the individual beneficiary, those with the greatest capacity to save also receive the largest grants from the federal government (see Table 3-3).

- Families with sufficient disposable income to contribute $2,500 annually to an RESP can earn the maximum annual CESG-B benefit ($500) and thereby maximize their $7,200 CESG-B lifetime benefit in the child's 15th year.
- Meanwhile, low-income families are eligible for up to $2,000 through the CLB if they simply open an RESP and make no further contributions. By necessity, however, this also means that the beneficiary's parents must remain in the lowest income category over that entire period of 15 years. To maximize their CESG-B benefit and the low-income targeted CESG-A grants, $1,800 for each, those same families must then save at least $500 per year (or $9,000 over 18 years).

Insert Table 3-3

As a result of these policies, families with the knowledge and resources to make maximal RESP contributions receive $7,200 (+interest), while families with fewer discretionary dollars or without knowledge of the program receive much less. This point is underlined further by examining the federal budget expenditures for the CESG and CLB programs (Table 3-4a;b). In 2012, over 80% of combined budget expenditures were disbursed through the universal CESG-B program, with only the remaining 18% of funding targeted to the most needy (see 3-4a). Looking at the distribution of beneficiaries is even more instructive, since fully two-thirds of all program beneficiaries in 2012 were only eligible for the universal CESG-B, meaning that they came from families with total incomes of at least $84,000 (the upper limit of middle income CESG-A eligibility). In contrast, low-income beneficiaries comprise only 14% of the total number.

Insert Table 3-4

In summary, the most recent Canada Education Savings Program uptake and benefits data suggest not only that many eligible families are either unaware or uninterested in these programs (HRSDC, 2013) but also that the individuals who benefit most from these programs are also those with the least financial need. These findings closely match those of studies from a decade ago showing that most CESG program funds at that time went to upper income families (Milligan 2002; Usher 2004b,c). The findings also mirror the most undesirable and regressive features of most post-graduate tax measures discussed in Section 5.

CONCERN: The requirement to establish a Registered Education Savings Plan excludes most Nova Scotian families from receiving the universal benefits available through the Canada Learning Bond and Canada Education Savings Grant programs.

CONCERN: The largest beneficiaries of federal investments in Pre-Study Financial Assistance programs are higher income families.

4. In-Study Financial Assistance

The main student financial assistance program available to Nova Scotia students has federal and provincial components. The federally funded portion, known as the Canada Student Loans Program (CSLP) falls under the mandate of Human Resources and Skills Development Canada (HRSDC). The provincially funded portion, the Nova Scotia Student Assistance Program (NSSAP), operates within the Department of Labour and Advanced Education (LAE), which jointly administers both programs to students. In addition to these programs, Aboriginal Affairs and Northern Development Canada (AANDC) offers the Post Secondary Student Support Program (PSSSP) for registered First Nation individuals living on-reserve and Inuit individuals residing off-territory.[8] Finally, the provincial government has a number of other financial aid programs targeted at specific vulnerable populations (e.g. social assistance recipients, children-in-care).

The CSLP and NSSAP were both created in 1964 to provide needs-based financial assistance to students who could not otherwise afford to participate in PSE (HRSDC, 2013, LAE, 2013). These programs have always been based on the principle "that all academically qualified Nova Scotians have equity of access to quality post secondary education and training" (NSSAP, 2013). From the very beginning, however, the programs have been designed to supplement the financial resources that students (and/or their families) are expected to contribute. Thus, as a matter of longstanding policy, the programs are *explicitly not intended* to provide all of the money a student may need during their studies.

Unsurprisingly, the CSLP and NSSAP have gone through numerous changes since 1964, some of which bear mentioning here. Prior to 1992, for example, the NSSAP was delivered as a non-repayable bursary but the program was converted to a repayable loan program in that year. This change came at the very beginning of a period of rapid growth in PSE participation and even faster growth in tuition fees (see Section 2). All of these factors combined to drive Nova Scotia's student debt levels higher than any other province by the mid-2000s (National Graduates Survey, 2008), giving rise to Nova Scotia's reputation as "the least affordable jurisdiction [for PSE] in North America" (Usher and Steele, 2006).[9] In response to this criticism, successive Provincial governments have implemented numerous program and policy initiatives to improve the affordability of PSE in Nova Scotia (See Box A).

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[8] Please note that a full analysis of the PSSSP is not within the purview of this report. The program is briefly summarized in Box B (below) and will be more thoroughly investigated as part of a future project focusing on supporting PSE issues of particular relevance to Nova Scotia's Aboriginal population.

[9] As recently as 2010, Premier Darrell Dexter and former LAE Minister Marilyn More have described the NSSAP as among the worst in Canada (LAE, 2010, Hoegg, 2010).

Box A. Recent Changes to Student Financial Assistance Policy and Program Delivery

The provincial government has implemented a large number of changes to the NSSAP over the past five years.

- In 2008, the province began lending directly to student loan borrowers in order to reduce borrowers' interest rates for NSSAP by 2.0%.
- Also in 2008, the Province re-introduced non-repayable student assistance and began issuing each borrower's provincial assistance using a 20/80 grant to loan ratio (i.e. 20% of provincial SFA issued up front as a non-repayable grant).
- In 2011-12, the maximum weekly NSSL/G was increased by $10 (to $160), the up front grant to loan ratio was increased to 30/70; the annual allowance for books and supplies was increased by $500 (to $1,800), and the borrower's in study earnings exemption was doubled from $50 to $100 per study week. Also in 2011-12, a Debt Cap of was introduced to limit the debt of undergraduate SFA borrowers during the first four years of study. Students graduating within four years have their outstanding NSSL converted to a grant, leaving only the full four-year CSL amount – $28,560 – to be repaid.
- In 2012/13, the Province further increased weekly assistance to $170 per and established a 35/65 grant to loan ratio.
- In 2013/14, the weekly assistance limit was raised to $180 per week and a 40/60 grant to loan ratio was implemented.
- In addition to the $22.6 million invested in SFA improvements since 2011, the Province has also invested in a large number of improvements to service delivery (e.g. improved online application and student web portal; electronic certification of enrolment, withdrawals, graduation; more automated processes introduced to reduce wait times including pre-study reports and student assessments) and outreach activities (e.g. redeveloped communications strategies and tools including the SFA website, presence on Facebook and Twitter, a guidance counsellor toolkit, informational videos and brochures, etc.).

Of course, in addition to the above, the Province has also introduced a number of measures to reduce tuition costs of university students in Nova Scotia since 2005 (see StudentsNS, 2013a). These include:

- Three successive memoranda of understanding between government and the universities (2005, 2008, 2011) have capped tuition growth for Canadian students most programs at 3.9%, 0.0%, and 3.0%, respectively.
- In 2006-07, the Province implemented a one-time tuition reduction for Nova Scotia residents studying at Nova Scotia institutions ($440 for full-time students; $220 for part-time students).
- In 2008, the Nova Scotia Student Bursary (NSSB) was introduced in 2008 to reduce tuition for all Nova Scotia residents by $761, $1,022, and $1,263 over the following three years. In 2010-11, a $261 Out-of-Province Student Bursary (OOPSB) was for other Canadian students studying in Nova Scotia.
- As of 2013-14, the NSSB and OOPSB are in effect but must be renewed annually.

Given that a large number of changes have occurred over a short time period, it is difficult to accurately assess their full impact at this stage. Taken together, however, the changes have arguably begun to remedy some of the deepest flaws in Nova Scotia's In-Study SFA regime. We begin to assess this claim in the remainder of Section 4 by reviewing and analyzing the main features of current In-Study SFA programs and policies.

4.1 Eligibility for In-Study Financial Assistance

When applying for government SFA, students submit a single application for both the CSL and NSSAP, which is then evaluated by the Provincial administrators of the program, based on a large and complex series of eligibility criteria.

a. Basic Eligibility Criteria

Like most government programs, the CSLP and NSSAP set out basic eligibility criteria that applicants must meet to apply for and receive funding. To be considered eligible, applicants must meet certain criteria with respect to citizenship, residency in Nova Scotia, program and institutional eligibility, student category, and in some cases, basic financial eligibility (i.e. credit check). Applicants who receive funding must also meet certain requirements to be eligible for funding in subsequent years and/or programs of study. All of these criteria are summarized in Tables 4-1a and 4-1b.

INSERT TABLES 4-1a and 4-1b, each on a full page

The vast majority of the Basic Eligibility Criteria are fair and reasonable. In their totality, it is clear that these criteria are designed to be maximally inclusive to applicants facing a diversity of individual circumstances.

1. The citizenship criteria not only make provisions for Canadian citizens and permanent residents (likely to become citizens), but also to foreign students who have been granted official protected persons status (e.g. refugees). By definition, refugees are a particularly vulnerable population for whom access to education may be a critical step in building a new life in a new place.

2. The criteria for program of study are very flexible, accommodating a diversity of full-time programs:
    - With varying lengths (from training programs as short as 12 weeks to multi-year degrees);
    - Covering a large spectrum of academic disciplines and subjects; and

    Serving students with different learning priorities (academic and/or career-oriented learning).

3. Likewise, the list of designated (or approved) institutions that students on government SFA may attend is long and diverse, comprising each of Nova Scotia's 10 universities, all 13 Nova Scotia Community College (NSCC) campuses, and dozens of Private Career Colleges (PCCs), often with very particular areas of focus (e.g. cosmetology, human/health services, police sciences, etc.) (See Appendix A for the full list of designated institutions in Nova Scotia).

4. While most students must study full-time to qualify for regular SFA, the definition of full-time studies is also quite reasonable (60% of a full course load or 20+ hours per week, depending on the program). Further to this, students with a permanent

disability are considered full time if they maintain 40% of a full course load. Finally, a much more modest financial assistance program is available to part-time students through the federal government (see Box B below, this section).

5. Government SFA programs also make provisions to fund students that extend their studies into the summer months and students engaged in co-op work terms. These provisions help to ensure that these particular students do not face unnecessary financial hardship as a result of their educational choices. Similarly, the NS Residency requirements (Table 4-1b) make an interim allowance to continue funding students who move (or whose parents move) away from Nova Scotia during a funding year.

6. The policies for determining an applicant's student category (which relates to one's residency) are also flexible to a variety of personal circumstances (See Tables 4-1a and 4-1b). Flexibility in this criterion is particularly important because the student category relates directly to the calculation of resources available to a student and, by extension, to the level of funding a student may be eligible to receive. For example, a student without parents (for any number of possible reasons) qualifies as an independent student (without family resources to draw upon) while a single student with a child of their own qualifies as a Single Parent student (with additional recognized expenses to consider).

7. Finally, the requirements for maintaining continued SFA eligibility with respect to academic standards; number and type of SFA-fundable programs per borrower, and allowable program length are mostly reasonable (see below for exceptions).

In spite of these strengths, there are also some drawbacks to the Basic Eligibility Criteria. Most of these issues are subject to the existing appeals process (see *Appeals*; in Section 4.2). From an accessibility perspective, however, the most problematic issue is the limited SFA available to part-time students. The federal government does provide up to $10,000 per student in loans in addition to targeted grant programs for low-income/high needs part-time students (see Box B below). The provincial government has no such complementary programs. And while the federal program has recently improved substantially, the limited funding available to part-time students is a potential PSE access barrier to students for whom full-time studies are not an option (e.g. students in high cost, long-term programs, such as Dalhousie's part-time Law program, with a duration of seven years).

CONCERN: Limitations on funding for part-time students represent a potential barrier to students unable to study on a full-time basis.

Box B. Financial Assistance for Part-Time Students

SFA for part-time students is funded by the federal government and administered by the National Student Loans Service Centre (NSLSC), with applications processed by the Province. There are two dedicated Canada Student Grants for PT students:

1. Canada Student Grant for Part-Time Studies: this grant is valued at $1,200 per year and is available to students from low-income families (see eligibility criteria in Appendix B).
2. Canada Student Grant for Part-time Students with Dependants: this grant is valued at $40 per week of studies if you have 1-2 children under 12 years of age and $60 per week if you have three or more children.

