

# BUDGET 2012

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**CANADIAN FEDERATION OF STUDENTS– NEWFOUNDLAND AND LABRADOR**

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# EXECUTIVE SUMMARY

Federal budgets are a manifestation of the priorities of government and play an essential role in promoting the economic and social prosperity of our country and its people. Although there are many areas that can benefit from government investment, there can be no higher priority than investing in our collective future through post-secondary education.

Attending university or college is one of the most reliable determinants of a person's future quality of life and is a proven means of breaking the cycle of poverty. Funding a high-quality, accessible post-secondary system generates a wide range of economic benefit and ensures that Canada has a workforce that is able to produce in the twenty-first century. As such, the government's role in funding and managing post-secondary education is one of its most important responsibilities.

Accordingly, the Canadian Federation of Students- Newfoundland and Labrador makes the following three recommendations for policy changes that will help reduce financial barriers to post-secondary education, improve the quality of universities and colleges, and enhance Canada's capacity for research and innovation:

**RECOMMENDATION #1:**

Establish a dedicated transfer payment to the provinces for post-secondary education with increased funding to be legislated by a Post- Secondary Education Act;

**RECOMMENDATION #2:**

Replace education-related tax credits with up- front non-repayable grants;

**RECOMMENDATION #3:**

Increase funding for the Canada Graduate Scholarship Program, allocated according to enrolment.

## INTRODUCTION

The Canadian Federation of Students-Newfoundland and Labrador represents every one of the 28,000 students enrolled in the public post-secondary system in the province. The Federation welcomes the opportunity to provide input on the Government of Canada's fiscal plans.

Affordable and high quality post-secondary education and training has long-term impacts on the province's workforce and social equality. Prioritising post-secondary education will help secure Canada's global position as a competitive, sustainable, liveable, and just society.

Despite recent investments by both the provincial and federal governments, students still struggle to afford their education. According to a recent poll conducted by Harris-Decima, 88 percent of respondents were concerned that some Newfoundlanders and Labradorians were not able to afford to attend college or university, even though they are qualified to do so.

## PROVINCIAL INEQUALITIES

Following federal funding cuts in the 1990s, virtually all provincial governments and post-secondary institutions chose to replace lost funds with higher tuition and ancillary fees. At the beginning of the 1990s, undergraduate tuition fees in Canada averaged \$1,464. Today, they average almost \$5,000. Fees today surpass \$15,000 for many students studying in professional fields such as medicine or dentistry. In addition, a student's residency has become an important factor in determining whether or not they can afford to attend college or university. Students studying for a bachelor's degree in Newfoundland and Labrador pay less than half as much in tuition fees as those in Ontario or neighbouring Nova Scotia.

Tuition fees are the biggest expense for most college and university students and remain the largest barrier to post-secondary education. According to Statistics Canada's Youth in Transition survey, 70 percent of those who did not pursue post-secondary education and 71.4 percent of those who dropped out cited financial reasons as their motivation for discontinuing their studies.

Since 1998, Newfoundland and Labrador governments have implemented tuition fee freezes and reductions, reintroduced up-front needs based grants, and eliminated the interest on student loans. These measures have resulted in the province boasting the most accessible system of post-secondary education in Canada. At the height of tuition fees in the province in 1998, student debt averaged approximately \$31,000 at the end of a bachelor's degree. Students in Newfoundland and Labrador were the most indebted in the country. Ten years later, contrary to national trends, student debt in the province has decreased and currently averages approximately \$25,000 for a four-year undergraduate program. There has also been a 40 percent decrease in the number of students who rely on student loans to finance their education. Clearly, the work of successive governments has paid off: enrolment has risen, college campuses are thriving and expanding, and the province has been attracting a growing number of students from other provinces and countries.

In the 2010-11 academic year, undergraduate tuition fees in Newfoundland and Labrador were \$2,624, the lowest in Canada, excluding fees charged to Québec residents inside Québec. As a result, Newfoundland and Labrador has seen a 500 percent increase in

enrollment since 1999, when tuition fees were first frozen. A study by researchers at MUN's Faculty of Education, *Matriculating Eastward: Maritime Student Migration to Newfoundland and Labrador*, examined why an increasing number of students are coming to study at MUN from Nova Scotia, New Brunswick, and Prince Edward Island. It concluded that a comprehensive choice of programs, strong reputation and low tuition fees were the primary reasons. In particular, the study found that enrolment has increased 1,079 percent from Nova Scotian students, where tuition fees are more than double those in Newfoundland and Labrador. From 2000 to 2007, the number of Newfoundland and Labrador students leaving to study in the Maritime provinces decreased by 54 percent while the number of students from the Maritimes studying at Memorial University increased more than ten fold.

Though beneficial for Memorial University of Newfoundland, it remains fundamentally unjust that students face varying financial barriers based simply on where they live. All Canadians should have equal access to an affordable and high quality post-secondary education.

## TOWARDS A POST-SECONDARY ACT

Government funding for post-secondary education, in the form of core operating grants allocated on a per- student basis, is required for the sustainable provision of high-quality university and college education.

