

Post-Secondary Education

The summer of 2009 saw the second highest level of student unemployment since Statistics Canada started collecting data in 1977, with both July and August breaking all previous records. Even though the real value of the Canadian dollar dropped by 0.8% between fall 2008 and fall 2009, average undergraduate user fees (“tuition fees”) rose by 3.6% in the same period, reaching \$4,917.¹

Combined with the additional compulsory fees that most institutions charge to circumvent provincial tuition fee regulation, total average undergraduate fees climbed to over \$5,650. In specialized programs such as medicine, law and dentistry, students often pay three or more times the Canadian average, driving student debt for many future health professionals into six figures.

Since the federal funding cuts of the mid-1990s, the responsibility for financing post-secondary education has been increasingly downloaded onto students and their families. Between 1986 and 2006, government grants as a share of university operating revenue plummeted from 80% to less than 57%. As a direct result, the share of university operating budgets funded by tuition

fees more than doubled during the same period, from 14% to 29%. Tuition fees have increased at more than double the rate of inflation since the early 1990s, with the largest increases in professional programs. As a result, low-income families are now half as likely to attend post-secondary education in Canada.

As Canada entered a deep recession in late 2008, the federal government delivered a budget lined with infrastructure funding, including nearly \$2 billion for colleges and universities. Despite this substantial investment, however, the budget did not increase core funding or contain any measures to reduce student debt or increase accessibility.

The Alternative Federal Budget will make key federal investments in post-secondary education as a cornerstone of economic recovery.

Core funding

The federal government has a long history of involvement in the funding of post-secondary education, with the first transfer payments introduced with the Canada Assistance Plan in 1966. These transfers reached their high-point

in the 1980s, before declining throughout the 1980s and '90s. Funding has fallen from a high of 0.56% of GDP in 1981 to a low of .15% in 2005, roughly the same level as when the transfer was first introduced in the late 1960s. Since then, federal transfers have increased slightly to .21% for the 2008–09 year.

When the Canada Health and Social Transfer (CSHT) Payment was introduced in 1996, it removed the accountability of transfers to the provinces for post-secondary education. CSHT — renamed the Social transfer after funding for health care was changed to a dedicated transfer payment — lumped all social transfers from the federal government to the provinces together, giving no guarantees that federal monies intended for post-secondary education ever made it to students and their families. The 2007 Budget took a step in the right direction, by earmarking funds for post-secondary education. Although the earmark seemingly added some degree of transparency, provincial governments, without binding agreements, are under no obligation to ensure that federal monies transferred to them benefit students. There is consensus in the post-secondary community that the current design of transfer payment mechanisms is insufficient to meet federal objectives for post-secondary education.

The increase implemented in the 2007 federal Budget was a good first step, but the Canadian Association of University Teachers still estimates that the federal government's contribution is at least \$1.2 billion short of 1992–93 levels when accounting for inflation and population growth.

Lagging federal funding for colleges and universities has resulted in higher tuition fees, as costs are passed on to students and their families. As the value of federal transfers diminished in the 1990s, tuition fees skyrocketed from an average of roughly \$1,460 in 1990 to over \$3,300 by 1999. Lower levels of funding also impair the ability of institutions to hire an adequate number of instructors and support staff, resulting in a re-

duction in the quality of Canada's colleges and universities.

A similar situation existed with federal funding for health care, until the introduction of the Canada Health Act in 1984. This act established guiding principles to maintain high standards in quality and accessibility, and made federal funding conditional on these principles being respected. The AFB introduces a new dedicated post-secondary education cash transfer, to be guided by a piece of federal legislation that is based on similar principles of accessibility, comprehensiveness, collegial governance, public administration, and academic freedom. This new cash transfer will return funding to pre-1992 levels by 2013–14.

Student financial aid

Past government decisions at the federal and provincial levels are forcing students and their families to take on more education-related debt than any previous generation, during a time when earnings for the majority of families have been stagnant for the past 20 years. High tuition fees and an increasing reliance on loan-based financial aid have pushed student debt to historic highs. Monies owed to the federal government alone for student loans surpassed \$13 billion in January 2009. This number becomes much larger when you count payments owed to provincial governments, families, and private lenders.

