House of Commons Standing Committee on Finance Pre-budget Consultations 2015

Submission by the Canadian Alliance of Student Associations

Executive Summary:

Since 2008 the Government of Canada has taken important steps to stabilize Canada's economy, through measures such as investing in education, skills and training. Despite this, Canadians know that there is still uncertainty in the economic landscape and that more needs to be done. While there is no panacea for long-term economic stability, a highly trained and educated population is at the core of creating a stable and prosperous economic future. An educated population helps to grow the economy and creates more opportunities for those looking to join Canada's labour force. With that goal in mind, the Government of Canada should take an active role in improving student financial assistance in a way that targets those who need it most and supports middle class families.

The current student financial aid system enables thousands of Canadians to access education and skills training. While students benefit from every dollar that is invested in student financial aid, it is Canada as a whole who reaps the benefits from an educated population. Getting people back to work will be dependent on first getting people back to school. The Canadian Alliance of Student Associations (CASA) is calling on the federal government to lead Canada in that endeavor and eliminate barriers for education and retraining.

Currently, students are penalized on their student loans for working while in study, despite the fact that work experience contributes to the economy now and to employment success in the future. At a cost of $25 million, CASA recommends that government remove employment penalties for working students. Government can do this by amending the Canada Student Loans Program and eliminating the in-study income exemption limit of $100 per week, allowing students to decide how much they should earn while studying.

At a cost of $46 million, CASA strongly urges government to end the Canada Student Loans Program parental contributions policy and treat students as individuals, regardless of their age or economic background. Short of this, government can ensure that the Canada Student Loans assessment captures the real contributions parents make towards their child's education.

At a cost of $52.7 million, CASA asks that government address the significant number of students in the Canada Student Loans Program who have unmet financial need. Student loan limits have not increased since 2004, while the costs of an

education have increased significantly. It is time government adequately support students by increasing the weekly limit amounts from $210 to $245 per week.

At a cost of $60.8 million, CASA recommends that government better support students by increasing the value of Canada Student Grants by 9.4% to account for inflation since the grant program was created and to tie the program to the Consumer Price Index (CPI). Further to that, government should create a grant specific to graduate students with high-financial need.

At a cost of $8 million, CASA urges government to encourage and enable mature learners to retrain and pursue further education without having to risk their financial future. Government can do this by amending the Canada Student Loans Program assessment of borrower assets and exempt $10,000 in personally held financial assets.

Exempting in-study income

CASA recommends that the Canada Student Loans Program be amended by eliminating the income limit that a student can earn while studying, currently set at $100 per week. In 2011 almost 60% of students worked while studying, averaging 18 hours a week. Many students need to work to cover the costs of, tuition, housing and academic materials, as well as gaining experience in the work force. Currently, students are being penalized for that choice, as the Canada Student Loans Program in-study income limit claws back their loan for every dollar over $100 per week earned.

This change will have a significant impact on approximately 100,000 working students. The average student, working 18 hours a week at $10 per hour will miss out on $2720 of aid over a 34-week course of study because of these penalties.

Nobody in Canada should be punished for earning an income, especially those trying to attain an education. Students should not be placed in a position where pursuing a paid co-op or internship may result in having their student loans clawed back. This not only hurts working students, but also hurts employers and Canada's economic future. This investment will also allow mature students seeking to retrain, an opportunity to receive financial aid, without being punished for working.

By investing a maximum of $25 million per year the federal government could guarantee no individual working to pay for school will be penalized for earning an income.

Eliminating Parental Contributions

The Government of Canada should treat students as independents and should not take into account parental income when assessing their financial need. CASA urges the federal government to amend the Canada Student Loans Program to eliminate the expected parental contributions, or short of this, that the assessment reflect the real contribution parents make toward their child's education. Access to education should not be arbitrarily limited due to circumstances within a family, especially as the cost of an education continues to rise.

Government should be finding ways to allow young people to access financial aid based on their own needs. 70% of parents who have children in PSE feel an obligation and willingness to contribute to their child's education, but not all have the financial flexibility to do so. Compounding this issue is the 20% of parents with household incomes over $100,000 who did not assist their children in paying for PSE. In reality, students are unduly punished by this policy, as they can't determine the amount that is contributed to them.

