



# 2020 Provincial Budget Submission

Thompson Rivers University Students' Union



***Standing Committee  
on Finance and  
Government  
Services***

# our recommendations

## About the TRU Students' Union

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



## Our Recommendations

On behalf of the students at TRU, we recommend:

1. *Re-evaluate the Thompson Rivers University funding formula*
2. *Restructure current post-secondary student financial aid programs to create an upfront need-based grants program*
3. *Create a provincial strategy for international students*

# per-student funding

## Recommendation 1: Funding

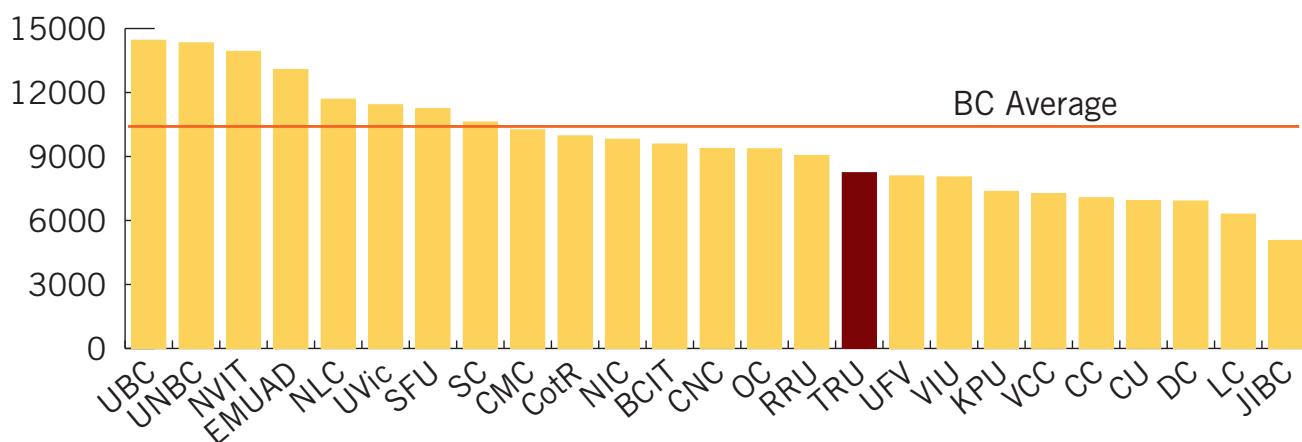
### Recommendation 1:

*Re-evaluate the Thompson Rivers University funding formula*

## Per-Student Funding at Thompson Rivers University

TRU receives less per-student funding than most other post-secondary institutions in British Columbia. In targeted per-student funding, TRU ranks 16th out of 25 post-secondary institutions. As a result TRU is targeted to receive approximately \$2000 less in funding per student than the provincial average. At the same time TRU has consistently outperformed its targeted number of students in the last few years.<sup>1,2</sup> This is a big problem for the entire Kamloops community because TRU supports many local businesses, engages in important community research, and serves the majority of students from Kamloops and the surrounding areas.

### 2017/18 Target Per-Student Funding in BC



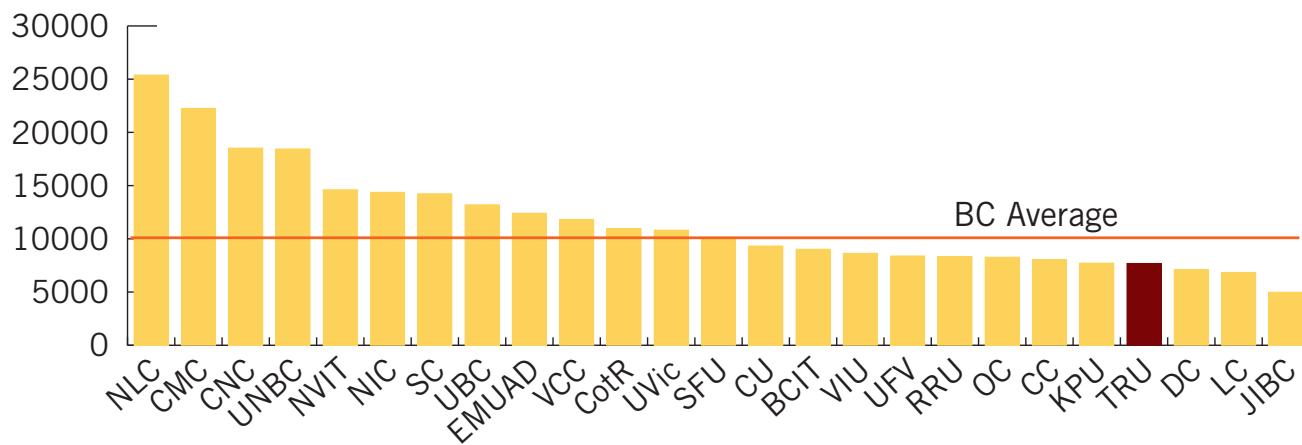
TRU ranks 16<sup>th</sup> out of 25 institutions in targeted per-student funding

