

Focus on Need: A Vision for Student Finance & the Student Movement

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For many Nova Scotians and Canadians post-secondary education (PSE) is unaffordable because they cannot access adequate funds to cover their costs.¹ For many others, the prospect of significant debt overshadows the hoped for benefits of further studies. There is no way to accurately assess how many Canadians miss out on PSE as a result of these barriers.

The financial challenges for many who do attend PSE are daunting. Average debt levels for university graduates in Canada exceed \$20,000 and more than \$30,000 in Nova Scotia. The average debt burden is \$14,000 for college graduates nationally and \$14,500 in Nova Scotia.² Far too many students struggle to pay their fees, maintain a healthy diet and find adequate housing. Too many parents are delaying their retirement to help their kids get through school without excessive debt.³

The financial hardships facing many students must be addressed. Moreover, government, PSE institutions, and student organizations share responsibility to expand access to PSE by identifying and breaking down financial and other barriers.

StudentsNS envisions a post-secondary financial aid system where Canadian students in need have all their costs met without taking on the burden of excessive debt.⁴ We believe it is possible for this vision to become a reality.

Eliminating Debt and Meeting Students' Needs

Canada has developed a complex student financial aid system. It has two main pillars, one that is highly targeted and progressive, and a second that is regressive and ineffective.

Pillar I: Student Financial Assistance Programs

The first pillar is comprised of the Canada Student Loans Program (CSLP) and provincial student assistance programs. These programs aim to address the financial needs of students under many different circumstances. Assistance amounts are determined by assessing each student's financial resources and costs and then providing funds

equal to their assessed need. These programs cover tuition and other fees, but also address living costs such as rent, food, basic travel and other necessities.

In spite of their complexity, these student assistance programs have opened the doors of higher education to many Canadians who could not otherwise afford to enter. However there are two ongoing challenges that this system has never adequately addressed:

1. The difficulty of accurately assessing student need; and,
2. The accumulation of large debts to be paid after graduation.

It will be difficult to overcome the first challenge because of the need to account for millions of Canadians' individual financial circumstances. The current system is highly complex because it attempts to calculate so many student resource and expense variables, and yet it still fails to meet the actual financial needs of too many students. The student debt issue is a familiar one because it receives the most attention from student organizations and the media. With sufficient political will, however, this challenge is relatively easy to solve. Canada's governments could follow the lead of Newfoundland and Labrador and convert their current student loans into grants. StudentsNS has previously made recommendations to address these challenges. Some of these are summarized in Table 1.

Table 1. Key Student Financial Assistance Recommendations

Eliminate Debt	Meet Students' Needs
Convert all Canada Student Loan Program and Provincial Student Assistance Program Loans to Grants	Eliminate maximum limits on financial assistance for students so that funding is provided to meet students' assessed need.
	Reduce expected spousal contributions for married students to allow their families a similar standard of living as those of dependent students.
	Reduce expected parental and spousal contributions to recognize need to invest in retirement (RRSPs), to support the education of other children (RESPs), and to support family members with disabilities (RDSPs).
	Regularly review student assistance program cost assessments to determine whether they actually reflect students' needs and act to address shortfalls.

Some critics of Canada’s student aid programs suggest that administration of the system wastes scarce resources that would otherwise go into assistance for students. In 2012-13, the Federal government spent \$125.8 million to administer the Canada Student Loans Program. This seems like an enormous amount of money, but in fact represents just 3.8% of the \$3.3 billion in assistance delivered that year.

More importantly, even in an environment of highly subsidized or free tuition, financial aid programs would still be necessary to help many students cover their living costs while studying. For most students, the costs of housing, food, transportation, and other essentials exceed the cost tuition and fees (see Table 2). Of course, some students face even higher costs, including students with dependents and students with disabilities.⁵

Without question, student aid programs should strive to be transparent, easy to understand, and accessible to all eligible students. But a certain degree of complexity is both necessary and desirable if it means putting enough money into the hands of students who really need it. While the federal and provincial programs still have lots of room to improve, there is no question that many students rely on these programs and could not make do without them.

Table 2. Major Costs for Representative Nova Scotia University and Community College Students⁶

Type	Cost		Source
	University	College	
Tuition	\$6,440	\$3,040	StatsCan average university tuition and NSCC diploma tuition, 2014-15
Other student fees	\$793	\$600	MPHEC ancillary fees average (excludes student health insurance fees), 2014-15
Rent (school year)	\$4,040	\$4,545	CMHC Average Provincial Rent, 2014 (Shared 2 bedroom cost = half of full cost)
Food costs	\$2,416	\$2,718	Feed Nova Scotia, National Nutritious Food Basket Average Cost for an Individual 19-24 years old, 2012-13 – inflated to 2014-15
Books and supplies	\$2,157		CSLP, adjusted cost allowance to \$1,800 in 2011/12 – inflated to 2014/15 costs
Incidentals	\$2,500		Including items like health insurance, personal care & hygiene items, local transportation costs, other misc.
TOTAL	\$18,346	\$15,560	

Pillar II: Tax Credits and Education Savings Grants

Concerns about misdirected funds are warranted when it comes to the second pillar of our financial aid system: federal and provincial money spent on tuition and education tax credits and the federal money spent on the Canada Education Savings Grant (CESG) program. A large majority of the nearly \$3 billion that Canada's federal, provincial, and territorial governments spend annually on these programs goes to individuals or families with relatively high incomes.^{7,8} Reallocating this money to the CSLP and provincial financial assistance programs would go a long way to addressing the deficiencies of the core financial assistance programs.

