

# Student Financial Assistance in Canada: Past, Present and Future

## The Argument:

Governments spend a significant amount of money on post-secondary students. In 2007–08, Canadian governments provided more than \$4.4 billion worth of student loans, grants and loan reduction payments to students with financial need. In addition, governments provided more than \$3 billion in education tax credits, merit scholarships and education savings grants (paid to families saving for their children’s education).

Student financial aid is delivered through an intricate web of both federal and provincial/territorial programs; increasingly, colleges and universities are also involved as sources of funds and administrators of aid programs. In this chapter, as in previous volumes, we again enumerate what governments provide to students in the form of need-based aid (loans, grants and loan remission programs) and non-need-based aid (tax credits, education savings grant payments and merit scholarships). We also describe how changes in government policies have affected the amounts and types of student aid distributed. As was the case the last time we reviewed these data (Berger and Parkin, 2008), the news is mostly good, at least as far as need-based aid is concerned. Not only are students receiving more aid, the aid they are receiving is increasingly non-repayable. Need-based student aid has improved since 2000 in two distinct waves. Were it not for the fact that governments continue to devote billions of dollars to education tax measures that do little to help those most in need pay for their studies, the news would be entirely positive.

Following the review of how much financial support students have been receiving, we shift the focus to

the question of what comes next. We discuss several different approaches to the modernization and simplification of student financial aid—approaches that, taken together, could be part of a comprehensive strategy to improve access and student success. In the context of a severe recession and anticipated government budget constraints in the years to come, we offer suggestions for governments seeking to get the most out of their aid program dollars. This can be done by moving toward a system that: reaches students early enough to influence their educational aspirations and planning; is easy to access and navigate; delivers the best types of aid to the students who need it most; adequately covers costs; keeps debt levels in check; and complements initiatives designed to alleviate non-financial barriers to access. Student financial aid programs in Canada have improved since the 1990s, but, as our discussion will show, we can still do much better.

## Key Facts:

After falling in the late 1990s, the value of need-based aid has been steadily increasing since 2001–02. The average over the last three years is 13 percent higher than it was in the first few years of this decade. Between 2004–05 and 2007–08, loan remission increased by \$211 million, or 64 percent, while grant expenditures increased by \$285 million, or 42 percent. Net loans, meanwhile, declined by \$32 million, or one percent. Thus, the entire increase in government spending on students has occurred in the form of non-repayable assistance.

In 2004–05, the average financial aid recipient received a net loan of \$6,511, a grant of \$1,501 and a loan remission payment of \$732. By 2007–08, these amounts had increased to \$6,913, \$2,290 and \$1,291, respectively (net loans per recipient increased by six percent, grants by 53 percent and loan remission by 76 percent). In all three cases, the increase per recipient exceeded the increase in the aggregate amount. This is because the number of provincial student aid recipients has been declining steadily since 2004–05.

The proportion of all need-based aid received as a grant or loan remission payment reached 34 percent in 2007–08, the highest ever, compared to 26 percent in 2004–05.

## Myth: Most Low-Income Students Rely on Student Financial Aid

While we might assume that students from low-income households benefit from student financial aid programs, this is not the case for the following two reasons.

First, as outlined in Berger (2007), the nature of the student aid need assessment process means that many

low-income students are only eligible to receive relatively small amounts of financial aid. Low-income students who work a significant number of hours per week, live at home or attend relatively low-cost programs are effectively prevented from receiving the largest amounts of financial aid, although the introduction of income-based grants in 2005–06 has moderated this somewhat.

Second, only a minority of students from low-income families actually participate in student aid programs. Data from Statistics Canada’s Youth in Transition Survey (YITS) and Post-Secondary Education Participation Survey (PEPS) reveal that fewer than half of all students from families earning less than \$50,000 per year receive student financial aid. As Figure 1 makes clear, while student aid is rare among high-income households, a majority of low-income students do not borrow from government student aid programs.

These data should be kept in mind by policymakers seeking to improve access for students from low-income families. To the extent that the main policy “tool” being relied on is loan and grant programs, efforts are destined to miss at least half of the group being targeted—at least until the relationship between these programs and potential clients is changed.

**Figure 1 — Student Loan Take-Up among College and University Students by Parental Income**



Note: The YITS-A data refer to student aid take-up at age 19. The income of students’ parents was reported when the students were 15. The PEPS data were collected among students and families in 2002.

Source: Educational Policy Institute, MESA Annual Report 2008 (forthcoming).

**Table 1 — Vision of Student Aid in Canada After Suggested Changes Have Been Adopted<sup>1</sup>**

Type of Student/Period	Low-Income Students	All Students
Pre-secondary school	<ul style="list-style-type: none"> <li>• Auto-enrolment in CLB and virtual account balance statements</li> <li>• Information about PSE, local access initiatives and student aid</li> <li>• RESP account opened</li> </ul>	<ul style="list-style-type: none"> <li>• Information about PSE and student aid</li> <li>• RESP account opened</li> </ul>
Secondary school	<ul style="list-style-type: none"> <li>• Auto-enrolled CLB virtual account balance statements</li> <li>• Early identification of eligibility for grants aimed at low-income students</li> <li>• Information about PSE, local access initiatives and student aid, including specific programs like CSGP</li> <li>• Application for federal and provincial student loans</li> <li>• Institutional outreach and targeted grants</li> </ul>	<ul style="list-style-type: none"> <li>• Information about PSE and student aid</li> <li>• Application for federal and provincial student loans</li> <li>• Institutional aid</li> </ul>
Post-secondary studies	<ul style="list-style-type: none"> <li>• Access to auto-enrolled CLB balance and RESP savings</li> <li>• Funding packages for full assessed need</li> <li>• Annual debt remission to a cap</li> <li>• Tailored institutional support and institutional aid</li> <li>• Unsubsidized public loans for extremely high borrowers</li> <li>• Tax credits</li> </ul>	<ul style="list-style-type: none"> <li>• Access to RESP savings</li> <li>• Funding packages for full assessed need</li> <li>• Annual debt remission to a cap</li> <li>• Unsubsidized public loans for extremely high borrowers</li> <li>• Institutional aid</li> <li>• Tax credits</li> </ul>
Completed post-secondary	<ul style="list-style-type: none"> <li>• RAP during periods of low income</li> <li>• Post-grad tax credits (some jurisdictions)</li> <li>• Collection of unsubsidized loan debts through tax system</li> </ul>	<ul style="list-style-type: none"> <li>• RAP during periods of low income</li> <li>• Post-grad tax credits (some jurisdictions)</li> <li>• Collection of unsubsidized loan debts through tax system</li> </ul>

1. This should not be taken as an endorsement of all available programs or funding mentioned.