# per-student funding

## *How does targeted post-secondary funding work?*

Post-secondary institutions in British Columbia have two primary sources of revenue. The first is from fees paid by students, which makes up roughly 60% of TRU's budget. The second is from provincial block grant funding, making up the remaining 40%.<sup>3</sup> Alongside block grant funding, the provincial government also sets a target for the number of Full Time Equivalent (FTE) student enrolments at each institution. Dividing the block grant amount by the number of targeted FTEs provides a targeted per-student funding level for each institution across the province. Although the Ministry of Advanced Education, Skills, and Training does not provide funding directly on a per FTE basis, this is the best available tool for comparing funding levels across institutions in BC.

## 2017/18 Actual Per-Student Funding in BC



TRU ranks 22<sup>nd</sup> out of 25 institutions in actual per-student funding

## *What is the difference between targeted and actual per student funding?*

Targeted funding is based on the number of FTEs that the provincial government expects each institution to reach, as laid out in the first graph. However, most institutions in BC do not reach this target. Actual per-student funding is based on the number of FTEs that each institution across the province reported to the Ministry of Advanced Education, Skills, and Training. The difference between the actual number of FTEs at each institution relative to the target set by the provincial government is referred to as the

# per-student funding

utilization rate. In 2017/18 TRU had a utilization rate of 107% while the majority of other post-secondary institutions fell well below this.<sup>4</sup> This means that TRU attracted and retained over 500 more full-time equivalent students than the provincial government expected. Taking into account the actual number of FTEs for each institution provides a more accurate picture of per-student funding levels across the province.

As TRU consistently meets and surpasses the FTE targets set by the province while many other institutions do not, TRU's funding position is significantly worse than the targeted funding level would suggest. Compared to the average level of funding per FTE across the province, TRU has been underfunded by approximately \$100 million in the last five years alone.<sup>5,6</sup> As TRU continues to attract more students, this funding inequity is only growing – for each additional student at TRU, there is less funding available for other students.

## Block Grant Funding

While calculating funding on a per student basis is the best available tool to compare funding levels between institutions, comparing how each institution's block grant has changed over time is also an important metric to understand how additional resources for post-secondary education have been distributed across the province. Each figure on the next page is the percentage change in the block grant for each post-secondary institution from 2005/06 to 2018/19, taking into account inflation for that period. The first year for