Student debt is one of the primary effects of the move towards policy that downloads the costs of public education onto students and their families. Student debt levels have been linked to lower degree completion levels and a reduced likelihood of continuing studies beyond a bachelor's degree or college diploma. Heavy debt loads are also a negative factor in an already weak economy. Student loan obligations reduce the ability of new graduates to start a family, work in public service careers, invest in assets, build career-re-

TABLE 14 AFB 2010 Post-Secondary Education Initiatives (\$millions)

	2010-11	2011-12	2012-13
Create New Income Tested Grants	2,073	2,174	2,276
Cancel Textbook Tax Credit	(83)	(84)	(85)
Cancel Scholarship Tax Credit	(39)	(39)	(40)
Cancel Tuition Fee and Education Tax Credit	(1,025)	(1,045)	(1,065)
Cancel RESP	(300)	(340)	(380)
Cancel Canada Education Savings Grant	(626)	(666)	(706)
Total Budget Effect	0	0	0

lated volunteer experience, or take lower-paying work in order to get a “foot in the door.”

In fall 2009, the beleaguered Millennium Scholarship Foundation was replaced with a publicly accountable up-front grants program. This new program greatly increases accountability, but, in order to meaningfully reduce debt, a larger investment is required. The Canada Student Grants Program will distribute roughly \$514 million this year, while the Canada Student Loan Program expects to lend just under \$2.2 billion. Although a substantial amount of funds is being distributed through the CSGP, they pale in comparison with the \$2.4 billion the government will spend on education-related tax credits and savings schemes. Despite their large price tag, federal tax expenditures are a very poor instrument to either improve access to post-secondary education or relieve student debt, since everyone who participates qualifies for tax credits regardless of financial need. The federal government is diverting vast sums of public funding where they are not necessarily required.

The non-refundable education and tuition fee tax credit alone will cost the federal government over \$1.5 billion this year. Tax credits are a poor instrument to improve access or reduce student debt. Credits disproportionately benefit wealthy families. For those students who do earn enough to claim the credits and get money back on their taxes at the end of the financial year, these rebates do little to help them afford tuition fees in the first semester.

The Alternative Federal Budget will eliminate all federal student debt, by increasing the value and number of up-front grants available to students, by redirecting funds currently used on education-related tax credits and savings schemes into upfront grants.²

Aboriginal students

The federal government has a moral and legal responsibility to provide for the well-being of Canada’s Aboriginal peoples, including access to post-secondary education. The Post-Secondary Student Support Program (PSSSP) is the primary mechanism by which Aboriginal students receive financial support from the federal government. Since 1996, annual growth in funding for the PSSSP has been capped at 2%. With inflation and population growth, this cap results in an annual *decrease* in per-capita funding.

In a 2004 report of Canada’s Auditor General, lack of federal funding to the PSSSP was cited as the cause of preventing approximately 9,500 eligible First Nations students from pursuing a post-secondary education in 2000. To reduce socioeconomic disparities between Aboriginal and non-Aboriginal Canadians, the AFB will remove the cap on funding for the Post-Secondary Student Support Program and increase funding to meet the needs of all Aboriginal post-secondary learners.

University research

A highly educated workforce is the foundation of a knowledge-based economy. Graduate students are instrumental in the production of basic research that lays the groundwork for future innovation and makes Canada more competitive internationally.

Recent federal Budgets have invested heavily in university research geared towards producing a commercially beneficial end product, while offering little to basic research. By funding a very narrow range of research disciplines — mostly in science, engineering, and business — these funding decisions have led to a deterioration of a research environment that is comprehensive and based solely on the academic merits of the work.

The federal government's science and technology strategy is geared towards producing products that can yield short-term results, with little consideration to long-term innovation. In addition, federal funding increases geared towards market driven research programs are leading to an unhealthy private-sector dependency on universities for their research and development.

This corporate subsidy contributes directly to Canada lagging behind other OECD countries in private-sector investment in in-house research and development capacity. As this trend deepens, our private sector research and development infrastructure will give way to a publicly-backed university system that does not have a consistent track-record of bringing innovations to the marketplace.

Recognizing the importance of funding based on an independent, peer-reviewed, and merit-based approach, the AFB increases the Granting Council's base budget by 10%, with greater funds asymmetrically allocated to the social sciences and humanities to support innovation in graduate student research.

Notes

¹ The Daily (2008). University Tuition Fees. Ottawa: Statistics Canada.

² Canadian Federation of Students (2008). Post-secondary Education Tax Credits: Billions in misdirected "financial aid". Ottawa: Canadian Federation of Students.