The province of Alberta has already implemented this policy change as of 2012. This change will eliminate a significant barrier in accessing PSE and will benefit many students who would otherwise be defined as dependents. Conversely, this policy change will benefit a large cross-section of Canadian families who currently have to choose between their retirement and sending their kids to school.

Government should treat students as individuals and not see them as dependents, regardless of their age or economic background. At the cost of $46 million government can eliminate the expected parental contributions and provide access to financial aid to those who would otherwise fall through the cracks.

Increasing weekly loan limit

CASA recommends that the Government of Canada increase the amount of available student financial assistance in order to meet the rising costs associated with pursuing a post-secondary education. Specifically, government must increase the Canada Student Loans Program's weekly loan limit from $210 to $245 per week. This limit has not been updated since 2004, which has left students drowning in a sea of rising costs for a decade and turning to other, more expensive sources to help finance their education.

This reality is illustrated in the 31% of Canadian students who have financial need that exceeded funding available to them. To make up for this funding shortfall, students are faced with troubling alternatives. One option for these students is to turn to private loans, which have extremely high interest rates and lack repayment flexibility. A second option for these individuals is to look towards their families, who often sacrifice their own financial stability, 33% of whom report taking funds out of their retirement savings, and 14% going so far as to remortgage their home, to support their children's education. The high cost of an education is not just a student issue; it's an issue that impacts Canada's middle class families as well. If these options are not available, many would-be students are deterred all together from pursuing an education.

The Government of Canada must exercise leadership in preparing Canada for success in the global knowledge economy and it can only do so if it ensures that all Canadians have an opportunity to access higher learning. Unmanageable debt for students and their families is not a viable way of attaining these goals.

Making this change will put almost $175 million into the hands of students who need it the most. This change would be made possible through an expenditure of $52.7 million at most in non-recoverable costs per year.

Increasing Canada Student Grants

Through the Canada Student Grants Program the federal government provided over 336,000 students with non-repayable up-front grants in 2011-2012. This investment directly reduces student debt loads and improves access to Canada's post-secondary institutions. Government should continue to build on this success by increasing this program by 9.4% to account for inflation from the time the grants were introduced and to tie the program to CPI moving forward. Further to that, the Government of Canada should create a grant for graduate students with high-financial need.

The Canada Student Grants Program has been a great success and has had a tremendous impact on students in this country. To remain relevant it must be increased to keep up with rising costs associated with attaining an education. Moreover, the increasing numbers of graduate students in Canada continue to have limited options when it comes to financial aid, and a grant would assist those with the most financial need.

More students are borrowing to pay for school and the proportion of students with high debt levels is rising. Students who graduate with large debt burdens struggle to integrate into Canada's labour market and are a risk to Canada's sustainable economic growth. Targeted grants are the best mechanism to reduce student debt loads, and are associated with higher rates of successful debt repayment over time.

At a cost of $60.8 million, government can mitigate these risks by increasing the value of Canada Student Grants by 9.4% to account for inflation since the grant programs creation. Further to that, government should create a grant specific to graduate students with high-financial need.

Expanding access to the Canada Students Loans Programs

In Canada many mature workers report going back to school in order to retrain, upgrade their skills, or pursue further education. In order to assist those mature learners, CASA recommends that the Government of Canada allow an exemption of $10,000 in personally held financial assets in the Canada Student Loans Program assessment.

Mature students already face numerous barriers in accessing financial aid. Individuals over the age of 25 accounted for 34% of Canadian post-secondary students in 2007, but only 20% of loan recipients. At the same time, for those who did receive assistance, their average loan was higher, indicating older students have higher levels of financial need.

By updating the Canada Student Loans Program assessment of borrower assets the Government of Canada can ensure individuals who are seeking to retrain are set up to succeed in every way possible. Workers seeking to retrain, individuals making mid-life career changes and even students who have been financially responsible will benefit from this update. This policy change will help to incentivize retraining and smart fiscal management.

Government should make retraining a priority by updating the Canada Student Loans Program assessment of borrower assets. Granting equal access to financial assistance for mature students and encouraging responsible savings would cost government $8 million annually.