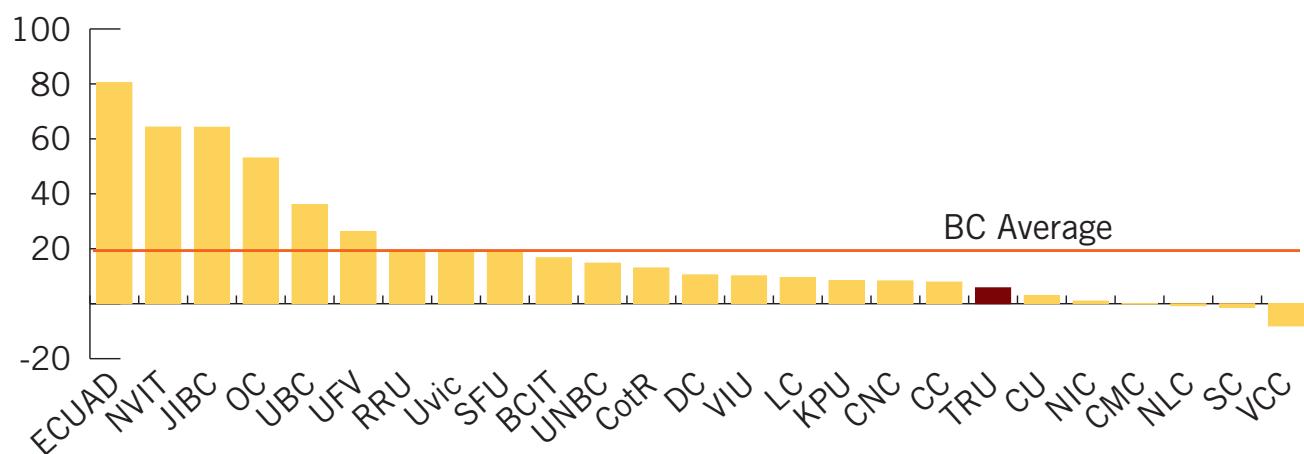
### Utilization Rates 2017/18

Okanagan College	113.23%
Simon Fraser University	112.15%
University of British Columbia	109.53%
Royal Roads University	108.79%
<b>Thompson Rivers University</b>	<b>107.27%</b>
British Columbia Institute of Technology	106.28%
University of Victoria	105.70%
Emily Carr University of Art and Design	105.48%
Justice Institute of British Columbia	101.67%
Douglas College	97.12%
University of the Fraser Valley	96.48%
Kwantlen Polytechnic University	95.52%
Nicola Valley Institute of Technology	95.35%
Vancouver Island University	93.16%
Langara College	92.08%
College of the Rockies	90.85%
Camosun College	87.87%
University of Northern British Columbia	77.72%
Selkirk College	74.64%
Capilano University	74.40%
North Island College	68.28%
Vancouver Community College	61.43%
College of New Caledonia	50.62%
Coast Mountain College	46.09%
Northern Lights College	46.05%
<b>Average</b>	<b>98.60%</b>

# per-student funding

this data is benchmarked at 2005/06 because this is when Thompson Rivers University was established.

## Percent Change in Operating Grants 2005/06 - 2018/19



Operating Grants at TRU have only increased 5.8% since 2005/2006

Across British Columbia, block grant funding from the Ministry of Advanced Education, Skills, and Training has increased by 19.5% above inflation from 2005/06 to 2018/19, representing a real increase of over \$300 million. Over the same time period, Thompson Rivers University has seen a real increase in block grant funding of just \$3.5 million - representing a 5.8% increase above inflation.<sup>7,8</sup> Unfortunately, FTE enrolments for these years are not available from Data BC, but from 2007/08, the earliest year available, to 2017/18, FTE enrolments have increased 32.5% at TRU. This far exceeds the average FTE growth rate across the province of 8.4% for this time period.<sup>9</sup>

## Impact

Underfunding at TRU not only impacts those who study and work here, but it also impacts the broader Kamloops community and region. Currently, TRU contributes \$355 million annually to the region and over \$650 million to the province, with only \$67 million in government funding.<sup>10</sup> This is a fivefold multiplier effect for our region and a tenfold multiplier effect for the province for each dollar invested in TRU. Even more importantly, TRU is the post-secondary institution that countless residents in our region depend on. Young people and future leaders of Kamloops are relying on you to ensure that TRU has the resources it needs to offer a high-quality education.

# per-student funding

## Conclusion

Thompson Rivers University has eager students, dedicated faculty, and is a comprehensive institution that provides education opportunities across a range of programs and regions that all British Columbians can be proud of. Through increasing faculty, expanding its available programs and growing its campus and resources, TRU has demonstrated itself to be a thriving institution. The provincial government must now provide this campus community with the targeted leadership, financial resources, and policy support that will help to realize its full potential. TRU needs to have its funding formula re-evaluated to ensure that the provincial funding reflects how the institution has grown and changed over the last decade.

