

Submission to the  
**House of Commons**  
**Standing Committee on Finance**

**August 2011**

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## **EXECUTIVE SUMMARY**

The Canadian Federation of Students-Nova Scotia welcomes the opportunity to provide input on the Government of Canada's fiscal plans, on behalf of university students in Nova Scotia.

A financial commitment to the post-secondary education system is a commitment to sustained economic recovery and directly creates quality jobs. Nova Scotia's post-secondary system plays a significant role in the province's economy. In many rural communities, such as Church Point, Wolfville, and Antigonish, colleges and universities are among the largest employers. Acadia University, for example, accounts for 33.9 percent of total employment and almost 90 percent of income generated in Wolfville. Further, according to the Government of Nova Scotia, the province's 11 universities contribute \$1.18 billion into the province's economy annually, and directly or indirectly create employment for roughly 18,518 people with most of the jobs being full-year and full-time. An additional 6,700 jobs are also attributable to the Nova Scotia Community College (NSCC) system. Funding for education and training must be viewed not as a short-term stimulus measure, but rather as an avenue to ensure that Nova Scotia has a stable and prosperous economy over the long-term.

Nova Scotia's public post-secondary institutions educate over 42,000 university students and another 10,500 full-time and over 15,000 part-time college students each year. Undeniably, an educated population raises an economy's overall productivity and is the foundation of long-term economic stability.

From a fiscal perspective, public investment in post-secondary education is widely recognised as an important part of any long-term economic recovery. However, in order for Nova Scotia's post-secondary education institutions to meet current space requirements while maintaining high quality teaching and research facilities the province requires increased and predictable federal funding.

### **Funding a High Quality Post-Secondary Education System in Canada**

In the early to mid-1990s, the federal government made massive cuts to transfers payments to the provinces for social programs, including post-secondary education. Nova Scotia, like most provincial governments, passed these cuts directly on to the post-secondary system, and, ultimately, students and their families. As a result, Nova Scotia tuition fee levels were the highest in the country for 20 years, resulting in the now highest student debt loads in the country. At the same time, universities continue to suffer from massive deferred maintenance costs.

On February 1, 2011, the Nova Scotia government announced a four percent cut to university funding coupled with a three percent tuition-fee increase (higher for some professional and international students). This funding cut will have severe implications on a system that has already suffered dramatically.

The Federation is concerned by inequities arising from a funding formula, which allots funding to provinces on the basis of their population size, rather than the number of students. This disadvantages provinces like Nova Scotia, which educate a greater than average proportion of Canada's students. Nova Scotia represents just under three percent of the Canadian population, but provides post-secondary education to four percent of the Canadian student population. Without consistent, fairly-distributed funding, Nova Scotia's economy will continue to suffer the consequences of underfunding to post-secondary education, with low graduate-retention rates and less job creation. The Federation supports modifying the funding formula to a per-student model, from the current model of per-capita.

Chronic government under-funding at the federal and provincial level has placed the burden of funding universities on the backs of students and their families. Between 1977 and 2007, the proportion of operating

revenue provided by government sources in Canadian universities declined from 84 to 57 percent while the proportion funded by tuition fees more than doubled, from 14 to 34 percent.

In Nova Scotia, due to a memorandum of understanding (MOU) between the government and the universities, university tuition fees were frozen at 2007-2008 levels: on average \$5,936 for Nova Scotia students and \$6436 for students from other provinces. Since 2007, the government had been providing a yearly tuition fee rebate to students from Nova Scotia. In 2010-2011, the final year of this program, the rebate was worth \$1,271 for students who are Nova Scotia residents, and \$261 for students from other provinces. Despite the tuition fee freeze, tuition fees in 2010-11 were still over the national average.

High fees are a substantial barrier to post-secondary education, especially for students from low- and middle-income families and marginalised communities. In 2009, 32 percent of Canadian youth aged 18-24 were not pursuing education or training they wanted or needed, with the majority of them citing financial reasons as the primary factor.

Despite recent and substantial investment in post-secondary education, the federal government has done very little to ensure that these investments will have the desired impact in the post-secondary education system. The federal government has never outlined a federal vision for how to keep post-secondary education in Canada both affordable and of high quality.

### **Towards a Post-Secondary Education Act**

The federal government has a responsibility to ensure that students in every province have access to a high quality and affordable system of post-secondary education. Although post-secondary education is within the legislative jurisdiction of provincial governments, this should not negate the responsibility of all levels of government to coordinate their behaviour in order to build the best system of post-secondary education possible.

Historically, Canada has a solid record of federal-provincial collaboration when there is federal legislation to lend structure to the relationship. Canada's Medicare system is an important example of how governments can prioritise the needs of Canadians over their own jurisdictional posturing.

If the federal government wants to play a role in reducing socio-economic inequality and increasing global competitiveness, provincial coordination is not just an option, it is a requirement. In a recent poll conducted by Harris-Decima, 67 percent of Canadians supported the federal government exercising more control over transfers to the provinces for post-secondary education.

The Canadian Federation of Students-Nova Scotia and the Canadian Association of University Teachers (CAUT) both recommend the adoption of legislation, accompanied by binding agreements with the provinces that would establish conditions for federal post-secondary education transfers. These conditions must commit the provinces to upholding principles similar to those of the Canada Health Act: public administration, comprehensiveness, universality, portability, and accessibility. In return for upholding these principles, provincial governments would receive increased and predictable funding from the federal government. This is a cost-neutral recommendation that would ensure stable funding to a crucial sector in the economy.