In addition to the above, policy changes in January 2012 now provide the following additional benefits to Part-Time students:

1. The Government now pays the interest on part-time student loans while in-study.
2. The maximum total amount of part-time loans has increased to $10,000 (formerly $4,000). Students may borrow up to this amount for multiple programs but total outstanding debt may not exceed the $10,000 limit at any time.
3. Part-time students can now use these loans and grants to study outside of Canada.
4. Part-time students are now eligible for the Repayment Assistance Plan.

b. Financial Eligibility Criteria: Allowable Costs

Provided all of the Basic Eligibility Criteria are met, the applicant is then subject to a financial needs assessment process to determine whether s/he qualifies for assistance. There four-step assessment process is carried out using information provided by applicants:

1. Identify the student's category (see Table 4-1b above);
2. Assess the student's allowable COSTS and their available financial RESOURCES; and
3. Determine the student's financial need

NEED = COSTS *minus* RESOURCES

The assessment of the applicant's expected costs takes into account a wide variety of possible costs that may be incurred by a student while studying. Broadly speaking, these costs may be grouped into four categories: Educational Costs, Living Costs, Other Transportation Costs, and Family-Related Costs (detailed in Table 4-2).

INSERT TABLE 4-2 - full page

Depending on the particular item, the allowable cost used in the needs assessment may reflect the actual expected cost to the student (e.g. tuition and fees charged by their institution) or it may represent a universal assumption of expected costs (e.g. $1,500 per year for books and supplies + $300 for computer supplies).

As with the Basic Eligibility Criteria, it is clear that the allowable costs criteria are designed to accommodate a wide variety of student circumstances beyond the cost of tuition and personal living costs. For example, policy makes specific provisions for student parents (e.g. dependent children allowance) as well as extended travel for students studying away from home. *StudentsNS* believes this degree of flexibility is appropriate and necessary for a program intended to encourage broad public access to PSE.

c. Financial Eligibility Criteria: Student Resources

The CSLP/NSSAP programs consider five possible sources of student income when considering an application for assistance (see below and Table 4-3 for additional detail).

1. *Pre-study Period Contribution*: this includes an expectation that the applicant is employed full-time at minimum wage for the length of the period preceding the commencement of studies (most often the summer months).
2. *Study Period Contribution*: this includes a large number of potential income sources in four different categories, which may or may not apply to any particular student. The value of the contribution could be as low as $0.
3. *Parental Contribution*: for dependent students only, a parental contribution is calculated based on total income, family size, and a moderate standard of living assumption (see Appendix B).
4. *University Trust Fund*: if applicable, any funds held in trust for the student's education are also considered a resource to students. The value of this contribution could be also as low as $0.
5. *Spousal Contribution*: for married/common-law students only, the applicant's spouse is also expected to make pre-study and study period contributions based on the same criteria (with specific exceptions for student spouses and unemployed spouses).

In most of the cases above, SFA policy exempts some portion of income from the calculation of need (exemptions vary by income source, see Table 4-3).

INSERT TABLE 4-3 – full page

d. Financial Eligibility Criteria: Needs Calculation and Composition of Awards

After the applicant's allowable costs and available resources are calculated, determining the financial need is a straightforward operation:

NEED (federal) = ALLOWABLE COSTS ***minus*** AVAILABLE RESOURCES

Federal Awards

Once need has been determined, the next step is the evaluation of the applicant's eligibility for federal Canada Student Grants (CSGs). To be eligible for any of these grants, an applicant's assessed need must be at least $1. In the event that the total grant award exceeds the applicant's assessed need, eligible students still receive the full grant value(s). All of the available federal students assistance – including Canada

Student Grants, their eligibility criteria, and their values – are summarized in Table 4-4. With respect to CSG eligibility, in particular, it is important to highlight here that graduate and professional students are currently ineligible for low-income and middle income grants.

INSERT TABLE 4-4a and b – federal and provincial loans and grants

It is also important to note that some of these grants are mutually exclusive. For example:

- It is not possible to hold both a Low Income and Middle Income CSG because the income criteria are entirely different for the two groups (see Appendix B, Tables B-x and B-x).
- Similarly, a Middle Income Grant Recipient may not receive the Dependent Grant because is only available to Low Income CSG recipients.
- Finally, eligible students can, in fact, hold up to three CSGs simultaneously; for example, a low income student with a child under 12 and a permanent disability would be entitled to three grants, at a total value of $5,600 per year. Incidentally, that same student can also choose to make a separate application for up to $8,000 toward assistive services or technology (see Table 4-4a).

If the awarded grants meet or exceed an applicant's assessed need, no further federal awards are calculated. However, if a student has additional need not covered by their grants, a Canada Student Loan award will be calculated to supplement the grants, up to a maximum value of $210 per week. Based on this, the maximum federal loan award for the typical undergraduate student studying for 8 months (34 weeks) is $7,140.[10]

Provincial Awards

When an applicant's eligibility for provincial assistance is evaluated, the calculation of need is modified slightly for dependent student applicants. In these cases, the applicant's parental contribution is reduced by 25% of its calculated value (see Table 3-3). As a result, a dependent student's chances of receiving provincial student assistance are somewhat improved relative to students from other categories.

NEED (provincial) = ALLOWABLE COSTS ***minus***
[AVAILABLE RESOURCES ***less*** 25% of PARENTS' CONTRIBUTION]

If the student's remaining need (after the 25% parental contribution reduction) exceeds the already awarded federal grants and loans, Nova Scotia funding is awarded as summarized in Table 4-4b.

[10] As with the CSGs, the minimum amount student loan that may be issues is $100; in this case, if a student's remaining need does not exceed this threshold, no student loan award is issued.

Insert Table 4-4b

As was the case with CSLs, the minimum amount of provincial assistance that can be issued is $100. Thus, if a student's total remaining need is less than $100, no further assistance will be issued. It is also worth noting that any provincial assistance awarded based on initial assessment is subject to change upon completion of the student's Pre-Study Report (PSR). The PSR must be submitted after the study period begins and its purpose is to give the student an opportunity to update their application for assistance based on any new information about their pre-study income and/or expenses. Students are entitled to receive a reassessment of their pre-study contribution if they can demonstrate any changes to their employment income earned during the PSR period, that they are unable to work due to illness, or that they are unable to find work.

e. Disbursement of Funds

Before any funds are disbursed, the student must negotiate the terms of the grants and loans they are eligible to receive with the appropriate lender(s) (the Governments of Canada and/or Nova Scotia). The CSLP and NSSAP issue standard documents, which must be signed by the student, the government, and the appropriate institutional representatives. The student must sign their agreement to the terms of the awards in to receive their funding.

After the study period has begun and the award terms have been negotiated, the typical university student receives their funding in two installments, most often in September and January, with any federal grants split between the two installments . As described above, the second installment is subject to completion of the Pre-Study Report, which confirms the borrower's income and costs during the pre-study period. For students in shorter programs (less than 23 weeks), federal grants are disbursed in a lump sum at the beginning of term.

Insert Box C. PSSSP for Aboriginal Students – for final version

4.2. Other In-Study Student Aid Policies

There are a number of other in-study SFA policies that bear brief mentioning here.

a. Requesting a Reassessment

If a student believes that their financial assessment does not accurately reflect their actual expected costs or available resources, they may request a reassessment of their finances based on new or more accurate information. In all cases, documentation of the student's updated financial status must be provided. There are a number of possible grounds for reassessment described below.

1. Change in Parental Income

For single dependent students, an unexpected reduction in parental income can reduce the amount of money available for one's education. This is because applications are processed using personal income tax information from the previous year. In such instances, a student may request a reassessment of their need based on new income information. If the student is found to have more need, it may increase the amount of money awarded but it does not change eligibility for Canada Student Grants, which are always based on the previous year's tax assessment.

2. Change in Student Resources
If a student's resources are unexpectedly reduced after the study period begins, this may also provide grounds for a reassessment. Examples of this could include reduced employment earnings (for the student or, if applicable, their spouse), loss of a scholarship, or reduced investment value (e.g. RESP). In addition to any resource reductions, students are also expected to report any unexpected increases to their resources.

3. Change in Student Costs
Unexpected changes in a student's costs may also provide reasonable cause for reassessment. Examples of such costs include: uninsured medical/dental costs, changes in accommodations (and/or student category), registering for additional courses within the program of study, and making spousal student loan payments.

It is important to note that students applying for reassessment based on new information may also be subject to an over-award (i.e. an award in excess of the applicant's calculated need). In such cases, over-awards exceeding $1,000 ($500 for programs under 24 weeks) are deducted from the assessment of future provincial awards (if applicable). Over-awards below these thresholds are waived (i.e. capitalized into the borrower's provincial loan principal) and do not affect future awards.

b. Withdrawals
As described earlier, most students on government SFA are expected to maintain full-time student status. Students who withdraw from a program (or period of study) before the end date or reduce their course load below the applicable minimum threshold may become subject to the following consequences:

- An over-award;
- Cancellation of any awards not already disbursed;
- Conversion of awards already disbursed to loans; and/or
- A determination that the student has failed to meet the satisfactory scholastic standard (and subsequent SFA probation and/or suspension)(see *Maintaining Eligibility*; Table 4-1).

The consequences are largely based on the timing of the student's withdrawal. The student is typically not penalized for the portion of the study period that they continued to study full time. Thus, the proportion of SFA funding that may be converted to loan is roughly equivalent to the time remaining in the study period. The Nova Scotia Student Grant, Nova Scotia Dependent Grant, and Nova Scotia Supplemental Grant are all subject to this rule, but the Canada Student Grants are typically converted to loans only if the withdrawal happens within 30 days of the study period start date.

c. Appeals

The CSL/NSSAP program also administers an appeal process for students facing extraordinary circumstances not covered or accommodated within standard program policies. This process promotes the financial accessibility and overall fairness of the system by giving such students a formal opportunity to receive additional consideration for their unique circumstances. There are possible levels to the appeals process:

1. The Lower Appeal Board, comprised of SFA counsellors and the Manager of SFA Programs; and
2. The Student Aid Appeal Committee (or Higher Appeal Board), comprised of Ministerial appointees that receive a per diem for their service.

If the student making the appeal is unhappy with the decision of the Lower Appeal Board, s/he is entitled to present the appeal to the Higher Appeal Board. This Board may either confirm the previous SFA award or recommend that the Minister authorize a change to the student's award. In addition to this, the Higher Appeal Board may also issue up to $3,333 in discretionary funding to any applicant it deems appropriate based on the facts presented to the Board and current SFA policy.

There are many possible grounds for appeal of an SFA decision. In each case, students are encouraged to provide all relevant documentation that will help to establish that their situation is worthy of special funding consideration. There are some SFA policies that are not subject to student appeal, such as the maximum weekly loan amount ($180), the maximum values of grants, and the maximum lifetime limits on SFA. Some of the more common appeals heard by the Lower and/or Higher Appeals Boards are described briefly below.

1. Basic eligibility criteria: the student may wish to appeal a suspension (failure to maintain a satisfactory scholastic standard); to seek an extension to their program length; to seek special approval to seek a third undergraduate degree or diploma; or to have a failed credit check waived.

2. Family financial contribution: the student may appeal based on issues such as extraordinary family expenses (e.g. legal, medical, funeral, essential home repairs, etc.); high parental debt/bankruptcy; family breakdown resulting in a change of student status; or high living costs.

3. Over-awards: students assessed with over-awards may receive special consideration if, for example, the over-award is the result of a withdrawal due to illness; or if reclaiming an over-award would place the student in immediate financial hardship.

4. Other appealable issues: these might include a change of student category during a study period (e.g. a student becomes married or divorced); the reconsideration of allowable costs or expected spousal income of a married student; or extending a deadline for SFA application.