# student financial aid

## Recommendation 2: Student Financial Aid

### Recommendation 2:

*Restructure current post-secondary student financial aid programs to create an upfront need-based grants program*

The purpose of student financial aid is to support sufficient and equitable participation, timely completion, and full transition from studies to the workforce.

While all types of financial aid have some effect on participation, completion, and transition rates, some are much more effective at producing these outcomes. To realize the full social, economic, and fiscal benefits of post-secondary education (PSE), provincial policies and resources must be directed to achieve the following 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 consistent with a full-time, continuous study program plan
- Persistence and completion rates should be above 90%
- Finances as the primary reason for discontinuing studies should cease

#### *Transition From Studies*

- The rate of transition to employment should be approaching 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

# student financial aid

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.

## (a) RESPs

RESPs are special education savings accounts registered with the Government of Canada to help families save for their children's PSE or training program. The government provides matching grants and the money deposited in the account grows tax-free until withdrawn. The main purpose of RESPs is to encourage early planning and saving.

The primary issue with RESP grants is that they disproportionately benefit high-income families who least need financial support.<sup>11</sup> Low-income families often cannot afford the upfront investments required to maintain an RESP for their children and thus do not qualify for linked government grants, such as the BC Training and Education Savings Grant (BCTESG).<sup>12</sup> A 2015 report on federal RESP savings programs noted the RESP take-up rate (the percentage of children 18 years of age with an RESP) was only 25.2% for families with incomes below \$25,000 versus 70.1% for families with incomes of over \$125,000.<sup>13</sup>

In terms of outcomes, this means that RESPs have minimal impact on increasing participation rates as those who are capable of saving for PSE generally already have the means to afford the upfront costs. Conversely, those who face financial barriers to post-secondary education are not generally able to take advantage of RESPs.

Lower-income students who do have RESP accounts typically have much less saved which impedes their ability to complete their education on time. In 2012, a family in the highest quintile of wealth had on average \$26,380 more in their RESP than a family in the lowest net worth quintile.<sup>14</sup> That difference alone could cover a four-year undergraduate degree in a BC university.

## (b) Loan Remission Programs

Loan remission programs provide financial relief after a student has completed their current year of education or graduated. The BC Completion Grant is the largest provincial student loan remission program, forgiving a portion of student debt after each year of study. Of note, eligibility requirements exclude those taking costly programs and those studying in programs under two years in length. The number of students receiving loan forgiveness through the program and the amount disbursed to each student depends on the budget for that year.<sup>15</sup>

Loan remission is problematic because it provides little to no assistance for students who are debt averse or unable to pay the upfront costs of their education. Further, as remission amounts per student for the BC Completion Grant are not publically available and vary year-to-year, students are unable to plan expenses accordingly and are left in uncertain financial positions.

# student financial aid

As a result, loan remission programs represent a significant expense with little corresponding change to participation, completion, or transition rates. While helpful to those who can support themselves through the school year, many of those unable to maintain the financial burden may withdraw from their PSE prior to receiving some benefit from the BC Completion Grant.

*Of note, in their 2017 election platform, the BC NDP committed to creating an Opportunity Award that forgives \$1000 of student debt for every BC student upon graduation.<sup>16</sup> As outlined above, this is a poor public policy direction for student financial aid because it is provided after a student has already completed their education. Students who are debt averse or unable to afford the costs of education will remain without assistance from this new program.*

Of note, in their 2017 election platform, the BC NDP committed to creating an Opportunity Award that forgives \$1000 of student debt for every BC student upon graduation. As outlined above, this is a poor public policy direction for student financial aid because it is provided after a student has already completed their education. Students who are debt averse or unable to afford the costs of education will remain without assistance from this new program.

## (c) Tax Credits

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.<sup>17</sup> This amounts to approximately \$6000 per year in non-refundable tax credits for a student enrolled at TRU.

