



2017 Provincial Budget Submission

Thompson Rivers University Students' Union



*Standing Committee
on Finance and
Government
Services*

our request

Our Request

We are here to request that the 2017 British Columbia budget eliminate the public investment in provincial Registered Education Savings Plan (RESP) grants, loan remission programs, and education tax credits, and create a comprehensive need-based grants program for post-secondary students.

Outcomes

Student financial aid is intended to support sufficient and equitable participation, timely completion, and full transition from studies into the workforce. All types of financial aid have some positive effect on participation, completion, and transition rates, but some are more efficient than others. We propose that to achieve the full social, economic, and fiscal benefits of post-secondary education, provincial policies and resources must be directed to achieve and be measured against the following tangible and targeted outcomes:

Participation

- Participation rates should meet or exceed projected labour market demands
- Participation rates should be approximately equal across incomes

Completion

- Average time to completion should be brought as close to that for full-time, continuous study in a given program as possible
- Persistence and completion rates should be above 90%
- Finances as a primary reason for discontinuing studies should be eliminated

Transition From Studies

- The rate of transition to employment should be 100%
- Graduates' employment, career, and entrepreneurial decisions should not be influenced by debt obligations
- Graduates' volunteering and other community service should be entirely unhindered by debt obligations
- Graduates' major consumer purchases and family investments should be minimally delayed by debt obligations

This submission will examine the effectiveness of provincial RESP grants, loan remission programs, education tax credits, and need-based grants for the purpose of meeting these outcomes.

RESPs

RESP's *Help where it's needed least*

Registered Education Saving Plans (RESPs) require that households save for years in advance of a child's education in order to receive government assistance. Low-income families who need help paying for post-secondary education often can't afford this investment. This puts the majority of public investment in RESP programs in the hands of wealthy families who can already afford the costs of education. RESPs leave behind struggling students and families, resulting in low participation, completion, and transition rates.

In 2015 the provincial government launched a new RESP grant program called the BC Training and Education Savings Grant. This program provides families with a \$1200 grant when they open an RESP account for a child between the ages of 6 and 9. The public investment in this program is approximately \$50 million for 2016.ⁱ

RESP saving programs are problematic for increasing participation rates because those who can afford to save for a child's post-secondary education generally already have the means to afford the up-front costs. And conversely, lower income families often need greater financial support but are much less likely to be able to afford to save in an RESP account. A 2015 report on federal RESP savings programs indicates that 50% of all federal RESP grants go to households earning over \$90,000 per year, representing over \$400 million in expenditures.ⁱⁱ Given that the federal RESP program has additional program enhancements targeted to low and middle income Canadians (Canada Learning Bond and Additional Canada Education Savings Grant), usage of the provincial RESP program among lower income households is likely even lower.

RESP programs also have limited benefit for increasing completion rates. Students who need the most financial support to complete their education are commonly from lower income households and are therefore much less likely to have an RESP savings account. Further, even among lower income households that have an RESP account, they tend to have a much lower amount saved.ⁱⁱⁱ This means that students from lower income households will likely use up their RESP savings part way through their degree, reducing their chances of completion.

Ensuring that students effectively transition into the workforce after their studies is primarily about ensuring that debt levels are manageable. RESP's miss the mark on maximizing transition rates because they are primarily used by students from higher income households. Students who need the most financial assistance and who have the highest debt level do not benefit from RESP's, reducing their ability to successfully transition into the labour market.

Loan Remission *Too little, too late*

Loan remission programs provide financial relief after a student has completed that year or graduated, but it leaves behind students who are struggling to pay the costs of their education right now. This model

loan remission

provides debt relief for students who manage to complete their education, but provides very little benefit to participation or completion rates. Loan remission represents significant government expense without a corresponding change in education outcomes.

The BC Completion Grant is the largest provincial student loan remission program, representing \$32 million in student loan remission in 2015.^{iv} This program forgives a portion of student debt after each year of study. The number of students receiving the grant and the size of each grant disbursed depends on the budget for that year.