Throughout the 1990s, government funding cuts resulted in the elimination of many programs at the College of the North Atlantic and Memorial University. Many students no longer had access to training programs, and campuses were scheduled for closure due to low enrolment. However, since 1999, increases in government funding have ensured that the number of institutions and programs have not only remained constant, but have actually increased.

Since 2003, funding for post-secondary education and student financial assistance has increased by 90 percent, from just over \$250 million in 2003 to approximately \$475 million in 2011. This funding has served to increase accessibility and improve the quality of the province's institutions.

The provincial economy increasingly relies on an educated workforce. The development of major natural resources projects in the coming decade will require a highly skilled workforce. It is estimated that at the height of the current major projects in 2015, over 9000 employees will be needed to fill positions. In particular, the public college system is in need of increased core funding if it is to meet the demands of the labour market in the years ahead.

A 2004 study analysing the benefits of government investment in the College of the North Atlantic proved that many direct and indirect benefits result from funding post-secondary education. These benefits, which extend themselves to society as a whole, include job creation, expansion of the tax base, improved economic productivity and health, declining crime and greater participation in productive society.

According to the study, the \$60.1 million provided to the College of the North Atlantic in 2002 and 2003 alone will save the Newfoundland and Labrador government roughly \$14.4

million in reduced expenditures each year from 20,700 fewer absentee days in the workforce (\$2.4 million), 750 fewer smokers and 280 fewer alcohol abusers (\$1.9 and \$3.6 million, respectively), reduced crime (more than \$100,000), and 300 fewer social assistance and 700 fewer Employment Insurance recipients (\$1.2 and \$5.2 million, respectively).

This is a significant return on investment. The College of the North Atlantic provides an impressive benefit- cost ratio, estimated at \$11.50 earned for every dollar of provincial money invested. From a strictly investment perspective, not taking into account the indirect benefits of a healthier and more productive population, the Newfoundland and Labrador government can expect to earn a 13.1 percent return on investment into post- secondary education.

Therefore, while the individual student benefits from a high-quality and accessible post-secondary education system, funding this system adds to the overall quality of life in the province and is a strategic investment in society as a whole. In a time of economic insecurity, funding in education and the social safety net will ensure a high-quality standard of living for all Canadians.

While the provincial government must continue to increase funding to both Memorial University and the College of the North Atlantic, the cooperation of the federal government is required for the development of a high-quality and equitable post-secondary education system in the province and across the country. The federal government has already collaborated with Newfoundland and Labrador to increase access to post- secondary education, specifically through the disbursement of student financial assistance through the Canada Student Loans and Grants Programs and their provincial counterparts.

The Canadian Federation of Students-Newfoundland and Labrador recommends that the federal government establish a dedicated cash transfer payment to the provinces specifically for post-secondary education. To return to a level of federal funding equivalent to the level before the cuts of the mid-nineties would mean a dedicated post-secondary education transfer to the provinces of approximately \$4.9 billion. The federal government currently allocates just over \$3.5 billion as part of the social transfer, however there is no requirement for the provinces to spend this money on increasing access to post-secondary education.

This dedicated transfer could improve access to post-secondary education by reducing tuition fees, while improving teaching, learning, and research infrastructure at universities and colleges. In order to maintain the integrity and transparency of this transfer, it must be accompanied by federal legislation, such as a post- secondary education act to hold the parties accountable for the funding increase.

Since the funding cuts in 1993, full-time enrolment has increased 24.85%, resulting in an increase of \$637 million in costs to the system that are yet to be directly addressed by the federal government. Additionally, costs related to the university and college system increase at a much higher rate than the standard consumer price index, similar to that of the health care system. Over the previous eighteen years since the cuts to the post-secondary education transfer, we estimate that there has been, on average, an annual post-secondary education related inflation of three percent, or about \$1.7 billion, over that of inflationary growth. The Federation sees this as a conservative estimate as some universities have put their institutional cost increases at near five percent above CPI. We have presented this estimate as a guide for comparing funding levels between now and 1993.

If directed through a federal post-secondary education act negotiated with the provinces and applied specifically toward reducing up-front costs for students, this money would bring Canada in line with international treaty obligations of improving access to post-secondary education and training. It would also result in a reduction of the need for students to take out federal-subsidized student loans and reduce costs for the federal government over the long term.

**RECOMMENDATION #1:**

Establish a dedicated transfer payment to the provinces for post-secondary education with increased funding to be legislated by a post-secondary education act.

## STUDENT FINANCIAL ASSISTANCE

In 2007, the Newfoundland and Labrador government reintroduced a system of non-repayable upfront grants. In its 2009 budget, the provincial government expanded this program to provide \$70 in grants per week of study. The positive effects of this initiative have already been felt. Student debt has begun to decrease while enrolment has increased overall, despite a declining population base.

The provincial government has made excellent strides in improving student financial assistance and reducing the burden of borrowing to pay for education. However, efforts to reduce student debt are far more successful when combined with a reduction in up-front financial barriers, which lower the need for students to borrow in the first place. A 2005 study on retention and persistence found that students with little or no debt were more than twice as likely to finish their degree than students with high levels of debt. The completion rate for students with under \$1,000 of debt was 71 percent, while the completion rate for those with over \$10,000 was 34 percent. In addition to being linked with lower degree completion levels, student debt also reduces the likelihood of continuing studies beyond a bachelor's degree or college diploma.