Free Tuition Isn't Even Half the Battle

In response to escalating costs and student debt levels, many student organizations have advocated the elimination of tuition fees for all students and maximal direct public funding to PSE institutions. Advocates often evoke halcyon days when students paid little or no tuition to attend PSE in Canada, or they reference so-called "universal access" in countries where tuition fees are not charged. Despite years of such efforts, students in Canada are no closer to free tuition. In fact, tuition fees nationally have continued rising.

Meanwhile, the singular focus on eliminating tuition often ignores the plight of marginalized populations in Canada and around the world that have long been excluded from PSE access even with free or negligible tuition. Such individuals have to overcome other non-financial barriers to PSE access in addition to significant financial barriers. Claims that free tuition results in universal access are misinformed at best. Free tuition is simply not enough.

We envision a student assistance system that meets students' needs with grants instead of loans. How would this differ from a free tuition regime? Table 3 indicates the approximate impact of our student assistance recommendations on dependent students from families with different incomes.⁹

Based on the above, the only students who would still end up paying full tuition in Nova Scotia would be university students with family incomes of at least \$173,000 (almost triple the median family income) and community college students with family incomes of at least \$154,000.¹³

Table 3. Our Vision vs. Free Tuition: Impact on Nova Scotia Students¹⁰

Our Vision	Free Tuition
Achievable in the short-to-medium term	Has failed to make progress in Canada over decades of student movement efforts.
Would fully meet financial need: covering fees and living costs for students from families earning under \$66,500 per year (i.e. most families ¹¹); covering tuition costs for all students whose families make under \$134,000.	Would only fully address the need of students whose families earn more than \$134,000 per year (based on a three-person family).
Would eliminate student debt for all students reliant on needs-based government financial assistance.	Would only eliminate student debt for students whose need is less than or equal to their tuition (i.e. families with incomes over \$134,000 and those who work extensive hours to avoid taking on loans).
Would deliver the most financial support to students with the greatest financial need.	Provides equal support to all students regardless of family income or need in principle, but not always in practice. ¹²
Low-income students could pursue PSE knowing that all their costs will be covered.	Low-income students will still be forced to take loans to fund most of the costs of PSE.
Intermediate steps towards accomplishing this vision benefit low and middle-income students the most.	Intermediate steps towards accomplishing this vision benefit middle and low-income students comparatively less.

It is, of course, the case that some high-income parents and spouses are unable to help finance their children’s education in particular circumstances (illness or dependence of relatives, housing challenges, etc.), and some are simply unwilling to do so. This has led some student organizations to call for parental and spousal needs assessments to be eliminated from student aid program policies. We strongly disagree with this approach because it would effectively eliminate the program’s targeted nature and drastically increase program costs.¹⁴ However, mechanisms do need to be in place to support students in these circumstances, such as the Nova Scotia Student Assistance Program’s Lower and Higher Appeal Boards that can provide additional support on a case-by-case basis.¹⁵

The StudentsNS approach is built upon the recognition that public resources for student financial assistance are limited and should therefore be directed to have the greatest impact. It is a fact that Canada spends more on PSE than almost any other country in the world. We are third among industrialized (OECD) countries with respect to total PSE expenditures per student and the proportion of total public expenditure dedicated to PSE.¹⁶ We are also first in terms of the share of all public

education dollars going to PSE, which means we spend proportionately less on the education of children and youth in public schools.¹⁷ It is hard to argue that PSE is chronically underfunded in Canada, but it is clear that far too little of that money is spent in support of students with limited means.

We need to be thoughtful and make every dollar count to ensure all Canadians can realize their right to education. This means targeting spending based on financial need. It also means eliminating child poverty, closing primary and secondary education achievement gaps among historically marginalized populations, and taking other steps to address broader social and economic inequities that hold back too many Canadians.

Students expect concrete results from their leaders and advocacy organizations. It's not enough to dream of a different world, we're expected to help build one. Effective advocates set priorities. The student movement's first priority should be to support those who need help the most.