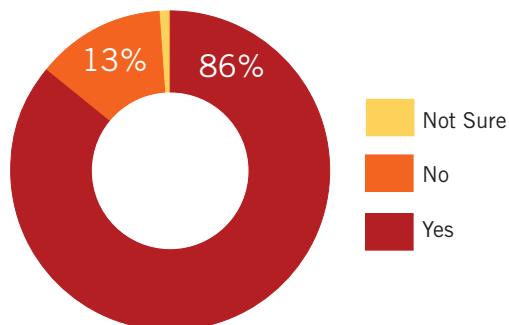
Education tax credits are problematic for two main reasons. First, the majority of education tax credits are transferred to a future year or to a relative, resulting in no immediate financial relief or security for students.<sup>18</sup> This leaves financially vulnerable students without help until graduation or withdrawal from the program. Second, benefit received from education tax credits is in the spring while the largest costs of post-secondary education are incurred in the fall.

Financial assistance from tax credits is provided through a complex system that does not target students with the greatest need. As a result, education tax credits are not a viable means for increasing participation, completion, or transition rates.

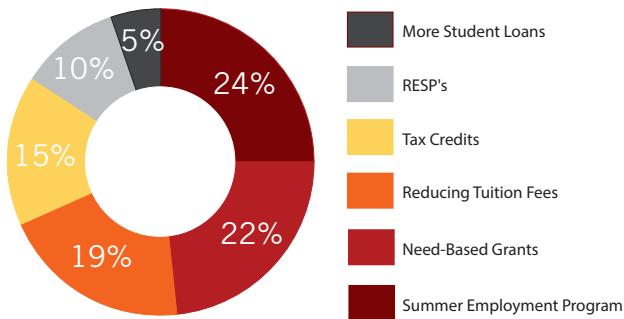
The 2016 Federal Budget recognized the flaws with post-secondary tax credits and phased out the Education and Textbook Tax Credits in 2017 in order to increase the value of the federal need-based grants program. As

# student financial aid

## 2018 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?**

stated in the 2016 federal budget document, “These credits are not targeted based on income and often provide little direct support to students at the time they need it most.”<sup>19</sup> There is no evidence to show that the BC Tuition and Education Tax Credit is any more effective than its federal counterpart.

### (d) Need-Based Grants

Need-based grants are targeted to students with financial need, provided at the time of when the largest costs of education are due, and transparent, therein 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.

Their viability as the most impactful financial aid option is supported by significant research across North America on the impact of student aid on participation, completion, and workforce transition. A 2010 Stanford University study found need-based grants to be more effective at improving students’ likelihood to enroll in university, stay in university, and earn a bachelor’s degree.<sup>20</sup> A 2012 Harvard University study concluded that by reducing the cost of attending a post-secondary institution, financial aid in the form of up-front need-based grants, lowers the real or perceived cost of attendance to the point where many students on the margin of enrolling decide to register.<sup>21</sup>

BC remains one of the only provinces without a comprehensive system of need-based grants for students demonstrating financial need. There are some specific grants available, notably for students in programs identified in the BC Access Grant for Labour Market Priorities. These programs are mostly limited to trades professions which, despite being necessary, do

# student financial aid

not adequately mitigate the broader skills shortage our province will be facing in the next decade.

The desire for a new aid system exists. A poll conducted amongst Kamloops residents found that nine out of ten support the creation of a provincial need-based grants system. In comparison to other forms of student financial aid, a need-based grant program was a top choice helping students and their families afford PSE.<sup>22</sup>

## 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, and would greatly 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 PSE system, helping them complete their education, and ensuring that they successfully transition into the labour market.