Based on the above, it should be clear that most issues related to the assessment and awarding of SFA are subject to student appeal. While there is no explicit guarantee that a student's appeal will be approved, the existence of an appeals process that gives extra consideration to student's facing personal and/or financial hardship is an undeniable strength of the government SFA regime.

In spite of these strengths, there are a number of justifiable critiques of the current appeals process.

- First, the program is poorly advertised to students facing financial or other hardships affecting their eligibility for SFA.
- Secondly, though the existing process is permissive to a wide variety of appealable issues, it can be an invasive and emotionally challenging process for appellants, often requiring them to share private details of their lives with a panel of complete strangers. This critique is particularly relevant to individuals appealing based on serious health problems; it is arguably inhumane to subject such individuals to such a potentially stressful atmosphere.
- Finally, since the Higher Appeals Board currently meets only in Halifax, it is less accessible to individuals residing outside of the City and therefore may cause an additional hardship to such individuals.

CONCERN: *The student assistance appeals process is inadequately advertised and therefore, poorly understood, by many individuals that could benefit from engaging in this process.*

CONCERN: *The students assistance appeals process can be an invasive and emotionally challenging experience that may be unhealthy for individuals with health-related grounds for appeal.*

CONCERN: The location of the Higher Appeals Board in Halifax causes an undue hardship on individuals residing and/or studying outside of the City.

Insert Box D. Students with Disabilities – for final version

4.3. Accessibility Impact of In-Study SFA Programs

Based on the policies governing In-Study SFA described above, *StudentsNS* has identified a number of concerning issues worthy of further attention.

a. Calculating Student Resources and Allowable Costs

The most problematic government SFA policies, from a student perspective, are those that specify the student resource contributions expected of SFA applicants. For any particular source of funds, the key question is whether or not the expected resource contribution is reasonable under the applicant's circumstances? In some cases, *StudentsNS* believes the answer to be 'no.'

Parental Resources (Dependent Students)

To determine the expected parental contribution, the CSLP applies a moderate standard of living (MSOL) assumption to the parents' after tax income. The NSSAP uses the same basic formula but also reduces the parental contribution by an additional 25% when calculating eligibility for provincial assistance.

On its surface, the MSOL assumption appears relatively generous to most families. For example, comparison with Statistic's Canada's Market Basket Measure (MBM)[11] of basic living costs shows that the MSOL exceeds MBM by between $12,000 and $21,000 for families ranging in size from two to 10 (Table 4-5)(Statistics Canada, 2011; 2013). Thus, it is fair to conclude that MSOL is, at the very least, generous relative to the most basic standard of living.

As a next step, we can then compare the MSOL assumption to actual after tax income data of the Nova Scotian population (Nova Scotian families of two or more; divided by quartile) (Table 4-6a). Table 4-6b shows the impact of parental contribution policy on Nova Scotian families at the upper limit of each income quartile. Moving from top to bottom, if we sequentially subtract the MSOL and the Parental Contribution (PC) from our Income Assumptions (IA), we are left with the parents' Surplus Income (SI). This exercise shows us that a small number of family types are left financially vulnerable under this scenario (i.e. they have fewer than $10,000 left to cover unexpected or extraordinary expenses, highlighted in yellow).

Insert Table 4-6a, b, c

Finally, to truly demonstrate the impact of the parental contribution policies, we then consider the impact of families that make contributions to other reasonable savings priorities (i.e. retirement savings and education savings for other children) (Table 4-6c).

[11] The MBM "is based on the cost of a specific basket of goods and services representing a modest, basic standard of living. It includes the costs of food, clothing, footwear, transportation, shelter and other expenses for a reference family of two adults aged 25 to 49 and two children (aged 9 and 13)" (Statistics Canada, 2013).

- To estimate retirement savings for each income assumption, we use the average combined value of retirement contributions made by Nova Scotians in a similar income range, as reported in 2009 federal income tax returns (i.e. Retirement contributions = registered pension plan (RPP) contributions *plus* registered retirement savings plan (RRSP) contributions) (Statistics Canada, 2013).
- To estimate education savings for other children, we assign an annual RESP contribution of $2,500 for each additional child (the amount required to maximize CESG benefits). This is an overestimate compared with actual RESP-buying behaviour of Nova Scotians (Appendix Table) but it is also an investment that governments strongly encourage all parents to make and is, therefore, entirely reasonable.
- Though they are not included in this analysis, some families might also make contributions to a Registered Disability Savings Plan (RDSP) for a family member – often a child – with "a severe and prolonged impairment in physical or mental functions." (Canada Revenue Agency, 2013).

After subtracting these amounts from the parents' Surplus Income (see 4-6b), we now observe many more family types that are financially vulnerable (with incomes under $10,000 or with negative incomes). While this is a simplified model, it reflects an important reality: that many Canadian parents are taking on additional debt and choosing to delay retirement to pay for the PSE of their children (CIBC, 2013). Taken together, these findings help to at least partially explain previous findings that parental contribution formulae in Canadian SFA policy tend to overestimate contributions of higher income parents (and also tend to underestimate the contributions of middle-income families) (Ekos Research 2003, Hemingway 2003a,b). Based on the above, this policy withholds assistance from students whose parents either cannot or will not make the expected contribution indicated by the family's income.

All of this raises fundamental questions about whether student assistance regimes should, as a matter of policy, force parents to choose between their own future economic security and the ability of their children to pay for an education. It is equally important to consider whether parents should be forced to discriminate between their children when investing in education. For the record, *StudentsNS* believes it is neither fair nor appropriate to force such decisions on parents. In more practical terms, this promotes economic security for some individuals at the expense of other individuals from similar circumstances (i.e. one's own family).

CONCERN: *The moderate standard of living assumption overestimates the parental contribution of some parents of dependent students.*

CONCERN: T*he moderate standard of living assumption fails to consider important family financial priorities including parental retirement savings, registered education savings for other children, and registered disability savings for any family member.*

Personal Resources

As described above, SFA policy assumes that students will contribute a significant share of their own financial resources to funding their education. This applies to both pre-study and in-study financial resources and, if applicable, also applies to the resources of a student's spouse or common-law partner. With respect to the student's own resources, the expectations are generally reasonable.

Pre-Study Contributions

For example, the 'typical undergraduate'[12] applicant's pre-study contribution is initially based upon minimum wage earnings and 18 weeks of full-time hours during the summer months (minus taxes and a basic living cost allowance). For 2013-14, this equates to an expected pre-study contribution of $3,179,[13] which is used to assess the applicant's initial eligibility for SFA. And while we believe this to be a reasonable set of assumptions, the minimum contribution is also re-assessed once the applicant's pre-study report has been submitted. Based on actual income earned, this contribution may be adjusted in either direction. This is an important program element, especially in a sluggish economy where students find it difficult to find stable pre-study employment.

In-Study Contributions

Student contributions during the study period are also quite reasonable. Students are not expected to work but are entitled to a $100 weekly exemption if they choose to do so. The various exemptions built into other income categories are also appropriate (see Table 4-3). In particular, the reduction of the parental contribution by any RESP or educational trust amounts invested on behalf of the applicant is an important acknowledgement for parents who invest early in their child's education. Though, as we point out above, similar allowances for ongoing educational investments on behalf of other children are no less important.

The $2,000 exemption on investment in RRSPs for each year since completion of high school is an equally important recognition that, in spite of their current student status, SFA applicants have multiple life-course needs and financial priorities. Of course, mature students and those seeking graduate or professional credentials are more likely to have RRSPs and other investments to draw upon. This point is particularly important because of the changing enrolment landscape in Nova Scotia: as the 18-24 year old population continues to decline, older students become increasingly important within Nova Scotia's PSE population. Already, graduate students are the fastest growing segment of Nova Scotia's domestic student population (MPHEC, 2013). Given this reality, Nova Scotia's PSE policies, including SFA policy, must reflect the needs of a changing student population.

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[12] The 'typical undergraduate is one who is in the single dependent student category and is living at home during the summer.

[13] Pre Study Contribution equals: gross earnings [18 29.6 hour weeks @ $10.15 per hour = $5,409 (less 7.6% taxes)] minus the living allowance [18 weeks at $101 = $1,818].

Moving forward, we question whether Nova Scotia should force any student to withdraw from an existing RRSP to fund their education. Just as we believe that parents should be entitled to save for their own retirements without hurting their child's SFA eligibility, so too should students (and/or their spouses) be able to do so. In a similar fashion, students with children should also be empowered to take advantage of education savings programs for their own children without affecting SFA eligibility. *StudentsNS* opposes any policy that forces loan applicants to heavily discount their current or future well-being (or that of their children) to pursue education.

Married Student Contributions

Unfortunately, the basic fairness that is so obvious throughout much of our SFA policy breaks down substantively for married (or common-law) students, with the most negative impacts felt by students with a non-student spouse.[14] This inequity is rooted in the assumption that a married couple that includes a student should expect to live below a moderate standard of living (as defined by the CSLP itself). The stark difference between married student living allowances and the MSOL (as applied to parents of dependent students) is illustrated in Table 4-7. Married couples without children are allowed $16,000 less than the MSOL, while couples with one to three children are expected to live more than $20,000 beneath the MSOL level.

Insert Table 4-7a, b

As a consequence of this differential standard of living, a student's spouse is expected to make a much larger contribution than would a parent with a similar level of income. To illustrate this, Table 4-8 models the expected contributions of two different two-person families with the same after-tax income (ATI).

- The first family, comprised of a single parent and a university student, is allowed 75% (nearly $40,000) of ATI for living expenses (MSOL), with the remaining $14,000 subject to the parental contribution formula (see Appendix). When the formula is applied, the single parent is expected to contribute a mere 3% of the family's ATI.
- The other family, comprised of a student with a non-student spouse, is allowed only 44% of ATI for their living allowance, with the remaining $30,000 subject to the spousal contribution formula (70% of income in excess of the minimum contribution). The minimum contribution (pre-study and in-study combined) for this couple is nearly $11,000 (or 21% of ATI) with an additional contribution of over $13,000 bringing the total to over 45% of ATI. Finally, even at a sub-moderate living standard, this couple retains less than $6,000 of ATI for savings and/or extraordinary circumstances.

[14] For two married students, allowable costs and expected resources are split equally between the two students in assessing any application for assistance (by either student). These students are also at an economic disadvantage, relative to other non-married applicants, but less dramatically so than their counterparts with only one student in the marriage.

INSERT Table 4-7

Given the single example above, it is not surprising that Higher Appeals Board members report that married students are currently among the most frequent appellants of SFA decisions. Nor is it surprising to hear anecdotes about student couples choosing not to delay marriage or cohabitation to maintain their eligibility for student assistance. Based on all of the above, it is clear to *StudentsNS* that SFA policy is leaving married students extremely vulnerable by expecting far too large a spousal contribution.

CONCERN: *For married student financial assistance applicants, the financial contributions expected of a student's spouse are unrealistically large.*

CONCERN: *Married couples containing at least one person on student financial assistance are expected to live well below a moderate standard of living, as defined by the Canada Student Loans Program.*

CONCERN: *The student contribution assumptions fail to consider potentially important financial priorities including personal (and/or spousal) retirement savings, registered education savings for dependent children, and registered disability savings for any family member.*

INSERT Box E. Social Assistance – for final version

Allowable Costs

The vast majority of allowable costs are reasonable and in some cases, quite generous. For example, recent increases to the book allowance results in each applicant receiving an allowable cost of $300 per 6-credit course (or $1,500 per 34-week study period) plus an additional $300 toward the costs of other educational supplies (e.g. computer, software, etc.). Other policies that give special cost consideration to a range of individual financial barriers to PSE access are also viewed very positively. Examples of such policies include those that: conditionally allow married students to claim the cost of additional housing; allow minimal travel costs for returning home or extended local travel; and recognize the costs associated with caring for dependent children.

