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# Lowering Student Debt

Explaining the Decline in the Debt of University  
Students in Manitoba

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Explaining the Decline in the Debt of University Students in Manitoba

Written by:

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Report prepared for the Canada Millennium Scholarship Foundation

June, 2007

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# I. Background

A recent report on student debt, produced by PRA Inc. for the Canada Millennium Scholarship Foundation (“the Foundation”) using information from the Canadian University Survey Consortium (CUSC) survey, revealed that student debt in Manitoba has declined since 2000, whereas, in other provinces and regions, student debt has been fairly stable or on the rise.

Other sources of information have also verified that, indeed, students in Manitoba are relying less on student loans to fund their post-secondary education.

- A Statistics Canada report on post-secondary graduates in Manitoba in 2000 indicated that Manitoba students were less likely to have incurred debt during their studies than the average Canadian graduate.<sup>1</sup> Among university undergraduates in the class of 2000, 33% of Manitoba graduates had contracted student loans compared to 42% of all the graduates in Canada.
- In addition, a Government of Manitoba news release indicates that, as of the 2005–06 academic year, Manitoba still had the lowest proportion (17%) of post-secondary students borrowing from government student loan programs in Canada.<sup>2</sup>
- This is similar to CUSC information, as students attending a university in Manitoba (26%) are the least likely to report using government student loans (with the second lowest being students attending university in Quebec — 33%).

In this report, we look at tuition policy and debt remission programs in order to determine how these may have affected Manitoba university students’ education-related debt.

1. Statistics Canada. (2005). Manitoba Post-Secondary Graduates from the Class of 2000: How did they fare? Education, Skills and Learning Research Papers. (Catalogue #81–595–MIE2005029, 2005).

2. Government of Manitoba. (2006, November 28). Student debt load reduced for over 4,700 students.

## 2. Overview of Post-Secondary Education Financing in Manitoba

In this section, we examine some of the factors that play a role in Manitoba university students' costs and financing, including tuition fees and student financial assistance. Since 2000, the Manitoba government has not only frozen tuition fees, but, together with the Canada Millennium Scholarship Foundation, has increased bursary support for students at the post-secondary level.

### 2.1 Tuition Fees

Similar to other provinces, in current dollars, average undergraduate university tuition fees in Manitoba had more than doubled in the 1990s.<sup>3</sup> In 2000, the Government of Manitoba reduced tuition fees by 10 percent (based on the tuition levels in 1999) and implemented a “freeze” on tuition. The tuition freeze policy prohibited post-secondary institutions from increasing their tuition. This tuition freeze is still in place in 2007. For the 2005–06 year, undergraduate tuition in Manitoba now averages \$3,272 per academic year.<sup>4</sup>

Compared to 1999–2000, tuition fees (in real dollars) in Manitoba had dropped by approximately 19% by the 2005–06 year. Even compared to the first year after the reduction in fees (2000–01) tuition fees have continued to decline by almost 10%. See Table 1 for complete results.

**Table 1 — Tuition Fees in Manitoba**

Year	Average tuition
1999/2000	\$4,042
2000/2001	\$3,632
2001/2002	\$3,567
2002/2003	\$3,380
2003/2004	\$3,320
2004/2005	\$3,344
2005/2006	\$3,272

Note: Amounts adjusted to 2005 levels.

Source: Usher, A. (2006). *Beyond the sticker price: A closer look at Canadian university tuition fees*. Educational Policy Institute: Toronto, ON.

### 2.2 Student Financial Assistance

In this section, we discuss the Manitoba and Canada Student Loans programs as administered by Manitoba Student Aid. We also look at the government-funded debt-remission program for student loans in Manitoba.

3. Statistics Canada. *The Daily*, Friday, September 1, 2005. University tuition fees: 2005/2006.

4. *Ibid.*

### 2.2.1 Student loans

In Manitoba, students apply for both Canada and Manitoba Student Loans through Manitoba Student Aid, which assesses each student's claim and awards loans to eligible students. For full-time post-secondary students, Canada Student Loans are given to the students at the beginning of the school year (September), with the Manitoba Student Loans provided at the beginning of the second semester (January).