A study of wealth and assets done by Statistics Canada shows that student debt will influence the ability of graduates to participate in the economy and enjoy the quality of life experienced by past generations. If students have difficulty repaying their loans, it will negatively impact their credit rating. This can limit their ability to finance future investments, even when their financial situation improves in later years.

A lack of adequate student financial assistance has a considerable impact on a student's success rate while in school. In the last ten years, an increasing number of college and university students have worked while studying, in an attempt to gain work experience and earn enough to pay for their post-secondary education. Studies show that working more than twenty hours a week has a negative effect on academic success rates. Although part-time work can be rewarding and help gain meaningful work experience, the pressure of having an increased work load, in addition to school work, often has a negative impact on a student's academic success and retention rate. A full system of upfront needs-based grants would allow students from low- and middle-income backgrounds to fully engage in their studies and the give opportunity to choose, if they have the desire and time, to pursue part-time work.

Student debt does not affect all students equally. Statistics Canada reports that 52 percent of full-time post-secondary students aged 18-24 whose parents earned less than \$40,000 received a Canada Student Loan in 2000. By comparison, only 14 percent of students whose parents earned more than \$80,000 received such a loan. In addition, more women students received Canada Student Loans than did their male counterparts (34 versus 29 percent).

A 2005 study published in the Canadian Journal of Rural Medicine found that students from rural regions report more stress as a result of working part-time jobs and taking on more debt to cover expenses. The report also noted that only three percent of students from low-income families that live beyond commuting distance to campus participate in post-secondary education.

In Newfoundland and Labrador, 42 percent of residents live beyond commuting distance. This results in rural residents being underrepresented at post-secondary institutes. Only 44 percent of rural students graduating high school in 2001 attended university, whereas 81 percent of urban high school students enrolled. Those rural students who do decide to pursue post-secondary education end up with increased debt loads, 26 percent higher than their urban counterparts.

For the past decade, the federal government has introduced, through the income-tax system, a series of back-ended measures such as education savings programs and textbook tax rebates. In addition to having little proof that these measures actually increase access to post-secondary education, uptake for these programs is predominately from families with higher income levels.

In 2008, students applauded the federal government's decision to replace the unaccountable Millennium Scholarship Foundation with Canada's first national system of up-front non-repayable grants. These grants not only help students when they need it most, but ensure that all eligible students receive financial assistance.

The funding used for these tax-based programs would be far more effective if spent on expanding up-front grants. Funding for the grants program administered by the Canada Student Loans Program ensures that money goes to those students who need it the most, when they need it the most.

#### **RECOMMENDATION #2:**

Replace education-related tax credits with up-front non-repayable grants.

## **FUNDING RESEARCH: THE KEY TO PROSPERITY**

Over the past few decades, technology and innovation have played a central role in the development of Canada's economy. In Newfoundland and Labrador, the volatility associated with an economy based on natural resources has highlighted the need for a more stable and innovative economy.

Universities, and particularly graduate students, play an important role in the development of innovation and cutting-edge research. New initiatives within the research and development sector will provide added opportunities. In particular, graduate students are

generating a significant portion of the province's new and innovative social and economic ideas, products, and methods.

Financial barriers often prevent qualified students from pursuing graduate studies. Undergraduates who complete their degree with excessive debt loads are less likely to consider entering graduate studies, particularly if it will result in more debt. Financial hardship also affects the quality of research performed by graduate students who are under stress and forced to shorten their fieldwork, forego publishing and conference presentations, and rush the writing phase of dissertations in order to complete more quickly. This has a negative effect on the quality of research performed and on the post-secondary institutions themselves.

In order for Canada to keep up with the evolving global economy, the federal government needs to provide adequate research funding for graduate students. The federal government must increase funding for graduate research, for all fields of study, to give individuals the means to generate research and propel our collective knowledge and understanding forward.

#### RECOMMENDATION #3:

Increase funding for the Canada Graduate Scholarships allocated according to enrolment.

## CONCLUSION

The Canadian Federation of Students was founded on the principle that post-secondary education is a right and therefore every citizen with the ability and desire should be able to access higher learning, regardless of socioeconomic background and geographic location. The recommendations in this submission reflect this founding principle.

This budget will set the priorities of the government for the coming year and it is an opportunity to continue making meaningful movement towards equality in our society. While acknowledging competing demands for federal budget allocations, students believe that there can be no higher priority than post-secondary education.

The Organisation for Economic Cooperation and Development (OECD) estimates that for each dollar a country like Canada invests in post-secondary education there is a positive return for the national accounts. This means that an increase of this amount from the federal government would not only result in increased access to post-secondary education and training needed to meet the training requirements for the current economy, but it would actually pay for itself in government revenue in the near future.

With experience showing that accessible university and college education is best achieved through increased government funding, reduced tuition fees, and a full system of upfront need-based grants, there is no question that prioritising post-secondary education is the right choice for the government to make.

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