



After voting in record numbers in last October's election, students are definitely engaging with the new government in Ottawa, with student aid very much on the agenda. Universities Canada photo.

Canada's Student Aid Programs: Making Money Less of an Object

Patrick Snider

Student issues are taking centre stage with Canada's new government. Student financial aid is a top priority, and the changes announced so far go a long way in improving fairness, progressiveness and impact. There is more to accomplish however, with increased support needed for all students who face shortfalls in funding, especially those in advanced study programs or following non-traditional pathways into education.

After turning out to vote in record numbers last year, students are now a bigger focus of federal policy, with the Trudeau government taking concrete steps to address the issues they are facing. One of the top concerns for students is financial aid—ensuring students of all ages and backgrounds have the support to access higher education as far as they are capable.

Canada's federal government has provided financial aid to students in one form or another since the "Dominion Student Aid Program", established in 1939 to help a few thousand students access higher education in partnership with the provinces. The number of students accessing aid has grown over the years, with roughly half a mil-

lion students now receiving support through the Canada Student Loans Program (CSLP).

Student aid programs began with the principle of supporting students based on financial need, to help ensure that funds are used efficiently to help those students who otherwise could not attend higher education. This was the founding idea behind the CSLP, established in 1964 to enable the postwar generation to attend post-secondary education in record numbers.

These programs made a major impact, and post-secondary attendance reached historically high levels, with over 150,000 full-time students in post-secondary institutions for the first time in 1964. However, those levels are still far below the participation rates we see today, with over 1.5 million studying full-time and over a half-million studying part-time in Canada.

In the 1980s, Canada saw the introduction of a number of interest-relief programs for students who had graduated but faced difficulty in repayment due to being sick, unemployed or disabled. Other factors were introduced as a qualification for aid over the years—in the 1990s, grants were introduced for students who qualified by being low-income and attending part time programs, for disabled students, and for women in certain doctoral fields.

The increase in grants expanded over the following years; Canada Access Grants, Canada Study Grants, and the Millennium Scholarship Foundation all contributed to growing the amount of aid for students. In 2009-2010 these were merged into the Canada Student Grants Program, a broader program that universally supports students based on income qualification, as well as factors such as disability and dependants.

The changes announced in this government's 2016 budget follow the principle of supporting students based on need, while pushing the student financial aid system into an even more progressive and effective direction. Increasing amounts of

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funding towards the student financial aid system will improve support levels, reduce debt burdens, and encourage more low-income students to attend higher education, while changes to the structure of how aid is delivered will improve fairness and progressiveness.

Student advocacy organizations like the Canadian Alliance of Student Associations (CASA) have long been involved in developing new directions in student financial aid. One important achievement for CASA was the refocusing of a significant portion of the funds in the Millennium Scholarship Foundation towards the Millennium Bursary Program, ensuring that 95 per cent of funding was directed toward students with the greatest financial need.

Students continue to work with policy makers from all parties to develop new directions in student financial aid and to address student issues—under the previous government, CASA successfully advocated for the provision that no student would be punished in their financial aid for earning an income while attending school. We supported opposition efforts to improve protections for unpaid interns. And under the present government, we have given advice on supporting their development of an expanded granting system, and in favour of moving regressive spending on tax credits into more progressive up-front funding by nearly \$329 million per year for increased grants, and \$216 million per year for more progressive eligibility thresholds.

The reason for supporting these changes is clear—they have the greatest impact and put funding di-

rectly into the hands of the students who need it.

Before the changes announced in Budget 2016, spending on tax credits meant that a significant number of high-income students were receiving considerable government funding, while many low-income students faced shortfalls and were unable to afford their tuition and living expenses. As of 2018, 44 per cent of loan applicants are expected to have financial needs that exceed the maximum loan limit, according to the CSLP actuarial reports. By eliminating those tax credits and moving the funds to grants, more students should be able to afford higher education without facing shortfalls in funding, and they should also see their debt loads on graduation reduced as well.

Other changes will contribute to making the whole system more progressive. As of 2017, students will no longer be divided into two “low income” and “middle income” categories for grants, where earning \$1 more than the “low income” category will deprive a student of thousands of dollars in support over their education. Instead, grants will begin at a maximum level, and phase out gradually as family income rises. This will improve fairness for many families close to the qualification lines for each income threshold, by eliminating any arbitrary funding cliffs.

The financial aid system is still not perfect—even after these improvements, estimated spending on grants may still be less than the estimated spending on the remaining tax credits each year. The Parliamentary Budget Office identified this issue with many of the programs, which have

primarily benefitted higher income families. This is not a state that could be continued by a party that emphasized progressive spending measures in their election platform.

A number of positive changes announced in 2015 will be lost, though in some cases this is only temporary. The previous Conservative government promised a reduction in expected parental contributions, as well as the elimination of penalties on student income for working while receiving financial aid. While the reduction in expected parental contributions will be lost indefinitely, the elimination of penalties on in-study income will return when the Liberal government implements the new “flat contribution” measure in 2017. This change will require students who receive financial aid to contribute a minimum amount of money themselves, with the specific amount to be determined – but they will not be penalized on top of that amount, regardless of the amount they earn while in school.

Unfortunately, the changes in expected parental contributions will not be carried forward. By comparison, in Alberta, the government has already eliminated that assessment for loans, due to

the different amounts of support that different families are willing or able to provide, while maintaining an income test for low-income grants. This example strikes a balance of fairness by targeting non-repayable aid where it is needed most, but keeping loans available for those who need them.

Furthermore, changes to student financial aid will continue to fall short for the only group of students who are still excluded from receiving grants—graduate students. This group will be losing the limited support they receive from their education and textbook tax credits, and, unlike the undergraduate and college students, they will not be receiving any increased grant amounts to compensate for that loss. It is truly unfortunate that this government is cutting support for students in advanced degrees, even in light of those levels of education seeing increased enrolment and demand in the labour market.

There is hope moving forward, however. The value of the savings from the tax credits that were cancelled in the 2016 budget are estimated to be \$795 million for the education amount, and \$130 million for the textbook amount in 2017 according to the Department of Finance’s tax expenditure data. These funds have

not yet been fully allocated to the grant system. In the current budget, grants are expected to increase by \$468 million for that year—a substantial amount, but still below the amount being saved in tax credits.

This difference represents more than enough fiscal room to extend grant support to graduate students and finally include them in the federal grant system, as well as making other changes in the future to improve support to students from all backgrounds. It is our hope that the government will continue to support students at every level of study, based on what their legitimate financial need happens to be, ensuring that all students are able to progress as far in education as possible.

Furthermore, while many students are young people, the government must not forget the significant numbers of mature and returning students who are striving to improve their education, retrain for a changing economy and advance their careers. Policies that assist those students, that take into account the needs of those returning to higher education after earning an income, accumulating assets, and focusing on programs that respond to their educational needs will continue to be necessary.

Aid for students will continue to be an issue and an area for improvement, as new groups of Canadians are brought into the higher education system, cost challenges continue to mount, and Canada continues to require a better and more flexible education system for the economy of the 21st century. The past decades of development have gone a long way toward opening up education to more people than ever before, and with the changes introduced by the Liberal government, that project continues. **P**

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Figure 1: Value of Tax Credit and Grant Changes (Millions)