- Canada Student Loans (CSL) provides up to 60% of a student's assessed need to a maximum of \$210 per week of study (to a maximum of \$7,140 for a 34-week university program). Prior to 2005–06, the maximum was \$165 per week (to a maximum of \$5,610 for that same 34-week program).
- Manitoba Student Loans (MSL) provides up to 40% of a student's assessed need to a maximum of \$110 per week of study (to a maximum of \$3,740 for a 34-week university program).

In 2004, the federal government announced additional changes to the CSL program; these were mirrored by the MSL program. The most notable changes included:<sup>5</sup>

- a reduction in expected parental contributions. This reduction extended loan eligibility to more middle-income families and increased loan amounts for all dependent students by reducing the amount that parents are required to contribute. This affects approximately 40,000 students nationally from families with incomes in the \$60,000 to \$100,000 range, half of which were not able to access student loans prior to this change.
- the addition of computer costs to eligible expenses, which allows students to claim a portion of their computer-related costs as an integrated part of the current books and supplies limit.

Table 2 shows the number of full-time students enrolled in university in Manitoba, the number accessing both Canada and Manitoba student loans, and the average amount of those loans across six fiscal years.

As Table 2 indicates, although the number of full-time students attending university in Manitoba has continued to increase over time, the number of students receiving a CSL or MSL has decreased. This indicates that fewer students attending university are relying on student loans to help pay for their education. However, the reasons for this go beyond the scope of this report and require further study.

**Table 2 — Distribution of Canada and Manitoba Student Loans to and Enrollment of Full-time Students in Manitoba**

	Full-time undergraduate university enrolment in Manitoba*	CSL**		MSL**	
		Number of students	Average loan (\$)	Number of students	Average loan (\$)
1999/2000	20,152	10,328	\$4,021	10,112	\$2,480
2000/2001	20,962	10,501	\$4,038	9,190	\$2,659
2001/2002	22,328	9,987	\$4,151	7,826	\$2,622
2002/2003	23,566	9,668	\$4,343	7,787	\$2,683
2003/2004***	25,346	9,388	\$4,337	7,679	\$2,799
2004/2005***	26,471	8,929	\$4,279	7,184	\$2,797
2005/2006***	27,798	9,179	\$4,989	7,785	\$3,236

\* Source: Manitoba Council on Post-Secondary Education.

\*\* Source: Manitoba Student Aid (2006). 2004/05 Annual Report. Winnipeg.

Note: Student loan program data refer to all students, including those enrolled full-time or part-time at university or college.

\*\*\* Source: Preliminary amounts provided by Manitoba Student Aid.

### 2.2.2 Bursary programs

In addition to student loans, some students are also eligible for government-funded bursaries. In 2000, several changes assisted students who borrow money to finance their education through government student loans.

- The Foundation introduced new annual bursaries in 1999–2000. Referred to as the millennium bursary, it is granted to undergraduate students with the highest assessed need and debt level after successful completion of at least one year of post-secondary studies in order to assist with loan reduction.<sup>6</sup>
- The Government of Manitoba introduced the Manitoba Bursary program in 2000–01. While it can be combined with the millennium bursary, it is also available to students who do not qualify for that award, including first-year undergraduate students. Like the millennium bursary, the Manitoba Bursary consists of a loan reduction paid directly to a lending institution at the end of each year of study. The Manitoba Bursary

program awards bursaries to Manitobans studying at designated post-secondary institutions (both colleges and universities) within Canada when they submit their application for a government student loan.<sup>7</sup>

Both these programs cap the amount of debt students incur from student loans, remitting that proportion above the specified maximum.<sup>8</sup> Table 3 shows how Manitoba Student Aid has distributed the millennium bursary and Manitoba Bursary over time.