Loan remission is problematic as a tool to increase participation because financial benefit is uncertain and is provided after tuition costs are due. There is also no public information available on how the size of a loan remission grant is calculated, leaving students in an uncertain financial position. Students from lower income households often cite finances as a primary reason that they did not attend post-secondary, meaning that loan remission is doing little to help students with the greatest need as many will self select out of PSE before receiving any benefit from loan remission.^v

The BC Completion grant has some benefit for completion rates as it is offered at the end of each school year. The problem with year-over-year loan remission programs, such as the BC Completion Grant, is that students cannot create a financial plan based on how much assistance they will receive because it is an unknown factor until after completion of each school year. Financial aid given in this manner is not transparent, and therefore completion rates are not maximized.

Loan remission helps students transition by reducing debt load. But successful transition into the workforce is also dependent on a student participating in the first place, as well as completing their education. As loan remission is less effective at increasing participation rates and maximizing completion rates, the number of additional students transitioning into the workforce due to loan remission is also reduced.

Tax Credits *Overly complex and often unused*

Education tax credits are complex to understand and are often not used until after graduation. Similar to loan remission programs, this leaves financially vulnerable students without help until they have graduated or dropped out. This provides a financial benefit years after a student's post-secondary education, but does not improve the number of students participating, completing, or successfully transitioning into the workforce.

The province of BC offers tuition and education tax credits equivalent to the amount paid in tuition fees plus \$200 for each month enrolled in full time studies.^{vi} This represents approximately \$6000 per year in non-refundable tax credits for a student enrolled at TRU.

Calculating actual benefits from tax credits is difficult, particularly for young people who may be filing

needs-based grants

taxes for the first time. In addition, education tax credits are generally transferred to a future year or to a relative, resulting in no immediate financial relief or security for students. Education tax credits are therefore unlikely to be a factor in increasing participation rates in the post-secondary system.

Tax credits are one of the least efficient types of student financial aid for increasing completion rates. Financial benefits from tax credits are greatest in a year when a student has earned a larger amount of money. Conversely, when a student has the lowest income, and therefore needs the greatest assistance, tax credits provide the least benefit. This sets up a financial aid system in which students already in a strong financial position are further rewarded, while those struggling are left behind.

Looking to transition, tax credits help reduce debt after a student has completed or dropped out. But the number of graduates helped by tax credits is a function of the number of students participating in and completing their education. As tax credits are ineffective at improving participation or completion rates, their effectiveness in helping student's transition in the workforce is also limited.

The 2016 federal budget recognized these flaws with federal education tax credits and as a result will be phasing them out in 2017 in favour of increasing the value of the federal need-based grants program. As stated in the 2016 federal budget, "These credits are not targeted based on income and often provide little direct support to students at the time they need it most."^{vii} There is no evidence to show that the BC Tuition and Education Tax Credit is any more effective than its federal counterpart.

Need-Based Grants *Targeted, timely, and effective*

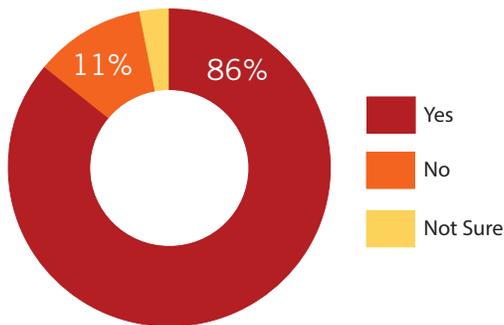
Need-based grants are targeted to need, provided when financial need occurs, and transparent, allowing students to be sure of their financial position before incurring the costs of education. These characteristics uniquely position need-based grants to increase participation, completion, and transition rates over other forms of student financial aid. When polled, 9 out of 10 residents of Kamloops said they support the creation of a provincial need-based grants system. Compared to other forms of student financial aid, need-based grants were also the top choice to help students and their families afford a post-secondary education.^{viii}

BC does not currently have a comprehensive system of need-based grants. There are some specific grants available, notably for students in programs identified in the BC Skills for Jobs Blueprint. These programs are mostly limited to trades professions, which are necessary but do not adequately meet the broader skills shortage our province will be facing in the next decade. There are also some targeted grants available for students in ABE, students with disabilities, and students who are former youth in care. But BC remains one of the only provinces without a comprehensive grants system that helps all students that can prove financial need.