On its surface, the allowance of full tuition costs for each student might also be considered a strong feature of the existing policy. This is arguably true, but only to the extent that attending a higher cost institution and/or program will improve an applicant's chances of being found in need of financial assistance. Based on individual circumstances, this could be the difference between receiving and not receiving a particular grant (i.e. $1 of need is enough to be considered eligible for CESGs).

On another level, however, this policy is highly inequitable to students with higher tuition costs. As an example, consider two low-income, high need undergraduate students attending two different rural universities in the same part of the Province, Acadia and Université Sainte Anne, in 2012-13. Tuition costs for these two students were $7,058 and $6,000, respectively, for a total difference of $1,058. Each student qualifies for CESG-LI ($2,000), a maximum federal student loan ($7,140), and maximum provincial student assistance ($6,120), for a grand total of $15,260. But since the Acadia student must spend $1,058 more on tuition, that student has considerably less money to cover all other education and living expenses.

b. Calculating Need and Assistance Levels

It is important to all students that the various components of student resources and allowable costs policies reflect students' economic realities as closely as possible. But for students with the most financial need, these issues are actually less important than the policies setting the maximum levels of assistance available to them. As described above, the existing SFA programs are not designed to help students cover all of their educational and living costs. As a result, each year a certain number of students are left with some "unmet need" after the application has been fully assessed. Previous research has estimated that at least 25% of Canadian students have financial needs beyond those assessed by SFA programs (Hemingway, 2003a; 2003b). Despite being a decade old, these studies are relevant here because they argued, at the time, that maximum assistance should be increased to at least $350 per week (equivalent to approximately $430 in current dollars), which exceeds the maximum assistance currently available to most students ($390 per week, excluding CESGs).

Not surprisingly, many students turn to other sources of funds, including expensive private debt, to increase their available resources (Junor and Usher, 2002; CUSC, 2012). This has the dual effect of making PSE even more costly (i.e. less affordable) and less accessible to students with insufficient leverage to secure private loans.

It is a common misconception that it is primarily students from more expensive professional programs (e.g. medicine, dentistry, law) who must turn to private loans. NSSAO program statistics suggest this is unlikely to be the case: of the 1,465 NS university student SFA applicants left with unmet need in 2011-12, the vast majority (77%) were actually undergraduate students (average UN: $2,049) with much smaller percentages made up by professional students (14%; average UN: $5,132) and graduate students (9%; average UN: $4,437) with significantly higher average levels of unmet need (NSSAO, 2012).

Of course, the larger amount of unmet need for professional and graduate students is a potential barrier in itself, making it that much harder for low and middle-income students to gain access to these programs. There is some evidence to suggest that access to high cost programs is most difficult for middle class students, who may not qualify for enough government SFA to cover their costs and, at the same time, also have few need-based bursaries available to them through other sources (OUSA, 2011).

PRINCIPLE: *Any increase in costs must be matched by available assistance; otherwise, accessibility for the most needy students will be diminished).*

CONCERN: *The maximum assistance amount is inequitable to students with the greatest financial need.*

Who Benefits from In-Study SFA?

Since we are interested in financial barriers to PSE accessibility, we can start to answer this question by examining the income characteristics of Nova Scotia's In-Study SFA borrowers. Focusing only on Nova Scotia residents studying at Nova Scotia PSE institutions, Table 3-9 shows the number of these students meeting the income eligibility criteria for certain loans and grants; it also indicates the share of this population that qualifies. For example, we can see that a total of 16,546 PSE students are eligible for a Canada Student Loan, representing 45% of all NS residents studying at any one of Nova Scotia's universities, community college campuses, or private career colleges. Importantly, the number of CSL recipients is also a useful proxy for the total number of NS resident students receiving In-Study SFA of any type.[15]

INSERT Table 4-9

In a similar fashion, the total number of provincial NS Loan and Grant recipients is useful for measuring the magnitude of the assessed need across the population of borrowers. This is because, to even qualify for provincial assistance, an applicant must first be eligible for a maximum CSL ($7,120 plus any relevant student grants). These data indicate that a clear majority of all borrowing PSE students (63%) have at least this much need. We can learn even more about the income characteristics of SFA recipients by focusing on those that qualify for Canada Student Grants.

Recipients of the CSG-Low Income grant, for example, must occupy a narrow income range between approximately $20,000 and $54,000 (gross income). At all family sizes (1 to 7 or more), this level of income is very close to the MBM measure of the most basic living costs (see Table 4-5). Based on grants awarded, less than one fifth of NS resident students (and just over two fifths of SFA users) come from low-income families.

Likewise, recipients of the CSG-Middle Income grant (10% of NS PSE students; 21% of SFA users) also occupy a specific income range from approximately $37,000 to $92,000 per year. For all family sizes, this level of income exceeds the aforementioned Moderate Standard of Living (MSOL) assumption and may, therefore, be considered relatively

[15] In reality, the total number of CSL recipients may be a slight underestimate of total SFA users. Since eligibility for CSGs is determined first, it is theoretically possible that some applicants' total need is met by those grants and that no further assistance is administered. It is possible, for example, to receive permanent disability grants without receiving other SFA; but since most grants are targeted at low and middle-income individuals, the vast majority of grant recipients also require CSL to meet assessed need.

generous in its targeting of higher income individuals. Unfortunately, at a total of $800 annually, this grant is not nearly sufficient relative to the large income deficits felt by individuals making average education and retirement savings (Table 4-6c). Nevertheless, it is an important acknowledgement of the economic burden faced by middle-income families.

Based on previous research, we already know that higher income Canadians tend to be overrepresented in the PSE system relative to those with lower earnings. In Canadian universities, for example, students from above median earning families make up 62% of the student population, with students below median income families making up the remaining 38% (MacKenzie, 2013). From our own SFA data, we also know that low and middle-income grant recipients account for only 29% of all NS resident SFA recipients (in any PSE program) and 33% of university SFA recipients. If we then assume that the Canadian figures roughly describe the reality in Nova Scotia, this suggests that a relatively small number of individuals (as little as 4% of the university population) are grant-eligible students choosing to eschew government SFA programs.

The data above help to reinforce what we already know about PSE populations in Nova Scotia and elsewhere: that a majority of PSE students come from higher income families. This suggests a continued barrier to access for students from low and middle-income backgrounds. It is somewhat surprising, however, to observe that 71% of NS resident PSE students do not qualify for the low and middle-income bursaries. In effect, this means that a majority of SFA recipients are classified as 'high-income' by SFA policy, even after we remove those who aren't even considered for low and middle-income grants (i.e. graduate and professional students). This finding has at least two important implications. First, the high income criteria set out in SFA policy are likely to be flawed, which is clearly supported by our standard of living analyses above. Secondly, regardless of these flaws, it is clear that the existing In-Study SFA programs are not fully penetrating the lower half of Nova Scotia's income distribution.

Finally, it is important to note some clear differences between the SFA recipients enrolled in different PSE environments. Notably, NSCC students have the lowest overall rate of SFA usage (30%), and also receive a smaller proportion of low-income grants, relative to both university and PCC students. One possible explanation for this is that community college programs tend to have lower costs than the others, thereby lowering the assessed need and SFA eligibility of many NSCC students. This is consistent with the observation that fewer NSCC students have sufficient need to qualify for provincial assistance (45%), in stark contrast to the clear majorities of university students (65%) and PCC students (81%) that do qualify.

Other interesting features include the fact that PCC students are 300% more likely to have dependents (compared with other PSE students) while permanently disabled NSCC students are 67% more likely to be SFA recipients. The explanations for these data features are less obvious, but they are nonetheless, standout features worthy of further consideration.

CONCERN: *The majority of in-study student assistance recipients come from higher income backgrounds, as defined by student financial assistance policy.*

INSERT Box F. Children in Care – for final version

5. Loan Repayment and Post-Study Financial Assistance

Armed with the essential knowledge of how existing government SFA programs affect current students' financial access to the PSE system, it is equally important to consider the impact of these programs on student borrowers after they leave school. To that end, this section provides brief descriptions and critical analyses of the main government financial assistance programs designed to help supplement post-graduate incomes and/or assist eligible borrowers in repayment to cope with their student debt.

5.1. Student Debt Repayment

To fully assess the impact of government SFA on PSE system accessibility, it is also important to take a closer look at the terms and conditions of repayment associated with the Canada and Nova Scotia student loan programs. Research evidence suggests that a lack of understanding amongst students about these terms and conditions, and the CSL/NSSA programs in general (CASA, 2010), is one of the many possible reasons why some eligible students choose not to borrow and still others choose not to pursue PSE at all (from: O'Neill, 2010; from CUSC, 2009).

After graduating (or leaving school), student loan borrowers begin repaying their Canada and Nova Scotia Student Loans six months after the end of their study period.[16] The basic terms of federal and provincial student loan repayments differ slightly at various stages of the repayment process (see list below).

- Grace Period Rules
  - During the 6-month grace period immediately following one's studies, the CSL Program charges interest on your loan and adds the accumulated interest to your loan principal at the end of the grace period. In contrast, the NSSAP waives the borrower's interest during this period.

- Interest Rates
  - Canada Student Loan borrowers can currently choose between a floating annual rate of prime plus 2.5% and a fixed annual rate of prime plus 5%. Since the 2008 interest rate reduction, Nova Scotia Student Loan borrowers can now choose between a floating annual rate of prime plus 0.5% and a fixed annual rate of prime plus 3%.[17]

- Repayment Term

[16] Likewise, borrowers who withdraw from school before graduating must begin repaying their loans six months after their official withdrawal date.

[17] These are the current borrowing rates. Canada Student Loan borrowers that consolidated their loans prior to August 1, 1995 are subject to different interest rate policies, as are Nova Scotia Student Loan borrowers that consolidated their loans prior to November 1, 2007.

- In addition to the six-month grace period, the standard repayment term for both Canada and Nova Scotia Student Loans is 114 months (9.5 years).

5.2 Assistance While in Repayment

a. Federal-Provincial Post-Study Financial Assistance

There are a number of repayment programs that apply to both Canada and Nova Scotia Student Loans.

1. Revision of Terms

Borrowers having difficulty making their monthly payment may apply to reduce their monthly payment by extending the length of their repayment term. Rather than the standard 114 months, the borrower may choose to extend their repayment term to a maximum of 174 months (14.5 years). Importantly, extending one's repayment period invariably results in higher overall loan costs because the amount of each payment to the loan principal is reduced, allowing more interest to accrue. With that said, it is also possible to use a revision of terms to reduce the repayment term and pay off one's student loan faster.

2. Repayment Assistance Plan (RAP)

The RAP makes it easier for borrowers to manage their debt by calculating a more affordable payment based on the borrower's family income, family size, and student loan debt level. Under the RAP, a borrower's monthly payments may be as low as $0 and may not exceed 20% of total family income; the precise payment amount is based on a formula in the Canadian Student Financial Assistance Regulations (SOR/95-329). In addition, the repayment term may not exceed 15 years (10 years for borrowers with permanent disabilities). For most RAP-eligible borrowers, there are two possible stages to the program.[18]

a. RAP Stage 1 – During the first 60 months (5 years) of RAP eligibility, interest on an eligible borrower's Canada and Nova Scotia Student Loans is paid by the respective government while the borrower's affordable payments (if required) are applied directly to the loan principal.

b. RAP Stage 2 – This stage is for borrowers who continue to face financial difficulties after exhausting all five years of Stage 1 or reaching 10 years since entering repayment. The same basic eligibility criteria apply in stages 1 and 2. The key difference is that the federal and/or provincial governments begin to cover not only the monthly interest but also a portion of the borrower's loan principal. For most borrowers, payments are adjusted to ensure that the loan principal is fully paid by the 15-year deadline; the corresponding deadline for

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[18] RAP for Borrowers with Permanent Disabilities has only stage, which corresponds to Stage 2 of the main RAP program.

permanently disabled students is just 10 years. Importantly, once a borrower has been approved for RAP Stage 2, they are ineligible to receive any additional loans or grants until the existing loans have been fully paid off.