According to results in Table 3, from 1999–2000 to 2005–06 the average millennium bursary increased by 52% and the average Manitoba Bursary increased by 26%. Overall, the total funding for the millennium bursary does not change, indicating that the increase in the average bursary is due to a decrease in the number of awards. Although these statistics are for all students, according to 2004–05 information, approximately 61% of millennium bursary funding and 31% of Manitoba Bursary funding distributed through Manitoba Student Aid was provided to students studying at a Manitoba university.<sup>9</sup>

**Table 3 — Distribution of Millennium Bursaries and Manitoba Bursaries**

	Millennium Bursary		Manitoba Bursary		Student debt loan cap in Manitoba
	Number of Students	Average Bursary (\$)	Number of Students	Average Bursary (\$)	
1999/2000	3,516	\$3,085	0	-	-
2000/2001	3,065	\$3,394	1,961	\$2,584	\$6,000
2001/2002	2,953	\$3,509	1,937	\$2,485	\$6,000
2002/2003	3,350	\$3,645	3,224	\$1,877	\$6,000
2003/2004	2,933	\$3,588	2,456	\$2,525	\$6,000
2004/2005	2,947	\$3,691	1,665	\$2,852	\$6,000
2005/2006*	-2,346	\$4,695	-2,468	\$3,243	\$6,400

Source: Manitoba Student Aid Program 2004/05 Annual Report.

\* Source: Manitoba Government (2006). Advanced Education and Training 2005/06 Annual Report.

6. <http://www.millenniumscholarships.ca/en/students/Bursaries.asp>. January 15, 2007.

7. <http://www.gov.mb.ca/educate/sfa/pages/ourprogram/funding.html>. January 15, 2007.

8. While not affecting the period covered by this review, it should be noted that the two programs were combined to form a single jointly funded program in 2005–06.

9. Manitoba Student Aid (2006). 2004/05 Annual Report. Winnipeg.

According to information presented in Table 4, the decrease in the number of millennium bursaries distributed to Manitoba students has been tied to the decrease in the number of Manitoba students with a CSL. In fact, each year, slightly more than 30% of Manitoba students with a CSL received a millennium bursary. According to Table 3, the average value of the millennium bursary has been increasing over this time, so there is good reason to believe that the Millennium Bursary is having a bigger impact in reducing debt for those students in greatest financial need.

Further evidence of this is discussed in a 2005 study of student debt in Manitoba. The report shows that even though students who received a millennium bursary or Manitoba Bursary still had, on average, more student debt than those who did not receive a bursary, their loans amounts were considerably less than they would have been in the absence of the bursaries.<sup>10</sup> This report found a positive association between loan remission and persistence (the likelihood that students will continue their studies and complete their education). Therefore, reducing student debt has implications for Manitoba students other than reducing their debt load after they finish their post-secondary education.

**Table 4 — Distribution of Canada and Manitoba Student Loans to Full-time Students**

	Students in Manitoba		
	With a CSL	Received a Millennium Bursary	% receiving a Millennium Bursary
1999/2000	10,328	3,516	34%
2000/2001	10,501	3,065	29%
2001/2002	9,987	2,953	30%
2002/2003	9,668	3,350	35%
2003/2004	9,405	2,933	31%
2004/2005	9,236	2,947	32%

10. McElroy, L. (2005). *The Millennium Foundation Bursary in Manitoba: Exploring its impact*. Montreal: Canada Millennium Scholarship Foundation.

# 3. University Student Debt Data

Using data from the surveys conducted by the Canadian University Survey Consortium (CUSC) and Statistics Canada, we examined the amount of education-related debt that university students had reported having incurred.

- Annually, since 1994, CUSC has conducted a survey of undergraduate students. The CUSC survey runs in a three-year cycle, each year targeting particular types of students: first-year students, all undergraduates, and graduating students. The questionnaire used for each of these populations is different. In this section, we report on data from the graduating student cycle, which was conducted in 2000, 2003 and 2006. Each participating university randomly selects a sample of 1,000 graduating students and distributes 1,000 paper surveys to their