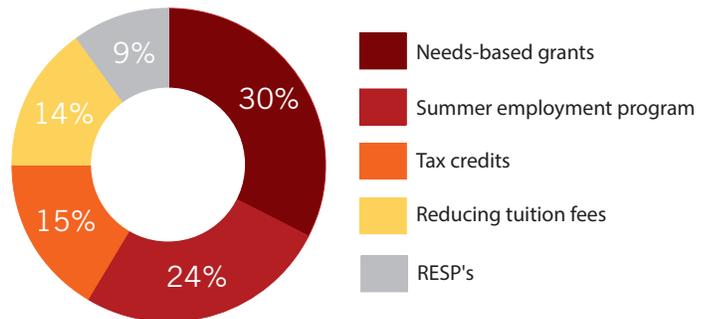
A need-based grants program is effective at increasing participation rates because it is transparent and

needs-based grants

2016 Kamloops North and South Thompson Polling Data



Should the Government of British Columbia have a system of grants for students who can show they need help paying their tuition fees?



What are the most effective steps that the Provincial Government can take in helping students and their families afford tuition fees at Thompson Rivers University?

provides students with financial assistance up-front, before costs are incurred. A student can be sure of the amount they are eligible for and the criteria for receiving a grant before starting their education. This helps low income and debt-averse students be sure of their financial resources, increasing participation rates.

Need-based grants are also effective at maximizing completion rates. A student can be sure of the grant that they will receive each year before incurring the costs for that year of study. This helps reassure debt-averse students throughout their education. The size of the grant is also proportional to financial need, ensuring that each dollar of financial aid given is maximizing completion.

Need-based grants are equally effective compared to other forms of student financial aid at helping graduates successfully transition into the labour market. But they have an advantage for transition rates over other forms of financial aid because need-based grants help significantly more students participate in and complete their education. This means that more students would transition into the labour market with a provincial need-based grants system.

conclusion

Conclusion

Based on this analysis we recommend that the complete value of provincial investment in RESP grants, student loan remission programs, and education tax credits be transferred into the creation of a new need-based provincial grants program. This new grants program represents no additional costs, but would improve participation, completion, and transition rates. Each dollar invested in need-based grants over other forms of student financial aid is a more effective tool at getting new students into the post-secondary education system, helping them complete their education, and ensuring that they successfully transition into the labour market.

About the TRU Students' Union

The Thompson Rivers University Students' Union (TRUSU) is the membership organization of the more than 10,000 students at Thompson Rivers University (TRU) in Kamloops.

End Notes

ⁱBritish Columbia Training and Education Savings Grant <http://www2.gov.bc.ca/gov/content/education-training/k-12/support/bc-training-and-education-savings-grant>

ⁱⁱOffice of the Parliamentary Budget Officer. "Federal Spending on Postsecondary Education." Ottawa, ON. 2016.

ⁱⁱⁱIbid.

^{iv}FACTSHEET: The facts on B.C.'s post-secondary education system. <https://news.gov.bc.ca/factsheets/factsheet-bc-post-secondary-education-facts>

^vRA Malatest & Associates Ltd. "The Class of 2003: High

^{vi}School Follow-Up Survey." Montreal, QC: The Canada

^{vii}Millennium Scholarship Foundation, 2007.

^{viii}British Columbia Basic Personal Tax Credits <http://www2.gov.bc.ca/gov/content/taxes/income-taxes/personal/credits/basic>

^{ix}Government of Canada 2016 Budget http://www.budget.gc.ca/2016/docs/plan/ch1-en.html#_Toc446106651

^xVector Polling – August 2-7, 2016.



Thompson Rivers University Students' Union
TRUSU
Local 15 Canadian Federation of Students

REDUCE TUITION FEES



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