3. Severe Permanent Disability Benefit Program

In addition to the RAP for Students with Permanent Disabilities program, the Permanent Disability Benefit Program grants immediate Canada and Nova Scotia Student Loan forgiveness to students that are deemed to be severely permanently disabled to the extent that they are unable to participate in the labour force or further PSE for the remainder of their lives.

4. Program to Help Student Reservists

Members of the Canadian Forces Reserves may participate in designated operations without having to make payments on their Canada or Nova Scotia Student Loan. The Canadian Forces Reservists Benefit exempts full-time student borrowers from any financial obligations that might otherwise have accrued on their provincial student loan during their period of service. Student reservists receive an interest waiver for both Canada and Nova Scotia Student Loans for the period of service. In addition, the service period does not count against the Reservist's repayment period nor does it affect their future eligibility for other debt management programs. Finally, the service period is not included in the borrower's eligible weeks of study for student assistance.

b. Nova Scotia-Specific Post-Study SFA

In addition to the federal-provincial programs described above, there are two post-graduate assistance programs specific to Nova Scotia.

1. Interest Relief Program

This program helps borrowers facing temporary unemployment or loss of income with 6-months of relief from making student loan payments. During that period, the Province carries interest on the loan so that the loan principal remains the same. A borrower may qualify for up to 30 months of interest relief (in 6-month increments).

2. Payment Deferral Program

This program allows borrowers to defer payment on their Canada and Nova Scotia Student Loans for up to 12 months. Borrowers engaged in an internship, residency, apprenticeship, or legal articling term may defer payments over the length of that term. Interest accrued during this period may be paid back in a lump sum or added to the loan principal at the Province's preferred lower rate of interest and amortized over the remaining repayment period.

3. Debt Cap Program

Beginning with loans issued after August 1st, 2011, Nova Scotia introduced a debt cap to its student assistance program. The debt cap applies to non-professional, undergraduate degree programs of at least four years in length. The program must also be the student's first PSE program funded by the NSSAP program. The key financial details of the debt cap program are as follows:

- Students must graduate from the qualifying program of study with total accumulated student debt in excess of $28,580, which is the established value of the Debt Cap and is equivalent to the maximum level of federal student loans over a four-year period.
- Students taking more than four years to complete their degree are only entitled to the Debt Cap for the first four years. To remain eligible for the Debt Cap, the program must be completed in no more than eight years.
- Under the founding terms of the Debt Cap program, students entering the second, third, or fourth years of a qualifying program of study in 2011-12 are also entitled to a prorated debt cap when they graduate.

Based on the above policies, a student entering their freshmen year in 2011-12 and borrowing the maximum student loan in each of their four years would be eligible for four full years of Debt Cap Benefits while students further advanced in their programs of study would be eligible for the pro-rated amounts as indicated in Table 5-1.

INSERT TABLE 5-1

5.3. Post-Graduate Tax Measures

The other significant aspect of post-graduate SFA is delivered through the federal and provincial tax systems. This section briefly summarizes each of the student-specific tax credits available to students studying in Nova Scotia.

a. Federal Tax Credits

Certain expenses directly related to one's post-secondary education or other degree can be claimed against Federal income taxes through a number of non‐refundable tax credits, which are intended to increase the after‐tax returns on educational investment.

1. Education Tax Credit

This credit is valued at $400 per full-time month of study and $120 per part-time month of study, or $3200 and $960, respectively, per 8-month study period. Permanently disabled students studying part-time are eligible to claim the full-time credit amounts.

2. Textbook Tax Credit

This credit is valued at $65 per month for full-time studies and $20 per month for part-time studies, or $520 and $160 respectively, per 8-month study period. As above, permanently disabled students studying part-time are eligible to claim the full-time credit amounts.

3. Tuition Tax Credit

This credit is valued at the actual tuition fees paid in the tax year, provided the total amount exceeds $100.

4. Student Loan Interest Tax Credit
Interest paid on government student loans can also be claimed against federal taxes payable. There is no maximum value for this credit meaning that the full amount of interest paid can be claimed.

The actual credited value for each of the above is determined by applying the lowest federal income tax rate (15%) to the total eligible credit amount. During their studies, most students cannot earn sufficient income to take full advantage of credits 1-3. A student may choose to carry forward the full value of their unused credits for use in a future tax year. Once an amount has been carried forward, it may not be transferred to another person. Alternatively, a student may choose to transfer a portion of their unused credit amounts (up to $5,000 per tax year) to a parent, grandparent, legal guardian, spouse or common-law partner.

b. Provincial Tax Credits

1. Tuition and Education Tax Credit
This credit is the provincial analog of the above federal credits. It is valued at the actual cost of tuition *PLUS* $200 per full-time month of study and $60 per part-time month of study, or $1600 and $480, respectively, per 8-month study period. Like the federal amounts, unused portions of this credit may be carried forward indefinitely or transferred to an eligible individual (only in the same year the credit was earned). The applicable provincial tax rate for determining the actual credited value is 8.79%

2*. Graduate Retention Rebate*
The Graduate Retention Rebate is a non-refundable tax reduction introduced by the NDP government in 2009 to replace the previous Post-Secondary Tax Credit (PSTC). In the six years immediately following the completion of any university degree (undergraduate, graduate, or professional), graduates can reduce provincial tax payable by up to $2,500 ($1,250 for diploma programs). The GRR tax reduction is applied after all other provincial tax credits have been applied. Unlike the credits described above, any unused portion of the GRR cannot be carried forward to subsequent years.

3. Student Loan Interest Credit
Interest paid on government student loans can also be claimed against provincial taxes payable. As with the federal loan interest credit, there is no maximum value for this credit: the full amount of interest paid can be claimed (subject to the 8.79% tax rate).

5.4 Accessibility Impact of Post-Study Financial Assistance

In 2012, 70% of graduates from Nova Scotia universities reported carrying some debt at the time of graduation (CUSC, 2012). Based on the number of university credentials granted in 2011, this represents nearly 6,900 debtors graduating in any given year (MPHEC, 2013) in addition to all NSCC and PCC graduates as well as any individuals who leave school without graduating. Furthermore, since 52% of all Nova Scotian residents studying in-province in 2011 were also recipients of government SFA, we can infer the majority of graduates' debt is owed to governments (NSSAP Data, 2013). As the primary creditors for a majority of graduate debt, governments have both the power and the responsibility to ensure that borrowers are able to manage their debt effectively without sacrificing their financial security. This is especially important for Nova Scotia's government because of the established link between graduate debt and youth outmigration (CASA, 2010).

a. Accessibility Impact of Repayment Terms and Assistance Programs

While there continues to be room for improvement, the range of federal and/or provincial programs currently in place to help students manage their debt has, arguably, never been stronger or more clearly defined. There are multiple levels of assistance available to individuals having trouble making the expected payments. The RAP, in particular, defines a clear process with a specific timeline for the provision of escalating levels of assistance to individuals in continuous need: first, RAP Stage 1 interest relief with affordable borrower payments applied directly to principal; then RAP Stage 2 with direct help paying down the loan principal; then finally, full loan forgiveness after a maximum of 15 years in repayment. Obviously, most student borrowers would rather earn the necessary income to pay their loans back in a timely fashion without such assistance, but the recently revamped RAP, in particular, provides a vitally important safety net to those who cannot.

If there is any criticism to be made about RAP and other debt management programs, it is that they are not well understood by individuals prior to the decision to take on (or not take on) debt. For some potential borrowers, we cannot underestimate the psychological impact of knowing that fair and transparent mechanisms for loan forgiveness exist, if they are needed. With such information available to them, individuals who would otherwise choose to forego or delay entry into PSE might reasonably make a different decision.

CONCERN: *Student loan repayment conditions and debt management programs available to student loan borrowers are poorly advertised and poorly understood by the student population.*

Debt Cap

Nova Scotia's recently introduced Debt Cap program is an even more important addition to the post-graduate assistance regime for student borrowers. *StudentsNS* strongly supports programs that are progressively targeted to individuals with the largest financial barriers. We also support programs that reduce overall levels of student debt. The Debt Cap checks both of these very important boxes.

The program represents up to four years of provincial loan (NSSL) forgiveness (a 100% retroactive grant) for students that have borrowed the most (i.e. a maximum CSL of $28,560 *plus* some amount of NSSL). The program has not reached full implementation so we cannot fully assess the impact on student debt, but it is guaranteed to reduce overall debt (and average debt) by virtue of its timing – average graduate debt in the most recent available year, $30,128, was above the established Debt Cap – and the sheer number of beneficiaries: 63% of all SFA applicants qualify for maximum CSLs. Furthermore, since 37% of all SFA recipients qualify for less than maximum CSLs, the average student debt at full implementation will almost certainly be less than the full debt cap amount.[19]

While we generally support the Debt Cap, there is considerable debate about several features of the program. Some suggest that the retroactive structure (i.e. eligibility at graduation) is sub-optimal from an accessibility perspective. The logic here is that administering the cap as an up-front grant might encourage a larger number of debt-averse individuals to accept government SFA and attend a PSE institution. This logic is not entirely flawed: a 100% up-front grant would undoubtedly provide a psychological safety net similar to that of the RAP (see above) but it would also be much more expensive to accomplish than a relatively cheap information campaign about the advantages of the RAP program to individuals struggling to repay.

Furthermore, granting all provincial assistance up-front would eliminate the graduation requirement of the existing debt cap, meaning that all provincial assistance would come with no strings attached. In our view, the graduation requirement is an appropriate incentive to students as well as an important mechanism of cost control in a province where less than three-fifths (58%) of all university entrants graduate within six years (based on Maritime-level statistics; MPHEC, 2013). While we do not currently track all of the remaining 42%, the available data suggest that a majority of these students do not graduate at some later date. Thus, to provide 100% of provincial assistance as an up-front grant would be to dedicate scarce resources to a significant number of individuals who do not gain a credential. Instead, the program as currently structured provides a strong additional incentive to graduate and *StudentsNS* believes this incentive should be maintained in some form.

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[19] For the last four years (2009-2012), the cumulative average CSL amount was $26,079 for university students, $25,594 for NSCC students. PCC students are typically less than four years in length, with slightly higher annual CSL averages (averaging $8,349 annually per borrower over the last four years).

On the other hand, the available graduation statistics do suggest ways that we might look to enhance the Debt Cap program to increase its impact on student debt. Only 38% of all university entrants graduate within the expected four years, rising to 53% after five years, and then to 57% after year six. At the same time, over 9% of programs are designed to be five years in length. In addition to all of this, the Debt Cap excludes graduate and professional students as well as all non-university students. Given these realities, the program arguably excludes far too many students from the outset by narrowly defining the eligibility criteria.

CONCERN: *The existing Debt Cap eligibility criteria exclude many post-secondary students from the benefits of this program, including all non-university students, graduate students, and professional students.*

CONCERN: *The four-year limit on Debt Cap benefits is impractical relative to the actual time-to-completion for many graduates.*

Tax Credits

At the national level, previous research has shown that higher income families (incomes above median) receive the majority of benefits from federal education tax credits (approximately 60%) (Usher, 2004c). This is hardly surprising, given that participation in PSE is heavily skewed toward individuals from higher income families. But because this is true, it is also clear that higher income individuals require fewer incentives to encourage their participation in higher education. This suggests that governments are expending considerable resources to provide financial incentives to families who do not need them and who would attend PSE either way.

The opportunity cost of investing in individuals who do not need financial help is having fewer resources to make targeted investments to encourage PSE participation among those who do. Thus, it is essential that we more precisely understand the distribution of education tax credits at the provincial level.