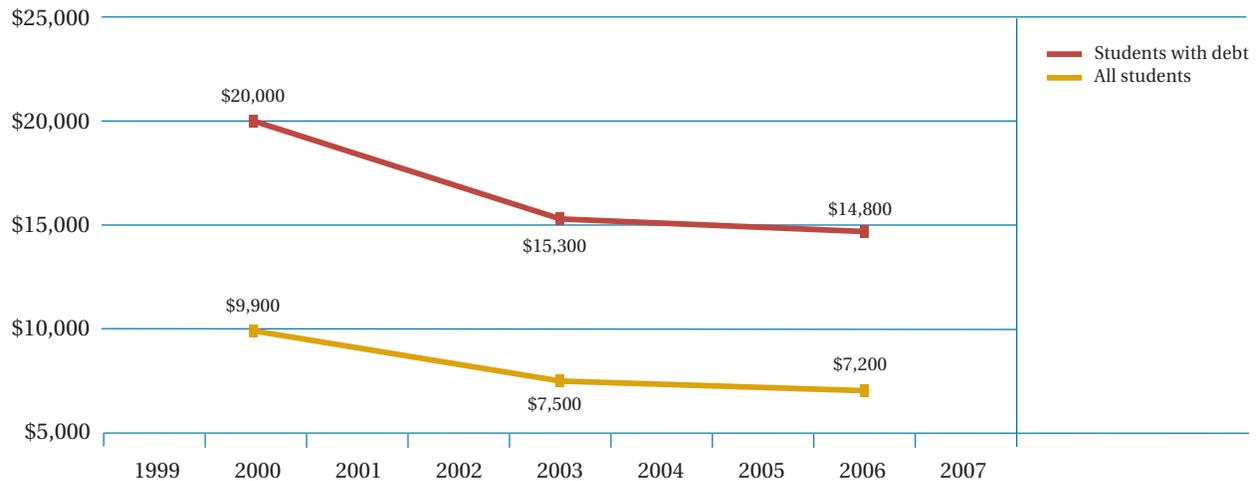
graduating students. To ensure a high response rate, universities mailed several reminders to students whom they had chosen to participate.

In 2000, students from one university participated, while in 2003 and 2006, students from two universities participated. Sample sizes ranged from 317 in 2000 (31.7%) to 801 in 2003 (40.1%) and 1,011 in 2006 (50.6%).

- Statistics Canada's National Graduates Survey (NGS) involves interviews with college and university graduates from two to five years after graduation. The NGS has collected data from students graduating in 1982, 1986, 1990, 1995 and 2000. In this report, we use data from the 2000 NGS in order to compensate for the small sample size in the 2000 CUSC survey.

**Figure 1 — Average Debt Among Graduating University Students in Manitoba**

(in 2006 Dollars)



Source: CUSC Graduating Survey.

### 3.1 Student Debt is Declining in Manitoba

GUSC's Graduating Student Survey asks students to report on the total amount of repayable debt they have accumulated to date in order to help finance their education. This provides an excellent opportunity to measure students' debt loads, coming, as it does, at the end of their undergraduate program.

As shown in Figure 1, CUSC data indicates that debt at graduation appears to have fallen dramatically between 2000 and 2003, remaining constant to 2006.<sup>11</sup> The NGS survey of 4,500 Manitoba students produced similar, if slightly higher, results for debt in 2000. Among students with debt, the average amount reported was approximately \$21,900.<sup>12</sup>

In 2003 and 2006, CUSC asked students to report on the amount of repayable debt they had accumulated from four sources: government student loans, loans from financial institutions, loans from parents and family and debt from other sources.

According to the CUSC survey:

- Of these sources of debt, government student loans account for the greatest proportion of money owing. In 2006, 50% of all Manitoba students debt is attributable to government student loans, down slightly from 58% in 2003.
- Not only has the proportion of debt accounted for by government student loans decreased, but the proportion of students with a student loan also decreased from 2003 (42%) to 2006 (39%).
- Although the proportion of university students in Manitoba who rely on government student loans decreased, overall the proportion who rely on any of the four sources of repayable debt is virtually identical, according to CUSC data, at 56% in 2003 and 55% in 2000.

**Table 5 — Average Amount of Student Debt in Manitoba**

	Average debt			
	NGS 2000 (n = 4,500)	CUSC 2000* (n = 312)	CUSC 2003 (n = 801)	CUSC 2006 (n = 1,100)
All students	–	\$9,925	\$7,486	\$7,229
Those with any type of debt	\$21,894	\$19,979	\$15,270	\$14,836
<b>Student loans</b>				
All students	–		\$3,999	\$3,541
Those with student loans	\$21,665		\$13,868	\$13,768
<b>Loans from financial institutions</b>				
All students	–		\$2,119	\$2,099
Those with loans from financial institutions	–		\$10,107	\$9,559
<b>Loans from parents/family</b>				
All students	–		\$861	\$1,122
Those with loans from parents/family	–		\$7,418	\$8,863
<b>Debt from other sources</b>				
All students	–		\$188	\$268
Those with loans from other sources	–		\$3,422	\$5,638

Note: Amounts shown in 2006 dollars.