# international students

## Recommendation 3: International Student Strategy

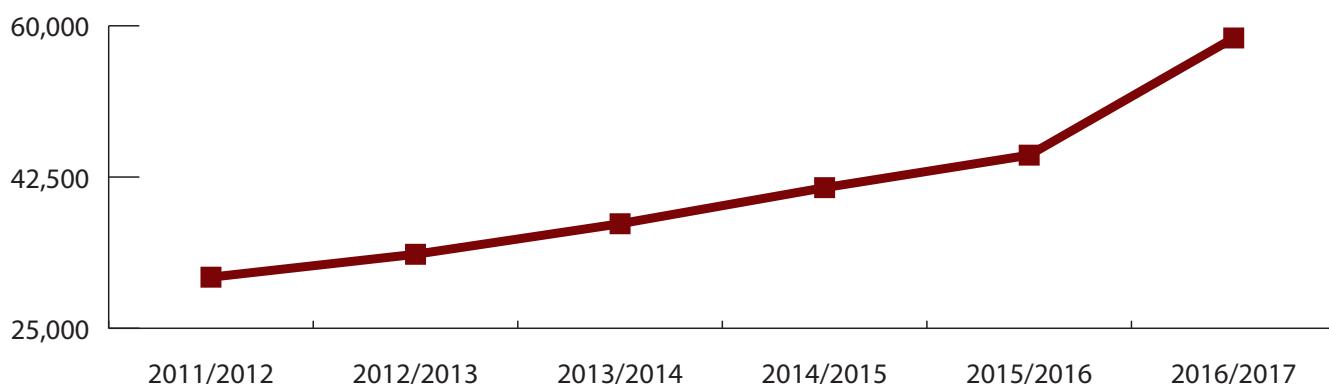
### Recommendation 3:

*Create a province wide international student strategy*

At Thompson Rivers University the number of international student enrollments has rapidly increased, growing from 1749 in 2014/15 to 3345 in 2018/19, representing a 91% increase.<sup>23</sup> Over the last two years alone, growing international enrolment has led to an increase in projected revenue from international undergraduate and graduate tuition by more than 40% from \$40.6 million in 2017/18 to \$57.1 million 2019/20. As a result, tuition and fee revenue from international students at TRU now accounts for 59% of tuition revenue.<sup>24</sup>

TRU is not unique in the province in this regard either. British Columbia currently hosts over 150,000 international students, representing approximately 25% of international students across the country. Over 58,000 of these students are enrolled in the public post-secondary sector, having almost tripled since 2007/08.<sup>25</sup>

### BC International PSE Student Enrollment



International student enrolment has increased by 89.5% since 2011/12 in BC

# international students

This increase in international enrollment brings significant value to post-secondary institutions and communities across the province. The direct and indirect economic impact of international education in BC in 2016 was over \$4.2 billion. As a result, international students contributed \$2.8 billion to the provincial GDP in 2016 and helped to support vital services for residents across the province.<sup>26</sup> With rapidly increasing international enrolment from 2016 to today, one can expect this economic impact to be much higher in 2019.

Despite the significant role international education plays in our provincial economy, the entire sector has largely grown without any broad strategic plan. Each post-secondary institution across BC tends to recruit as many international students as they believe they can accommodate and charges fees at a level they believe students will pay. This is problematic because it leaves our province economically vulnerable to a few individual decision makers at post-secondary institutions who oversee international enrollment, without the benefit of any broader formalized provincial context.

## Conclusion

The previous provincial strategy for international students released in 2012 focused mostly on maximizing the economic benefits of international students and strategies to attract more students. Today, seven years later, BC needs a new strategy for international students that ensures that international education continues to benefit post-secondary institutions, communities, and the province as a whole. Rapidly increasing international enrolment has started to increase friction in communities for limited affordable rental housing, in institutions for limited course offerings, and for international students themselves who are facing social, cultural, and financial challenges. We believe that the provincial government needs to have a role in this rapidly expanding industry in order to ensure that BC can continue to maximize benefits from international education while also ensuring that it remains sustainable through respecting the needs of international students.

*At TRU we facilitated focus group discussions with domestic and international students, as well as with staff and faculty who teach and provide services across our campus, to hear from the campus community about how growing international student enrollment has impacted their experiences.*

*This feedback was released in March 2019 as a discussion paper for the TRU community to consider and to start a conversation about topics including recruitment and enrolment, meetings students' basic needs, the academic experience, and the cultural and social experience.*

*We invite members of the Select Standing Committee on Finance and Government Services to review this document on our website at*

***trusu.ca/international***

# endnotes

## Endnotes

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# GIVE US YOUR FEEDBACK

## OUR RECOMMENDATIONS FOR THE PROVINCIAL BUDGET

1. Establish a provincial need-based grants program
2. Re-evaluate TRU's funding formula
3. Create a provincial strategy for international students