Our analysis finds that the available tax benefits are somewhat more progressively distributed in Nova Scotia than at the national level. Figure 5-1a shows the distribution of education tax credit claims by the pre-tax income level of all tax filers (Statistics Canada, 2011). Similarly, Figure 1b shows the distribution of benefits (in dollars) accruing to tax filers at all income levels. In each case, the midpoint of the distribution occurs within \$35,000 to \$39,999 income bracket: this means that the median claimant and the median benefit amount occur at roughly the same point in the income scale. At this income, a single earner is just below the median provincial income for families of any size (\$42,000). Two earner families at this level (2 *times* \$35-40k) would be above the median income for families of two or more (\$64,000) (Statistics Canada, 2009) but still well within CSLP's definition of a "middle-income family" (see Appendix B).

On an individual basis, the various education tax credits break down somewhat differently (Table 5-2a/b). Student loan interest credits and tuition, education, and textbook (TuEdTx) credits self-claimed by students (or graduates) are skewed toward the lower end of the income scale (median claimant and median benefit dollar at or below the $40-45k bracket). Not surprisingly, TuEdTx credits transferred to parents or grandparents are skewed toward higher income levels (median claimant and benefit dollar between $60-70k on the income scale). This is a reflection that parents/grandparents typically make higher incomes than students and/or recent graduates with available tax credits.

Insert Table 5-2a and b

Our analysis of federal education credits across Nova Scotia's income strata suggest a more equitable distribution than was expected; and while similar tax filer data are not readily available for the provincial tax system, the distribution of the various provincial credits is more or less the same as that of the federal analogues (Personal Communication, Department of Finance; 2013).

Of course, the one provincial credit without a federal analogue is the Graduate Retention Rebate, which was introduced by the NDP government in 2009 to replace the Post-Secondary Tax Credit (PSTC). Without question, the GRR is a more equitable tax measure to its predecessor because it is available to community college and PCC students, in addition to university graduates. On the other hand, unused GRR amounts may not be carried forward to subsequent years, which is a step backward from the PSTC. Finally, Nova Scotia's tax system is structured such that the GRR is deducted after all other non-refundable credits have been exhausted. For this reason, the largest beneficiaries of the GRR are those who make relatively high incomes immediately after graduation (including individuals returning to jobs after upgrading their credentials). According to NS Finance officials, the distribution of the GRR closely resembles that of the federal student loan interest credit (Personal Comm., 2013).

In addition to the distributional issues, neither the GRR nor the previous PSTC has proven to be an effective mechanism for achieving the intended goals of retaining and attracting recent graduates to our province. Other Canadian provinces – notably Manitoba and New Brunswick – have introduced similar tax credits in recent years with no measurable impact on retention or recruitment (Usher, 2009). In Nova Scotia, the youth population (aged 15-24) has been in decline since 2006, peaking at 122,400 and suffering a net loss of over 5,000 since that time. This strongly suggests that neither the GRR, nor its predecessor, have had any significant impact on youth recruitment and retention in Nova Scotia (Statistics Canada, 2013; Table 282-0087).

On top of the issues with the GRR, each of the other provincial tax expenditures are redundant and therefore wasteful because they simply mirror the incentives created by their federal analogues. This raises a serious question about whether provincial resources could be spent more effectively to enhance accessibility and affordability for the most needy students.

In addition to being regressive in their distribution, the benefits of non-refundable tax credits are both less generous than their federal counterparts (Table 5-2) and poorly timed for the students receiving them. Any benefits accruing to students or their families in the year of study happen through the federal income tax system, meaning that they occur near the end of the academic year. Further to this, many students (or their families) earn too little income to benefit from these tax measures within the study year and as a result, these benefits are typically enjoyed much later (i.e. after the student has graduated and become employed), which, by design, is also true of the GRR.

CONCERN: *Post-study student financial assistance delivered through tax credits disproportionately benefit higher income students and families.*

CONCERN: *Post-study student financial assistance delivered through tax credits are poorly timed to assist students when they need financial help the most – while they are studying.*

CONCERN: *Post-study student financial assistance delivered through provincial refundable tax credits, in particular, are less generous and also redundant incentives to their analogous federal tax credits.*

6. Recommendations

Nova Scotia's student financial assistance framework is comprised of two different assistance providers, delivering many SFA programs, at multiple intervention points, to serve a diverse student population. Given this complexity, it is perhaps unreasonable to expect students and their families to make sense of programs available to them. Demystifying these programs and policies for Nova Scotia's students is one critical objective of this project.

In addition to this, a more substantive objective is to identify areas of weakness in Nova Scotia's SFA regime and propose solutions designed to enhance the accessibility and affordability of PSE in Nova Scotia. Based on the analysis above, this section presents a package of incremental proposals designed to help fulfil three important objectives:

1. To enhance the accessibility of PSE in Nova Scotia to underrepresented or disadvantaged groups;
2. To give the most needy students more money while they study; and
3. To reduce the burden of student debt on new graduates.

These objectives fit within *StudentsNS* long-term vision of building *the strongest, most progressive student financial assistance program in Canada*.

6.1. SFA In Nova Scotia – Our Long Term Vision

In our ideal Nova Scotia of the future, all children would receive an excellent, comprehensive P-12 education that fully prepares them to pursue any PSE program of their choice. And after making that choice, each child would be offered an opportunity to attend college or university free-of-charge.

Unfortunately, Nova Scotia fails to achieve this ideal on a number of fronts. Many children are not fully prepared to pursue PSE, either academically or financially. Nor, as our previous work has shown, is it financially viable for the government to provide every qualified child with free PSE. The Province's finances and economic conditions simply do not permit it at this point in time (*StudentsNS*, 2013).

Despite these stark realities, there are concrete, incremental steps we can take that will move us along the road to achieving our ideal vision. As a starting place, the Province of Nova Scotia should make a number of commitments to its current and future PSE students.

1. Financial barriers will never stand in the way of any qualified Nova Scotian wishing to pursue PSE.
2. Low-income Nova Scotians, in particular, should receive the most financial assistance with the minimum repayment requirements possible.
3. Loan burdens for all borrowers will be fair and manageable in relation to one's post-graduate income.

4. The government commits to continuous action to help remove other social barriers to PSE access.

The recommendations herein will help Nova Scotia's government to partially fulfil each of these commitments, but most substantially the first three of them. The fourth commitment is much more complicated. It requires considerable efforts to more fully understand the barriers that exist and will almost certainly require substantial resources to begin tearing down each of these barriers in turn. *StudentsNS* is committed to beginning this work as part of our on-going research agenda. We call upon the Province of Nova Scotia and all of its post-secondary institutions and stakeholders to work with us on this all-important initiative.

RECOMMENDATION: *The Province of Nova Scotia and all interested PSE stakeholders should join with StudentsNS to investigate the existing social barriers to PSE access and create a comprehensive strategy to eliminate these barriers.*

6.1. Short-Term SFA Policy Agenda

Obviously, breaking down each and every barrier to PSE accessibility in Nova Scotia will be a long-term project. But we can take significant steps, here and now, to reduce the major financial barriers identified by our work.

a. Paying for Change

To truly improve financial accessibility for the most needy students, the Province must commit considerable resources to achieving the task. Based on our analyses, *StudentsNS* believes that these resources can and should be found by eliminating poorly targeted or ineffective SFA programs. In particular, the Province of Nova Scotia should take the bold step to eliminate the full suite of provincial education tax credits and reallocate the associated cost savings, in excess of $40 million annually, to reducing financial (and other) barriers to PSE accessibility in Nova Scotia.

StudentsNS recognizes that eliminating all of the existing education tax credits may be perceived as radical reform to some Nova Scotians, in particular those who currently benefit the most from them. In reality, however, it is really a practical and necessary step to making our PSE system more progressive and more accessible to those facing significant access barriers. Our research shows that:

- First and foremost, in addition to being less generous, the provincial education tax credits are also redundant to their analogues in the federal income tax system. Their power as incentives is, therefore, minimal.

- The poor timing of tax benefits further reduces their incentive power. Students with sufficient income may receive some financial benefits in their annual tax returns (at the *end* of each school year) but a significant portion of these credits are carried forward until the student graduates and enters the work force. Post-graduate benefits may reduce one's debt burden but they do nothing to help needy students during the critical period when they are actually studying.

- While the distribution of such tax benefits may be more equitable in Nova Scotia than in Canada as a whole, in general, these tax credits continue to favour higher income individuals and families over lower income families and students currently engaged in their studies. Higher income Nova Scotians require fewer incentives to pursue PSE, in the first place, but continue to receive a disproportionate share of scarce public resources through so-called "universal" programs (e.g. tax credits, Canada Education Savings Grants).

- The Graduate Retention Rebate, in particular, has not only failed to achieve its intended result, it exemplifies all that is wrong with SFA programs delivered via the tax system: it only takes effect after graduation and it helps those who need it least by favouring higher income graduates with more generous benefits. Most importantly, the GRR is a highly wasteful because it is by far the most expensive of the provincial tax measures (52% of the $40 million total in 2012).

While the elimination of these credits is not a policy decision to be taken lightly, the payoff can be enormous. The $40 million in potential savings is nearly as large as the total budget for all In-Study SFA in Nova Scotia ($48 million in 2012). If reallocated to the right priorities, this amount of money could make PSE more affordable for the vast majority of Nova Scotian students, and much more accessible to those facing the most complex obstacles to furthering their education.

RECOMMENDATION: *The Province of Nova Scotia should eliminate the Graduate Retention Rebate, the Tuition and Education Tax Credit, and the Student Loan Interest Tax Credit. All cost savings should be reinvested in student financial assistance and other necessary measures to improve the accessibility and affordability of post-secondary education in Nova Scotia.*

b. Bridging the Financial Gap for Students In Need

As described above, Nova Scotia's In-Study SFA programs are explicitly not intended to provide all of the funding students may need to finance their education. Students (and/or their families) are expected to make significant financial contributions to meet the cost of their chosen PSE programs. As a result, a significant number of SFA recipients are left with some amount of so-called "unmet need" even after receiving all of the SFA for which they are eligible. In 2012-13, there were 1,465 such students (in NS university only) with total unmet need of over $3.9 million.

StudentsNS believes that, in most circumstances, it is fair and appropriate that students and their families are expected to share the financial responsibility of pursuing PSE. For myriad reasons, however, there will always be students who cannot come up with the expected contribution on their own (e.g. student unemployment or underemployment, a parent or spouse who cannot contribute the expected amount, etc.). Students attending universities with higher fees also feel the additional pinch of having less money to meet their living costs and/or having less time to study because they are forced to work.

The worst-case scenario involves students with significant unmet need taking on expensive debt from private lenders just to make ends meet. This is an all-too-common phenomenon for students in more costly advanced degree programs (e.g. medicine, dentistry, law). And while these programs often promise large returns, the prospect of taking on such enormous debt can be a crippling barrier to otherwise qualified students, particularly those from low and middle-income backgrounds. Furthermore, the expected returns are *never* guaranteed.

RECOMMENDATION: *Eliminate the limit on provincial student financial assistance, currently $180 per study week, for all SFA-eligible students studying in Nova Scotia.*

Existing policy and practice makes allowances for many special circumstances that result in students facing higher costs and/or having fewer resources. This includes an excellent appeals process that, while not widely-advertised, provides students with ample opportunity to receive additional consideration for their unique circumstances. Despite these strengths, a fair and equitable SFA system for Nova Scotia is one that completely eliminates financial barriers for all qualified individuals pursuing PSE. Setting an arbitrary limit on the assistance available is not consistent with this critical principle.

RECOMMENDATION: *Develop and implement mechanisms to inform all students about the existing student assistance appeals process and to make the Higher Appeals Board more accessible to individuals across the Province.*

RECOMMENDATION: *In consultation with StudentsNS and representative students, develop and implement a more compassionate appeals/dispute resolution process for individuals facing serious and verifiable health issues.*

Eliminating unmet need is just one piece of the puzzle. For some students, the existing policies that determine their expected contributions are also fundamentally unfair.

