



# First Aid for Student Aid

A campaign of the Canadian Federation of Students-Manitoba

## Executive Summary

### Context

Since before the Second World War, Canadian society has regarded post-secondary education as a key public service in Canada. It has long been a priority for Canadians to have an accessible, affordable, high-quality system of colleges and universities. However, the system often falls short.

Manitoba's system of post-secondary education is made possible largely as a result of government action in three key areas: an accessible system of student aid; funding for institutions; and support for reducing tuition fees. This report examines shortcomings and proposes practical solutions in these areas, with a focus on student aid.

### Student Aid

Our current system of student aid is administered by Manitoba Student Aid (MSA), but is a patchwork of federal and provincial aid programs. Central to Manitoba Student Aid are student loans, provided on a needs-based scale to students: 60% by the Canada Student Loans Program (CSLP), and 40% by Manitoba Student Aid. Manitoba Student Aid also provides a number of non-repayable grants to students to pay down their Manitoba Student Loans each year. Rules for aid eligibility are set by the CSLP, and mirrored by MSA.

### Funding for Institutions

Over the past two decades, there has been a marked shift away from public funding for universities in Canada. In 1985, universities received 83% of their funding from government sources, and only 13% from tuition fees. By 2005, those figures had changed to 64% from government and 24% from fees. This has meant skyrocketing tuition fees for students, and lower overall funding for universities.

The announcement in 2006 of 5% minimum annual funding increases for three years, and the federal transfer increase announced last year are beginning to help fill the void

left by government funding cuts in the 1990s, but our institutions are still funded far short of their needs. As a result of the significant decline in government funding, last year's 7% government funding increase for universities amounted to only a 4.5% increase to university budgets.

### Tuition Fee Freeze

After tuition fees increased by 120% during the 1990s—five times faster than inflation—and repeated government funding cuts implemented, enrolment plummeted and institutions were left with huge budget shortfalls. Following the tuition fee freeze and reduction in 2000, enrolment rebounded, and universities and colleges have seen their highest funding levels in two decades.

While tuition fees across much of Canada have continued to climb, Manitoba has maintained more affordable tuition fee levels alongside steady funding increases. This is a good example of how reducing tuition fees and increasing funding for universities and colleges go hand-in-hand; whereas, in jurisdictions like Ontario tuition fees have been allowed to rise and university presidents still decry the lack of funding their institutions receive.

### National Program, Provincial Changes

As was previously mentioned, the student aid system is guided by criteria for eligibility that are set at the federal level. Although provinces should be working together on post-secondary education issues nationally, the out-dated methodology of the Canada Student Loans Program has left students in Manitoba struggling through a maze of ineffective rules and regulations, and ultimately without the aid they need.

There is a crucial role to be played by our federal system of student aid, but we can make the system work for Manitoba students now, while continuing to press for nation-wide reforms. This report is suggesting several simple, effective, and affordable changes that can be made to improve the provincial student aid system.

# Five Key Solutions

## 1. Student aid, not student poverty

Student aid recipients should not be forced into poverty. Right now, students accessing public student aid are required to live on only \$883 per month—39% lower than Canada's official poverty level for income. To make matters more complicated, students are permitted to *borrow* additional funds from a private financial institution, but not to *earn* more through a job. Working more means getting less from student aid. While students should not have to work full-time, clawing back earnings only puts the most vulnerable students into worse circumstances: the policy is part of the patronising philosophy of student aid.

The Canadian Federation of Students recommends a combination of up-front grants, and allowing students to earn more before having their aid diminished, to bring the monthly living allowance for students on student aid up to the Low Income Cut-off (LICO), *without* increasing student debt.

## 2. Reduce the rates: affordable interest

Manitoba's universities and colleges have been issued lines of credit by the province, to help finance projects like foundation repairs and new building construction. When the universities borrow these millions, they pay the same interest rate the province does—approximately 4.25%. Yet when students take out loans from the province to attend university or college, they pay nearly twice as much—8.25%!

Manitoba has the highest student loan interest rates in the country, and it's time to change that. The Canadian Federation of Students recommends reducing Manitoba Student Loan interest rates to the borrowing rate of the Government of Manitoba, so that students can enjoy the same benefits of a strong economy that universities do—lower interest rates.

## 3. Make student aid make sense

Thanks to decades of tinkering with outdated eligibility rules established by the Canada Student Loans Program, student aid is one of the most confusing and complicated programs in the country. The application process is trying, approval is slow, and a recipient's loan often arrives late and can be clawed back for a variety of reasons. The loans process forces applicants to dispose of many of their assets, including vehicles, and fails to provide for mature students who have mortgage payments. Part-time students are ineligible for government student aid, and the time limit on student aid will expire long before most students pursuing a Ph.D. complete their studies. For students who run into financial trouble, it is nearly impossible to find out about Interest Relief, and Debt Reduction in Repayment—programs specifically designed for students in need.

The Canadian Federation of Students is recommending changing or eliminating eligibility requirements to allow more needy students to access student aid. These recommendations are discussed in more detail in the full report.

## 4. Help ACCESS keep pace

Manitoba's ACCESS program has been effective at providing support for Aboriginal students pursuing college or university education in Manitoba. The Federal government continues to shirk treaty obligations towards Aboriginal peoples; meanwhile, thousands of qualified Aboriginal students are shut out of college or university.

While the student movement continues to work with Aboriginal students and organisations to hold the Federal government to its obligations, the Canadian Federation of Students is recommending that funding for the ACCESS program in Manitoba be indexed to the growth of the Aboriginal student body in Manitoba, based on high school graduation rates.

## 5. Invest in universities and colleges, not tax cuts

Since 2000, the Manitoba government has cut \$787 million in taxes, and posted \$1.5 billion in budget surpluses, most of that in the last three years. At the same time, our institutions need millions of dollars in maintenance, and baseline funding needs to be restored to the levels of the mid-1980s, to make sure that our colleges and universities have the resources they need to attract and retain faculty, keep class sizes small, and provide high quality education in Manitoba.

The Canadian Federation of Students recommends the following:

- a true 7% increase to college and university budgets this year (9.7% increase in provincial funding);
- the creation of a \$250 million capital repair and upgrade fund, to address decades of deferred maintenance;
- a commitment from the Province to direct the anticipated \$26-million in federal funding to the operating budgets of institutions, and not to reduce provincial contributions. This will start to undo the damage caused by the funding cuts of the 1990s;
- the elimination of the practice of charging higher fees to international students in Manitoba, who are a key component for Manitoba's immigration strategy;
- hold university presidents to account by making all funding increases contingent on universities' and colleges' not increasing tuition and ancillary fees.

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## For more information, please contact:

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