

# Higher Education Finance and Cost-Sharing in Canada

*(Updated April 9, 2010)*

## 1. A Brief Description of the Canadian Higher Education System

Canada is a federation of ten provinces and three territories. Under the Canadian Constitution (1867), the provincial and territorial governments govern postsecondary education. The federal government provides only indirect support to postsecondary education through financial transfers to the provinces and through its funding of university research and student assistance.

There are over 230 public and private registered or licensed institutions in Canada that have been given authority to grant degrees by provincial or territorial governments through charters or legislation. These include 130 public universities and colleges; 82 not-for-profit private institutions and 19 for-profit institutions. University degrees are offered at three consecutive levels - bachelor's, master's, and doctoral. While Canadian colleges, also known as community colleges, institutes of technology, or university colleges, historically offered diplomas and certificates rather than degrees, some have been given degree granting authority. In addition, there are close to 150 non-degree-granting registered or licenced postsecondary institutions in Canada that offer diplomas or certificates. Of these, over 100 are public, 20 are non-profit and 27 are for-profit institutions. There are thousands more post secondary institutions that are unrecognized (CICIC 2010).

Higher education plays a crucial role in this industrialized, trading nation. It is estimated that between 1990 and 2006, the number of jobs requiring a university education doubled from 1.9 million to 3.8 million (Canada's Universities 2010). It is estimated that universities conduct about one-third of all research activity in Canada (CICIC 2010).

Canada is one of the countries with the highest postsecondary education participation rates in the world. In 2005, close to 60 percent of young Canadians aged 20 to 24 had either completed a post-secondary degree or were attending one placing Canada third among 24 countries and well above the average of 40 percent for Organisation for Economic Co-operation and Development countries. Results from the 2005 Youth in Transition survey indicate that, by the time they had reached 24 to 26 years of age, 79 percent of the survey participants had enrolled in a post-secondary program (Canadian Council on Learning 2009). In 2005-06, more than 1 million Canadian students were enrolled in universities in Canada (781,300 full time) and in 2004-05, more than half a million students were enrolled full time in public colleges and universities.

The quality of postsecondary programs is ensured through a combination of legislative and administrative mechanisms rather than by a single system of institutional or program accreditation.<sup>1</sup> Professional schools have nation-wide accreditation boards. At an institutional level, the Association of Universities and Colleges has a procedure for checking quality at institutions that wish to become members.

## 2. Costs, or Expenditures, in Canadian Higher Education

Public postsecondary education derives the majority of its funding from provincial/territorial and federal government sources. In 2006-07, Canada's public expenditure on public higher education for post-secondary education was C\$32 billion [US\$26.6 billion<sup>2</sup>] (CICIC 2010). Provincial

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<sup>1</sup> Retrieved (on April 26, 2003) from <http://www.cicic.ca/postsec/vol1.overview.en.stm>

<sup>2</sup> All conversion use ICP World Bank 2005 PPP US\$1=C\$1.2

and territorial governments provide most of the direct funding for public education in Canada (45 percent). The balance of public postsecondary education income is obtained from tuition fees (21 percent), sale of goods and services (14.6 percent), federal government (9.3 percent), investment income (2.7 percent), and other income including philanthropic contributions (7.4 percent).

Since the early 1990s, university tuition fees have accounted for an increasing proportion of university revenues. Average undergraduate university tuition increased by 144 percent between 1990/91 and 2001/02 (Levin 2009). In the late 1990s, increases in average general undergraduate tuition rates came to a halt and some provinces instituted tuition freezes as part of their commitment to increase participation among lower income students. At the same time, tuition fee increases surged by as much as 100 percent in some professional, graduate or second-entry programs between 1999 and 2008. Average tuition fees increased only by 22 percent between 2001/02 and 2006/07 though there is some expectation that they will be allowed to increase in the years ahead in the face of declining institutional revenues due to decreases in returns from university endowments and to decreases in government funding levels, increasing instructional costs, increasing enrollments, and increasing student aid costs (Levin 2009; Usher and Dunn 2009).

The average student can cover his/her costs using a combination of employment (average 27 percent of income in a given year), followed by government loans (19 percent of total income), savings and investment (15 percent), family support (12 percent), private loans (7 percent), government non-repayable aid (6 percent), other grants (5 percent) and other sources (9 percent) (Berger, Motte and Parkin 2007).

Student loan borrowing rose sharply over the past decade, both in terms of the number of borrowers and the total amount borrowed. Between 1995 and 2005, the proportion of graduates who had borrowed from any source (government loan programs, banks, family, etc.) to pay for their higher education increased from 49 to 57 percent and the average amount borrowed increased from C\$15,200 [US\$12,667] to \$18,000 [US\$15,000] (Luong 2010). The proportion of students with higher debts also increased. In 1995, 17 percent of student borrowers had debt loads of C\$25,000 [US\$20,833] or more at graduation, while this proportion had increased to 27 percent by 2005 (Luong 2010).