For some dependent students, the expected parental contributions far exceed what parents can actually afford to contribute. This is at least partly because the allowable *"moderate standard of living,"* does not account for things like parental contributions to retirement funds or contributions to RESP accounts for an applicant's younger siblings.

These are important priorities for many families, which all levels of government have a clear interest and responsibility to support. Current SFA policy creates an intergenerational tension within families and unfairly forces parents into the moral dilemma of balancing their own interests against those of their children.
Of course, the very same moral dilemma may also exist for married students and/or students with dependent children. In our view, this is equally inappropriate and unfair.

RECOMMENDATION: *When assessing student assistance applications, the calculation of expected resources should give consideration to additional student and/or family costs, including, but not limited to, registered retirement savings and registered education savings for dependent children. With appropriate documentation, an applicant's resources calculation should be reduced by the actual amounts contributed to a registered pension plan (RPP), registered retirement savings plan (RRSP), and/or a registered education savings plan for a dependent child (RESP).*

In addition to the above, married students and students with dependents suffer further inequities from existing policy. Critically, these students and their families are afforded a meagre living allowance relative to the "moderate standard of living" allowance afforded to parents of dependent students. There is simply no justifiable basis for a policy that imposes different acceptable living standards to different groups of people facing similar costs.

RECOMMENDATION: *The cost allowances used to calculate each applicant's available resources should be sufficient to allow all applicants (and/or their families) a similar standard of living, regardless of the applicant's student category.*

One group of students at a particular disadvantage are those with high-income parents that either cannot or will not help contribute the expected financial contribution to their child's education. Unfortunately, depending on the circumstances, such students may not be eligible for any government student financial assistance. As a result, these students must entirely self-fund their education, which can be difficult depending on the individual student's circumstances (e.g. employment prospects and a host of other factors). *StudentsNS* believes government has a role to play in helping students in this situation because no one benefits if such students choose not to pursue an education or do so only with the help of costly private debt. The Province of Nova Scotia can take two approaches to this issue, as reflected in the recommendations below.

RECOMMENDATION: *Develop and execute a public education campaign using moral suasion to inform parents about the costs of a post-secondary education in Nova Scotia and educate them about the risks their children face without their financial help*.

RECOMMENDATION: *The Province should provide supplementary student loans to dependent students with parents who cannot or will not contribute the expected funding to their child's education, pursuant to the repayment recommendations set out below.*

c. Reducing Students' Debt Burdens

The recommendations proposed above are designed to ensure that no qualified Nova Scotian is forced to forego post-secondary studies as a result of their financial situation. Of course, the flip side of providing more financial assistance to students is the possibility of burdening those students with more student debt. In combination with the strong programs already in place, particularly the Repayment Assistance Plan and the provincial Debt Cap, the recommendations below are intended to mitigate this risk to the greatest degree possible and to reduce the debt burden for all of Nova Scotia's students.

The issue that is easiest to address is the current information gap that exists around the student financial assistance programs that are available to Nova Scotians. Given the immense responsibility that comes with taking on student debt, *StudentsNS* believes that government has a clear responsibility to educate students about this important financial decision ***before*** they begin to borrow.

Currently, the most readily available information about the programs can be found on the Provincial Government's student assistance website (NSSAP, 2013). Unfortunately, the site is not only out-dated, but poorly organized, incomplete, and difficult to navigate and understand at a glance. Furthermore, despite extensive efforts at improved outreach by student assistance program staff to students in the public education system, feedback from multiple sources suggests that there is considerable room for improvement in this area. Government has the ability to address both of these issues directly and at little cost.

RECOMMENDATION: *Develop an engaging and user-friendly informational web portal clearly explaining the essential features of the student assistance program, from application to repayment.*

RECOMMENDATION: *Create an interdepartmental strategy for disseminating information about the student financial assistance program between the Department of Labour and Advanced Education and the Department of Education and Early Childhood Development. A key objective of this strategy should be to deliver timely, accurate information on postsecondary education and student financial assistance to students within Nova Scotia's public education system.*

As we have recommended previously, we believe that PSE institutions and the government are responsible for providing all students with the best possible estimate of the expected costs of their chosen program of study, including a projected schedule of tuition and fees to be paid over the entire program of study (StudentsNS, 2013). This is important for all students, but especially for those who must borrow to pay for their studies.

It is equally important that borrowers receive all of the information they need to understand the potential future debt burden associated with receiving student assistance. This could include, for example, providing each student with periodic statements of their total existing debt, the current terms of repayment, and what their expected loan payments would be if they started paying them back immediately. Such a practice does not currently exist but could be implemented as part of the existing student loan applications process with minimal cost and effort.

RECOMMENDATION: *Students reliant on government loans to finance their education should be provided with all necessary information to better understand their potential debt burden, on an on-going basis, throughout their program of studies. At a minimum, this should include a clear explanation of the total amount of repayable financial assistance being offered, a reminder of any existing debt the borrower already holds, and the expected terms of repayment based on the total estimated debt amount.*

In addition to the primarily administrative and information-based recommendations above, the Government must also take more substantive steps to reducing student debt burdens. Based on our analysis, *StudentsNS* strongly supports the debt reduction approach represented by the provincial Debt Cap program. The program represents a generous 100% retroactive grant for eligible borrowers, appropriately targets low-income and/or high-need individuals, levels of need, and ensuring cost-efficiency in the public's investment in education by tying benefits to graduation.

On the other hand, the realities of many undergraduate students' lives often require them to extend their studies beyond the optimal four years. Such circumstances would include students struggling to meet academic requirements, needing to work to help finance their education, or perhaps facing adverse personal events that interrupt their studies. In addition, some students may enrol in programs designed to be longer than four years in length, immediately excluding such students from avoiding provincial debt like their cohorts in typical four-year undergraduate programs. Students in multi-year community college programs are similarly excluded from these benefits. To better reflect students' circumstances and achieve equity in its treatment of students with different program structures, *StudentsNS* believes that the Debt Cap requires fine-tuning.

RECOMMENDATION: *The policy defining the years of eligibility for the Debt Cap should be altered to allow each student to receive "X plus 1" years of debt cap benefits, where X equals the "typical program length" in years. The Province should also consider providing additional debt relief to students who do graduate within the "typical program length."*

This policy should require students to be registered in their first program of study, of two or more years in length, at an approved public post-secondary institution (i.e. community college or university).

Students pursuing additional degrees (i.e. graduate, professional) are not included in existing Debt Cap policy, nor are they accounted for in our recommendation above. This does not mean that debt-management policies are currently a non-issue for this group. To the contrary, such programs are often more expensive than the typical undergraduate degree or college diploma. Combined with our above recommendations – to raise allowable living standards for all students, to recognize certain additional expenses for students with families, and to eliminate the cap on provincial assistance levels provided to individuals – will clearly make SFA more accessible but could also greatly expand the debt of such students. Despite assertions to the contrary, not all such students are destined for astronomically high incomes in the future. With this in mind, most of our remaining recommendations are designed to help further relieve debt burdens for all student borrowers, including those taking advanced degrees.

RECOMMENDATION: *Together with StudentsNS and representatives of graduate and professional student groups, government should commit to a feasibility study with respect to extending the Debt Cap to students taking advanced degrees.*

We have already made our case for maintaining a graduation requirement to the Debt Cap program. Briefly, it provides a significant financial incentive to complete your studies. This is important because not only because it limits program expenses but, just as importantly, because Nova Scotia persistence rates and graduation rates are well below optimal. At the same time, *StudentsNS* has been very supportive of recent incremental changes to the grant/loan ratio, which is currently 40/60.[20] Based on this policy trend, current cost pressures faced by government, and the mutual benefits of PSE to students and the public, we believe it is reasonable that the Province and most provincial loan borrowers should equally share the initial cost burden. However, given the persistent access barriers faced by low and middle-income families (29% of all SFA recipients), it is appropriate that we create additional financial incentives for these individuals.

[20] In just 5 years, the grant/loan ratio has gone from: 0/100 to 20/80 (in 2008); to 30/70 in 2011; to 35/65 in 2012; and finally, to 40/60 in 2013 (see Box B).

RECOMMENDATION: *The Province should increase the base grant/loan ratio for provincial student financial assistance to 50/50.*

Based on the criteria for low- and middle-income Canada Education Savings Grants, eligible students should receive additional percentages of their provincial assistance in the form of non-repayable grants (i.e. family income would determine a specific grant-to-loan ratio on a continuous scale from 51/49 to 100/0).

The elimination of interest on provincial student loans has been discussed frequently since Prince Edward Island took this step in 2012 and StudentsNS has expressed public support for implementing a similar policy in Nova Scotia. There are a number of reasons that such a policy makes sense for Nova Scotia.

- First, the Province's transition to direct lending in 2008 limits the government's risk of being exposed to servicing student debt at higher bank interest rates.
- Secondly, the introduction of the Debt Cap program has already reduced the total number of borrowers who will eventually need to pay back their provincial loans.
- The total number of interest-paying borrowers will be further reduced as the Debt Cap reaches full implementation and reduced further still if the Province follows our practical recommendations to improve the Debt Cap program.
- Finally, the Province incurs annual expenses to cover the cost of the student loan interest tax credit, to pay the provincial loan interest of borrowers on the Repayment Assistance Plan, and to write-off student loan debt deemed uncollectible. We have already called for the elimination of all tax credits. As for the other programs, these cost the Province approximately $3 million in 2012, roughly equivalent to the total student loan interest revenue collected by the Province in the same year ($2.9 million).

Taken together, all of the above suggests that the Province of Nova Scotia has little to lose from eliminating interest, while students requiring provincial student loans would have much-needed reassurance that the amount they borrow from the Province is the maximum amount they will be expected to pay back.

RECOMMENDATION: *Eliminate interest payments on the provincial portion of student loans.*

The final set of considerations with respect to student debt is how to treat some of the "atypical" student loan borrowers discussed throughout this paper. As with the Debt Cap, it is not entirely obvious to *StudentsNS* that certain borrowers should automatically be subject to all of the same debt relief conditions available to other students. For example, it might be appropriate that dependent students with non-paying parents and/or professional students with high-income expectations be excluded from the Debt

Cap and/or interest-free status. Such a policy may help to convince parents with the ability to pay to do so and, even more importantly, it would also discourage students from using our recommended supplementary loan program unless it was absolutely necessary.

Whether or not it is feasible for such students to receive the same debt protection programs as the "typical borrower" is, arguably, a cost consideration. *StudentsNS* is not philosophically opposed to extending these programs to such students; however, as always, our foremost concern is that students with the greatest barriers to PSE receive the help that they need first. If the cost savings created by eliminating provincial education tax expenditures can pay for all of the above, we believe it should. As such, we are committed to studying these issues in our upcoming research and invite the Province and other stakeholders in this work.

RECOMMENDATION: *Together with StudentsNS, the Province should commit to studying its approach to debt relief for students repaying supplemental student loans (i.e. students in high-cost, high-return professional programs and/or students with non-paying parents).*

Finally, each of the recommendations above is aimed primarily at the provincial government, which funds and administers its own In-Study SFA program and also administers the federal program on behalf of the Government of Canada. With that said, many of the arguments we have made apply equally to the federal student loan program. For example:

- The federally-sponsored universal education savings programs (CESG, CLB) tend to favour higher income Nova Scotians as do education tax credits, while Nova Scotia's lower income status as a Province reduces our proportionate share of these federal investments;
- The inequitable standard of living assumptions and the exclusion of retirement and education savings from In-Study SFA allowable costs policies arise from policies shared between the federal and provincial programs;
- Like the Province of Nova Scotia, the Government of Canada incurs significant costs by servicing and/or writing off the debts of borrowers having difficulty repaying. Federal student loans write-offs in 2011/12 and 2012-13 totalled $541 million[21] while the federal RAP for Nova Scotians costs the Canadian Government approximately $4 million annually;

Based on all of the above, it is clear that Nova Scotians could greatly benefit if the Government of Canada took steps to align its SFA policies with those of Nova Scotia (including our new recommendations). In addition to eliminating the inherent flaws in

[21] These write-offs cover debts dating back over 10 years. Based on our share of the federal population, Nova Scotia's proportionate share of this debt write-off is in the neighbourhood of $15 million (ref)

program design, closer coordination of federal and provincial programs would make our student assistance system more efficient and more equitable.