\*The 2000 CUSC survey did not collect breakdowns of debt by the four sources. The NGS data from the same year indicates that student loan debt was substantially higher than in 2003 and 2006 for Manitoba graduates from undergraduate programs.

11. These numbers are estimated by students. The figures for each year represent only those students at Manitoba universities that participated in the CUSC survey.

12. This represents the average for undergraduate university students only, but unlike CUSC, includes students in first-degree professional programs such as law and medicine.

As already mentioned, debt fell significantly from 2000 to 2003. It appears that most of this change in accumulated debt resulted from a reduction in student loans. See Table 5.

Among students with student loan debt, the data in Table 5 suggest that, among Manitoba university students, the main factor in the decline in average debt is the decrease in the amount students owe for government student loans. While CUSC data do not allow for a precise breakdown of the source of student debt in 2000, we estimate government student loans to account for approximately \$18,000, or about 90% of all debt. Government student loan debt in 2006 was \$13,768 on average — a decrease of about 24%. This compares to a 26% decrease in total student debt owed from 2000 (\$19,979) to 2006 (\$14,836).

Based on the evidence presented, it appears that two factors have played a major role in reducing student debt among university students in Manitoba. The first is the 10% tuition reduction and subsequent freeze implemented by the Manitoba government in 2000. For a full-time student, this 10% reduction in tuition fees was important, but would only account for a savings of \$400 annually (or \$1,600 over a four-year program). In addition, over time the tuition freeze has further reduced the costs of tuition in real dollars, meaning that, in 2006, students were paying less than students paid five years earlier.

According to CUSC data, the average debt fell approximately 26% among all graduating students (\$2,696 decrease) and among those who reported having student-related debt (\$5,143 decrease) from 2000 to 2006. While the tuition freeze can take some credit for this, it alone does not explain the size of the decrease. The greatest proportion of the reduction in

debt among students in Manitoba is most likely the result of millennium and Manitoba bursaries. As was shown in Tables 3 and 4, although fewer students received one of these bursaries in each year, this decrease is proportional to the decrease in students receiving student loans. In other words, the proportion of students who have received a millennium bursary has remained stable. In addition, the average value of the bursary has continued to go up each year, since fewer students are sharing the millennium bursary. The fact that fewer students have relied on student loans in Manitoba since 2000 is a strong indication that those students most in need of debt reduction were more likely to receive a bursary, and to receive larger amounts as the years progressed.

The information from Tables 2 and 5 helps to illustrate the impact of these bursaries in a short period of time. Table 5 shows that, among students with student loan debt, average debt decreased by approximately 20% from 2000 to 2003 and by another 11% from 2003 to 2006. Although the reduction in tuition in 2000 may have had a significant impact on student debt reduction between 2000 and 2003, it does not account for the continued decline in debt between 2003 and 2006. Indeed, referring back to Table 2, the average student loan distributed through Manitoba Student Aid increased during that same time period, which means we might expect to see an increase in the average student loan debt between 2003 and 2006 in the CUSC data. However, this has not been the case. As there are no other major changes in student funding during this time period in Manitoba, this is a strong indication that the bursaries have been successful at reducing student loan debt among students attending universities in Manitoba.

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## 4. Conclusion

In examining student debt in Manitoba, two factors — tuition freeze and the introduction of the bursary programs — appear to play a key role in stabilizing and reducing education-related debt. On their own, the millennium bursary and Manitoba Bursary appear to have had the most impact on reducing student debt in Manitoba, as illustrated by the continual decline in the average amount of student

loan debt reported by students in the CUSC surveys. The tuition reduction and the ongoing tuition freeze in Manitoba have likely helped reduce the number of students who required a student loan, while the millennium and Manitoba bursaries have reduced the average student debt load for students who still required this assistance.