### **Recommendation #1:**

The federal government should, in cooperation with the provinces, create a post-secondary education cash transfer payment, allocated on a per-student basis, for the purpose of reducing tuition fees and improving teaching, learning, and research infrastructure at universities and colleges. The transfer should be guided by

the principles set out in a federal Post-Secondary Education Act.

## **Expanding Student Financial Aid and Dropping Student Debt**

In 2010, student debt owed to the federal government surpassed the \$15-billion loan ceiling for the first time, prompting the government to adjust its method for calculating student debt. In Nova Scotia, high tuition fees in have caused student debt to skyrocket. Currently, the average student borrower in the province graduates with over \$31,000 of student debt.

According to a 2010 report released by the Maritime Provinces Higher Education Commission (MPHEC), the average amount owed by the class of 2003 five years after graduation was 11 percent higher than the cohort that graduated four years earlier, at the five year mark. The report also found that in comparison to the class of 1999 the proportion of graduates borrowing at least \$30,000 increased by six percent, to 36 percent. Of those who borrowed more than \$30,000, 21 percent had not reduced their debt five years after graduation.

The most effective way to reduce student debt is to minimize up-front costs by reducing tuition fees and provide up-front grants to students. By reducing the upfront financial barrier of tuition fees, the government also saves money on ineffective back-end debt reductions programs and tax-credits, as fewer students are required to use these programs.

For the past decade, the federal government has introduced a series of measures such as education savings program and textbook tax rebates. Despite their large price tag, federal tax credits have consistently proven to be an ineffective way to reduce student debt. Since many students do not pay taxes until several years after graduation, there is little to no benefit for them when they need it the most. Similarly, education savings schemes, such as the Registered Education Savings Plans (RESPs), provide a direct government subsidy to those students who need it the least and to families that can afford to save. In addition, as everyone who participates in post-secondary education qualifies for tax credits regardless of financial need, the federal government is diverting vast sums of public funding where they are not required.

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, which was implemented in fall of 2009. These grants will ensure that all eligible students receive financial assistance. 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.

The massive public expenditure on education related tax-credits and savings schemes, if offered as upfront grants, could nearly eliminate the need for students to borrow. The Canada Student Loans Program lent approximately \$2.2 billion during the 2009-10 year. If the amount of money the federal government spent on tuition fee and education tax credits each year had been simply shifted to the "front-end" in the form of grants through the Canada Student Loans Program, student debt owed to the Federal government could be eliminated.

### **Recommendation #2:**

Increase the value and number of up-front grants available to students by redirecting funds currently used on education related tax credits and savings schemes to the Canada Student Grants Program.

## **Investing in Research, Innovation, and the Future of Canada**

Recently, Canada has lagged behind peer nations in PhD graduates per capita due in large part to a trend of insufficient funding to universities and graduate student research. Granting councils have never fully recovered from the cuts of the 1990s and funding has failed to keep pace with increasing enrollment numbers. Canada's research and innovation sector has certainly suffered as a result. Canada consistently ranks low on indexes that measure innovation such as the Organisation for Economic Cooperation and Development's annual report on innovation and research output.

The 2011 federal budget included increases totaling \$37 million to granting agencies: \$15 million to the Canadian Institutes of Health Research, \$15 million to the Natural Science and Engineering Research Council and \$7 million to the Social Sciences and Humanities Research Council. While these increases are distributed in a more equitable way than previous budgets, the distribution still undervalues the work of researchers in the social sciences and humanities who conduct roughly half of the research undertaken at Canadian universities.

Innovation and research are clearly important factors in Canada's long-term economic recovery and positioning Canada as a competitor on the world stage. Investment in graduate studies provides the foundation for long-term innovation and trains the highly skilled workers and researchers that are needed to respond to the economic challenges Canada faces now and in the future. Ultimately, the federal government's lack of commitment to research and graduate education limits the number of masters and doctoral students that can be funded, thus reducing the pool of highly skilled researchers.

Canada Graduate Scholarships (CGS) provide merit-based funding directly to graduate students. These scholarships are administered through granting councils and are one of the main mechanisms for the federal government to fund graduate studies. Unfortunately, the 2011 federal budget made no mention of the CGS. Increasing the number of CGSs would help promote graduate research and ensure that graduate students have the resources to focus on their research and, in the long-term, provide a base for innovation in Canada. Given that previous investments in the program will end over the next couple of years, the lack of new funding will mean fewer scholarships for graduate students. In Nova Scotia, a province with 11 post-secondary education institutions, where innovation through research and graduate studies plays an especially important role in economic growth, increased graduate funding is imperative.

### **Recommendation #3:**

Invest in the Canada Graduate Scholarships with an increase of \$75 million over three years—consistent with average growth in the program since 2003—to be distributed proportionally among the research councils according to enrolment.

### **Cost of Recommendations**

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.

Since the funding cuts in 1993, full-time enrolment has increased 24.85 percent, 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, like that of the health care system. Over the previous 18 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.

When compared to current federal funding levels, there is a funding gap of approximately \$1.3 billion.

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 federally-subsidized student loans and reduce costs for the federal government over the long term.

## **Conclusion**

In Nova Scotia, current and sustained economic growth relies on its post-secondary education system. The post-secondary education system is a critical aspect of the job market in Nova Scotia, employing at least 25,000 people. Further, an educated population is the foundation of a knowledge-based and sustainable economy with a strong tax base.

The Government of Canada, with investments in core funding and student grants, has made the monetary changes that have the potential to get Canada's post-secondary education on track. However, to ensure that Canada's universities and colleges are to succeed in building a strong economy, and a fair and equitable society, fiscal investments from recent years must be strengthened to with a federal post-secondary education act and dedicated transfer payment.