Of course, while we encourage the Province to engage with its federal partners to help address the accessibility and affordability issues identified herein, we also recognize that our provincial government is in the best position to act on these important issues on behalf of Nova Scotians. And while a lack of federal cooperation could complicate the implementation of our recommendations to some degree, *StudentsNS* still expects the Province to address the underlying issues to the best of its ability.

7. StudentsNS Policy Resolution

PRINCIPLE: *Every qualified Nova Scotia student who wishes to pursue post- secondary education should be able to do so, irrespective of their financial situation, socioeconomic or ethnic background, physical, psychological or mental ability, age, sexual orientation, geographic location, or any factor other than qualification.*

PRINCIPLE: *The cost of PSE in Nova Scotia should not cause undue hardship upon any student or make them financially unable to live in Nova Scotia.*

PRINCIPLE: *The concepts of accessibility and affordability of post-secondary education are not equivalent to one another, but are inextricably linked.*

PRINCIPLE: *Increasing access to PSE for student with high financial need takes priority over broad tuition reductions for all students.*

PRINCIPLE: *Any increase in costs must be matched by available assistance; otherwise, accessibility for the most needy students will be diminished).*

CONCERN: *A lack of data on the post-secondary participation of different social groups hinders effective policy analysis on the accessibility and affordability of PSE for Nova Scotians.*

CONCERN: *The requirement to establish a Registered Education Savings Plan excludes most Nova Scotian families from receiving the universal benefits available through the Canada Learning Bond and Canada Education Savings Grant programs.*

CONCERN: *The largest beneficiaries of federal investments in Pre-Study Financial Assistance programs are higher income families.*

CONCERN: *The student assistance appeals process is inadequately advertised and therefore, poorly understood, by many individuals that could benefit from engaging in this process.*

CONCERN: *The students assistance appeals process can be an invasive and emotionally challenging experience that may be unhealthy for individuals with health-related grounds for appeal.*

CONCERN: *The location of the Higher Appeals Board in Halifax causes an undue hardship on individuals residing and/or studying outside of the City.*

CONCERN: *The moderate standard of living assumption overestimates the parental contribution of some parents of dependent students.*

CONCERN: T*he moderate standard of living assumption fails to consider important family financial priorities including parental retirement savings, registered education savings for other children, and registered disability savings for any family member.*

CONCERN: *For married student financial assistance applicants, the financial contributions expected of a student's spouse are unrealistically large.*

CONCERN: *Married couples containing at least one person on student financial assistance are expected to live well below a moderate standard of living, as defined by the Canada Student Loans Program.*

CONCERN: *The student contribution assumptions fail to consider potentially important financial priorities including personal (and/or spousal) retirement savings, registered education savings for dependent children, and registered disability savings for any family.*

CONCERN: *The maximum assistance amount is inequitable to students with the greatest financial need.*

CONCERN: *The majority of in-study student assistance recipients come from higher income backgrounds, as defined by student financial assistance policy.*

CONCERN: *Student loan repayment conditions and debt management programs available to student loan borrowers are poorly advertised and poorly understood by the student population.*

CONCERN: *The existing Debt Cap eligibility criteria exclude many post-secondary students from the benefits of this program, including all non-university students, graduate students, and professional students.*

CONCERN: *The four-year limit on Debt Cap benefits is impractical relative to the actual time-to-completion for many graduates.*

CONCERN: *Post-study student financial assistance delivered through tax credits disproportionately benefit higher income students and families.*

CONCERN: *Post-study student financial assistance delivered through tax credits are poorly timed to assist students when they need financial help the most – while they are studying.*

CONCERN: *Post-study student financial assistance delivered through provincial refundable tax credits, in particular, are less generous and also redundant incentives to their analogous federal tax credits.*

RECOMMENDATION: *The Province of Nova Scotia and all interested PSE stakeholders should join with StudentsNS to investigate the existing social barriers to PSE access and create a comprehensive strategy to eliminate these barriers.*

RECOMMENDATION: *The Province of Nova Scotia should eliminate the Graduate Retention Rebate, the Tuition and Education Tax Credit, and the Student Loan Interest Tax Credit. All cost savings should be reinvested in student financial assistance and other necessary measures to improve the accessibility and affordability of post-secondary education in Nova Scotia.*

RECOMMENDATION: *Eliminate the limit on provincial student financial assistance, currently $180 per study week, for all SFA-eligible students studying in Nova Scotia.*

RECOMMENDATION: *Develop and implement mechanisms to inform all students about the existing student assistance appeals process and to make the Higher Appeals Board more accessible to individuals across the Province.*

RECOMMENDATION: *In consultation with StudentsNS and representative students, develop and implement a more compassionate appeals/dispute resolution process for individuals facing serious and verifiable health issues.*

RECOMMENDATION: *When assessing student assistance applications, the calculation of expected resources should give consideration to additional student and/or family costs, including, but not limited to, registered retirement savings and registered education savings for dependent children. With appropriate documentation, an applicant's resources calculation should be reduced by the actual amounts contributed to a registered pension plan (RPP), registered retirement savings plan (RRSP), and/or a registered education savings plan for a dependent child (RESP).*

RECOMMENDATION: *The cost allowances used to calculate each applicant's available resources should be sufficient to allow all applicants (and/or their families) a similar standard of living, regardless of the applicant's student category.*

RECOMMENDATION: *Develop and execute a public education campaign using moral suasion to inform parents about the costs of a post-secondary education in Nova Scotia and educate them about the risks their children face without their financial help.*

RECOMMENDATION: *The Province should provide supplementary student loans to dependent students with parents who cannot or will not contribute the expected funding to their child's education, pursuant to the repayment recommendations set out below.*

RECOMMENDATION: *Develop an engaging and user-friendly informational web portal clearly explaining the essential features of the student assistance program, from application to repayment.*

RECOMMENDATION: *Create an interdepartmental strategy for disseminating information about the student financial assistance program between the Department of Labour and Advanced Education and the Department of Education and Early Childhood Development. A key* *objective of this strategy should be to deliver timely, accurate information on postsecondary education and student financial assistance to students within Nova Scotia's public education system.*

RECOMMENDATION: *Students reliant on government loans to finance their education should be provided with all necessary information to better understand their potential debt burden, on an on-going basis, throughout their program of studies. At a minimum, this should include a clear explanation of the total amount of repayable financial assistance being offered, a reminder of any existing debt the borrower already holds, and the expected terms of repayment based on the total estimated debt amount.*

RECOMMENDATION: *The policy defining the years of eligibility for the Debt Cap should be altered to allow each student to receive "X plus 1" years of debt cap benefits, where X equals the "typical program length" in years. The Province should also consider providing additional debt relief to students who do graduate within the "typical program length."*

This policy should require students to be registered in their first program of study, of two or more years in length, at an approved public post-secondary institution (i.e. community college or university).

RECOMMENDATION: *Together with StudentsNS and representatives of graduate and professional student groups, government should commit to a feasibility study with respect to extending the Debt Cap to students taking advanced degreesd*

RECOMMENDATION*: The Province should increase the base grant/loan ratio for provincial student financial assistance to 50/50.*

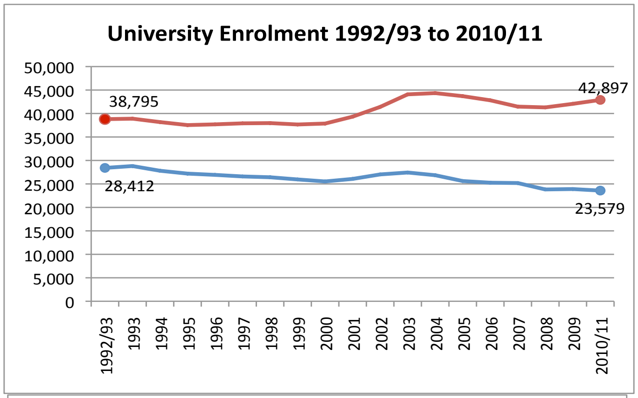
Based on the criteria for low- and middle-income Canada Education Savings Grants, eligible students should receive additional percentages of their provincial assistance in the form of non-repayable grants (i.e. family income would determine a specific grant-to-loan ratio on a continuous scale from 51/49 to 100/0).

RECOMMENDATION: *Eliminate interest payments on the provincial portion of student loans.*

RECOMMENDATION: *Together with StudentsNS, the Province should commit to studying its approach to debt relief for students repaying supplemental student loans (i.e. students in high-cost, high-return professional programs and/or students with non-paying parents).*

Section 2 Table and Figures

Figure 2-1a and b



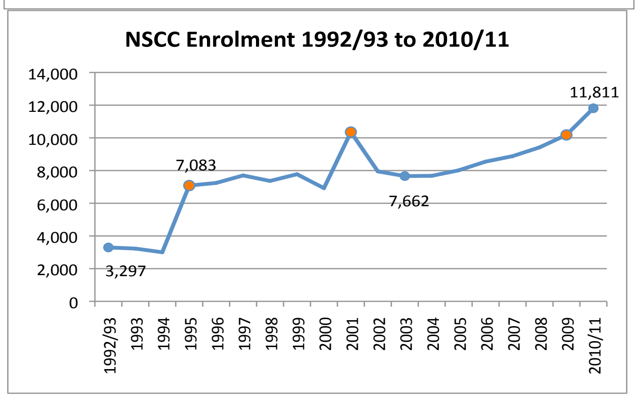


Table 2-1a. PSE Enrolment Change 1992/93 to 2010/11

Student Origin	% Change	# of students
Nova Scotia	-17%	-4,833
OOP	66%	5,646
International	185%	3,289
TOTAL-UNI	11%	4,102

Table 2-1b. PSE Enrolment Change of Nova Scotia Residents 1992-2010

Student Origin	% Change	# of students
NS-University	-17%	-4,833
NS-College FT	258%	4,492
NS PSE-Total	10%	-341

Table 2-2. Cost of Government SFA Programs

	Studying Anywhere	In NS
Pre-Study	**14,350,000**	**10,776,850**
Canada Education Savings Grant	12,600,000	9,462,600
Canada Learning Bond	1,750,000	1,314,250
*Revenue Loss from RESP program**	*2,635,000*	*1,978,885*
In-Study		
Federal	**129,162,117**	**103,232,609**
Canada Student Loans	107,982,255	85,490,197
Canada Study Grants	21,179,862	17,742,412
*Scholarship Income Exemption**	*880,000*	*660,880*
Provincial	**47,884,150**	**35,797,053**
Nova Scotia Student Loans	30,592,271	22,742,177
Nova Scotia Student Grants	17,291,879	13,054,876
Post-Study		
Federal	**49,995,482**	**37,731,102**
Education Tax Credits	46,215,148	34,707,576
Repayment Assistance (imputed from NS RAP figures)	3,780,334	3,023,526
Province	**49,257,588**	**36,992,449**
Education Tax Credits	18,348,033	13,779,373
Graduate Retention Rebate	21,238,555	15,950,155
Provincial Repayment Assistance	*1,071,000*	*804,321*
Debt Cap	*8,600,000*	*6,458,600*
*Provincial Loan Interest Revenue**	*2,961,000*	*2,223,711*
*Provincial Student Loan Defaults (Annual)**	*(2,000,000)*	*(1,502,000)*
TOTAL	**290,649,337**	**224,530,063**

*items not included in bolded subtotals or final total