Call to Action

StudentsNS has a vision for a PSE system where no student must pay more than they can afford to attend PSE, where all students who need financial support get it, and where that financial support does not create an unmanageable debt burden that may prevent graduates from attaining their life goals. We are focused on the Provincial level and the Nova Scotia Student Assistance Program, but the Province has little say over Federal loans. Nova Scotians cannot make this vision a reality all on our own.

There will be a federal election in 2015. We see an opportunity for dramatic change.

We're calling on student organizations across Canada to come together with StudentsNS. Those who truly want PSE to be accessible and affordable for all Canadians should also focus their efforts on ensuring student financial assistance programs meet students' full costs and convert their loans to grants.

Students unite! Together we can build a more thoughtful movement and a progressive financial aid program that meets the needs of all Canadian students and their families and communities.

Endnotes

1. See, for example, <http://studentsns.ca/impact/case-studies/juno-macguff/>
2. P. 40: <http://studentsns.ca/wp-content/uploads/2012/10/2014-09-16-employment-report-FINAL.pdf>
3. http://casa-acae.com/wp-content/uploads/2014/10/Data-Backgrounder_June5thRelease1.pdf
4. This document focuses on the financial aid picture for domestic Canadian students. StudentsNS will be working on a similar document addressing international student finance in the coming months, given that the economic and social circumstances of these students are very distinct.
5. The highest cost of attending post-secondary education is actually foregone earnings, i.e. the money students do not earn because they are studying instead of working. This barrier is most significant for older students, who often have greater financial responsibilities, such as children, and may receive inadequate support to cover these costs.
6. These costs are relatively minimal compared to many students who live in residence, have a disability or a dependent, are married/common-law or are in more expensive programs. StudentsNS has prepared a number of case studies of students with different financial circumstances and their costs and funding based on provincial-level StudentsNS advocacy priorities, available at www.studentsns.ca/impact/case-studies/.
7. Federal government expenditures on the Canada Education Savings Grant (CESG) and Canada Learning Bond (CLB) programs totaled more than \$840 million in 2012. Over \$99 million of the total went toward the low-income targeted CLB program, but most of the remainder went to students from higher income families; 84% of CESG claimants have annual family incomes above \$84,000.
8. Federal government expenditures on education tax credits were \$1.3 billion in 2012. Provincial government expenditures were roughly half of that amount (estimated \$655 million). In any given year, only one third of all educational tax credits expenditures were claimed by current students with the rest claimed by a transferee (parent, grandparent, spouse) or an individual claiming a previously accumulated credit after they have graduated and begun earning income (Neill, 2013; StudentsNS, 2013).
9. For simplicity's sake we have chosen to focus on dependent students. These estimates are conservative in that they tend to underestimate the generosity of student aid because we consider students with among the lowest living costs and we have not built our full recommendations for reduced parental contributions into the model. Please contact StudentsNS if you would be interested in similar data respecting independent single and married/common-law students.
10. The different implications of these two visions are based on the cost assumptions summarized in Table 2. All income thresholds assume a three-person family.
11. Median after-tax income in Nova Scotia is \$61,500 in 2013.

12. Under current NSSAP policies lower-income students' savings from tuition reductions would be clawed back through reduced grants and forgiven loans. The design of the NSSAP in Nova Scotia means that students' initial need is addressed through Federal support, then they access provincial assistance that is comprised 40% of grant for all students and converted entirely to grants through a debt cap program for undergraduates' first four years of study. This means that provided students do not have unmet need, tuition reductions for students receiving provincial financial assistance will reduce the amount of grant that they receive and therefore deliver less net benefit than for students who have less financial need, i.e. higher income students.

13. These estimates are based on average tuition and fees at Nova Scotia universities and diploma fees at the NSCC under a very conservative model for other education costs. Some students will not be eligible for funding at a lower family income level, based on lower institutional fees or other cost reductions, but many students' costs will be higher than indicated in our model, in which case they will receive additional financial support. Even if you wanted to provide every student with a guaranteed living income while attending PSE, irrespective of their socioeconomic background and family resources, measures would have to be in place to recognize the additional costs of certain students with special circumstances (e.g. students with dependents or with disabilities). Of course, government would be extremely unlikely to pursue such a policy because it would transfer significant financial support to students from higher income backgrounds.

14. If students could easily opt out of means testing, then why would high-income families not insist on their children opting out, thereby cancelling out any targeted element of the program? If the program is not targeted, costs will increase dramatically without delivering added support to students with the greatest financial need. For these reasons, there is almost no chance of government systematically allowing family means testing to be removed from student aid programs.

15. StudentsNS has also recommended that government provide low-interest loans to students from higher income families that could be entirely detached from financial need. The challenge is that excessively generous support would risk disincentivizing any high-income parents from supporting their children, thereby breaking down the student financial aid system's targeted approach.

16. Organisation for Economic Cooperation and Development (OECD). 2012a. "Education at a Glance 2012: OECD Indicators." September. <http://www.oecd.org/edu/eag2012.htm>.

17. Ibid.