### **3. Student Financial Assistance in Canada**

Government student financial assistance in Canada is channeled through the Canada Student Loans Program and the Canada Student Grants Program. The Canada Student Loan Program is jointly administered by the federal and provincial governments. If a student is a resident of Alberta, British Columbia, Manitoba, Nova Scotia, Prince Edward Island, or the Yukon, he or she gets two loans (one from the federal government for up to 60 percent of assessed need, serviced by the National Student Loans Service Centre, and one from the provincial student loan office for up to the remaining 40 percent, serviced by a financial institution). If the student is from a province that has an integrated student loan program, he or she gets only one loan, administered at the provincial level. The governments of Northwest Territories, Nunavut and Quebec do not participate in the Canada Student Loans Program and have their own financial assistance programs and in the Yukon only Canada Student Loans are available. The National Student Loans Service Centre (NSLSC) is responsible for the disbursement of both federal and provincial funds as well as the repayment of the integrated student loan.

Student loans are means-tested and available to all students in public and private colleges and universities to cover tuition fees and living costs. A student's loan amount is based on the ministry's calculation of the amount of money that the student and his/her parents should have available to pay for educational and living costs taking into account a student's pre and study period income and assets and parental (or spousal) income. Most students who have more than C\$1700 [US\$1,417] (C\$50 [US\$42] per week) in income face a reduction in the amount of student assistance available to them. After calculating the financial need by subtracting this expected contribution from total expenses, the ministry determines the amount of funding to which the student is entitled—but capped at a 2009-10 maximum of C\$350 [US\$292]/week for 340 weeks.

The federal and provincial governments pay interest on the loans while the students are in school. Students begin repayment after a six-month grace period following graduation (interest is accumulated during the grace period) at a fixed or floating rate of interest. As of October 2009, the interest rate was 4.75% for the floating rate and 7.25% for the fixed rate. Repayments are made on a fixed schedule and may take up to 15 years.

Once the repayment period has begun, students may apply to the new Repayment Assistance Plan, which replaced the Interest Relief and Debt Reduction in Repayment measures in 2009. In order to be eligible the student must be unable to afford the required monthly payment as calculated by the Canada Student Loans Program. The Repayment Assistance Plan has two stages to help student borrowers fully repay their student loan within 15 years (or 10 years for borrowers with permanent disabilities), depending on their financial circumstances. In the first five years, the qualified student borrower makes affordable payments (no more than 20 percent of their income) toward their loan principal to reduce the total debt. The government covers the interest owed that the affordable payment does not cover. The second stage is available for borrowers who continue to experience financial difficulty after stage one or those who have been in repayment for 10 years. In this stage the government will continue to cover the interest and begin to cover a portion of the student loan principal amount (i.e. the difference between the affordable payment and the required payment) until the loan is paid off within 15 years of leaving school.

When a student applies for a Canada student loan, he/she is automatically assessed for a student grant. Students must qualify for a Canada Student Loan in order to be eligible for a grant. The new consolidated Canada Student Grant (that replaced a set of different smaller grant programs) became available in the fall of 2009. It has developed two standard measures of income to determine eligibility for grants, the low income threshold and the middle income threshold. Threshold amounts are shown in a matrix of income per family size for each province/territory of residence. A portion of the low income threshold matrix is shown in Table 1 for the province of Ontario. If a family's gross income is less than or equal to the threshold amount in the cell for its province and family size in the low income threshold matrix, the family gets C\$250/month [US\$208] and if its gross income is less than or equal to the amount in the middle income threshold cell (table 7), it gets C\$100/month [US\$83]. In the case of a student who comes from a family of four in the province of Ontario, for example, if his/her gross family income is less than or equal to C\$41,329 [US\$34,441], he/she is eligible to receive C\$250 [US\$208] per month, while if it is less than or equal to C\$79,303 [US\$66,086], he/she is eligible to receive C\$100 [US\$83] per month.

**Table 1. Low-Income and Middle-Income Thresholds Valid for 2009-10 Academic Year (Province of Ontario)**

Prov/Terr	Family Size						
	1	2	3	4	5	6	7 or more
Low-Income Threshold	C\$22,241 US\$18,534	C\$27,689 US\$23,074	C\$34,040 US\$28,367	<b>C\$41,329</b> <b>US\$34,441</b>	C\$45,875 US\$38,229	C\$52,866 US\$44,055	C\$58,859 US\$49,049
Middle-Incm Threshold	C\$40,094 US\$33,412	C\$56,131 US\$46,776	C\$69,686 US\$58,072	<b>C\$79,303</b> <b>US\$66,086</b>	C\$86,769 US\$72,308	C\$92,858 US\$77,382	C\$98,016 US\$81,680

### Alternatives Sources of Student Financial Aid

In addition to governmental grants and loans there are other sources of student financial aid, including:

- *Assistance from higher education institutions:* Canadian colleges and universities spend almost \$100 million [US\$83.3 million] per year on undergraduate merit-based student financial assistance and another \$100 million on need-based awards.
- *Private loans and credit cards:* Private lines of credit are becoming increasingly popular with students. Almost two-thirds of Canadian post-secondary students possess at least one credit card and almost 40 percent report carrying debt on those cards. Older students accumulate substantially larger debts, and a larger proportion of this debt is private. Eighty-nine per cent of students aged 26 or older have government debt, private debt, or both, with an average value of C\$20,500 [US\$17,083]. Sixty per cent of students in this age bracket have government debt averaging C\$18,700 [US\$15,583], while 43 percent have private debt averaging C\$13,300 [US\$11,083].
- *Work study program:* Eligible students may participate in the work-study program that is funded by the government in certain provinces (Ontario and Quebec), but administered by college or university financial aid offices. In these programs students work on campus and receive an hourly wage. In other provinces, scattered institutions have this program, but there is not government subsidy.
- *Tax assistance:* There has been a significant movement in Canada away from means tested financial aid to politically popular universally accessible tax credits, which raises concerns about financial aid sufficiency (Junor and Usher 2007). Tax assistance includes tax deferrals on educational savings, tax exemptions on scholarship and bursary income up to \$3,000 [US\$2,500], and tax credits for tuition fees and for enrollment at recognized education institutions. Tax based assistance is not need-based. While it can be argued that non means tested assistance policies will also assist the economically needy, it will do so at significantly lower levels since the benefits are being spread over a greater number of students, many of whom do not require such assistance to attend higher education.

**Table 2**

**Higher Education Expenses Borne by Parents and Students,  
Canadian Colleges and Universities  
First Degree, [Academic] Year 2009-10**

(National currency (CA Dollar) converted to \$US by 2005 PPP estimate \$1 = CA\$1.20)

		Public		Private	
		<i>Low Public (Degree Granting College)</i>	<i>High Public (University)</i>	<i>Low Private</i>	<i>High Private</i>
	Special “One-Time” or “Up-Front” Fees	0	0	0	0
<b>Instructional Expenses</b>	Tuition	CA\$4,300 (US\$3,554)	CA\$9,350 (US\$7,727)	CA\$6,000 (US\$4,959)	CA\$17,460 (US\$14,430)
	Other Fees	CA\$800 (US\$661)	CA\$1,190 (US\$983)	CA\$600 (US\$496)	CA\$600 (US\$496)
	Books & Other Educational Expenses	CA\$1,200 (US\$992)	CA\$1,200 (US\$992)	CA\$1,200 (US\$992)	CA\$1,200 (US\$992)
	Subtotal Costs of Instruction	CA\$6,300 (US\$5,207)	CA\$11,740 (US\$9,702)	CA\$7,800 (US\$6,446)	CA\$19,260 (US\$15,917)
	Lodging	CA\$0 (US\$)	CA\$6,560 (US\$5,421)	CA\$8,000 (US\$6,612)	CA\$8,000 (US\$6,612)
<b>Student Living Expenses<sup>3</sup></b>	Food	CA\$1,000 (US\$826)	CA\$4,090 (US\$3,380)		
	Transportation	CA\$900 (US\$744)	CA\$1,000 (US\$826)	CA\$1,100 (US\$909)	CA\$1,100 (US\$909)
	Other Personal Expenses	CA\$1,800 (US\$1,488)	CA\$2,000 (US\$1,653)	CA\$1,800 (US\$1,487)	CA\$2,000 (US\$1,653)
	Subtotal Cost of student living	CA\$3,700 (US\$3,057)	CA\$13,650 (US\$11,280)	CA\$10,900 (US\$9,008)	CA\$11,100 (US\$9,174)
	<b>Total</b>	CA\$10,000 (US\$8,264)	CA\$25,390 (US\$20,983)	CA\$18,700 (US\$15,455)	CA\$20,360 (US\$25,091)

*Low Public:* typical community college tuition, living at home with parents.

*Moderate Public:* high public university tuition, living in dormitory or shared apartment.

*High public:* high public tuition, living as an “independent adult.”

<sup>3</sup> Calculated on 10-month basis with data from Figure 67.1(living with parents), in EKOS Research Associates (2003) *Making Ends Meet: The 2001-2002 Student Financial Survey*. p. 85.

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## Websites

- Can Learn (Canadian Government website):  
<http://www.canlearn.ca/eng/after/repaymentassistance/rpp.shtml>
- Canada Association of Student Financial Aid Administrators.  
<http://www.casfaa.ca/en/policy.html>
- Dalhousie University(Private)  
<http://as01.ucis.dal.ca/staccts/2009-2010/UGE.pdf>
- Alberta College of Art (Public)  
[http://www.acad.ab.ca/tuition\\_fees.html](http://www.acad.ab.ca/tuition_fees.html)
- Trinity Western University  
<http://www.twu.ca/>
- University of Toronto  
[http://www.provost.utoronto.ca/link/students/fees10/dom\\_ase.htm](http://www.provost.utoronto.ca/link/students/fees10/dom_ase.htm)