

2005-2006 Federal Budget

Introduction

"Delivering on Commitments"?

Leading up to the 2005 federal budget, economists were forecasting a \$45-billion federal surplus over the next three years. That amount is approximately ten times what was cut from federal spending on post-secondary education during the 1990s. Despite this fiscal strength, the 2005 federal budget allocated no new money for transfers to the provinces for post-secondary education.

The absence of increased support for post-secondary education is also baffling in light of Paul Martin's election promises. On June 4, 2004, during a nationally-televised federal election forum, Martin promised that he would divide the Canada Social Transfer to create a separate transfer for post-secondary education of "seven to eight billion dollars." There was not even a hint in the 2005 federal budget that there is any intention of meeting the dedicated transfer promise. This, from a budget titled "Delivering on Commitments".

Overall Impact

Far from the free-spending reputation that this budget has already earned in the mainstream media ("Martin Turns On Taps" *National Post* headline), the 2005 federal budget is more about appearances than solving societal ills. In the words of Canadian Centre for Policy Alternatives economist Ellen Russell, "The social reinvestment in this federal budget is a mile wide and an inch deep."¹ Further, Russell points out that the 2005 federal budget's program spending will eventually reach 11.9% of Gross Domestic Product, less than the norm during the past 25 years. For a

detailed overview of what social justice groups propose for a socially-responsible and fiscally-prudent federal budget, download the Canadian Centre for Policy Alternatives' 2005 Alternative Federal Budget at www.policyalternatives.ca.

Student Financial Aid

Until Death Do You Part

The 2005 federal budget extends eligibility for loan forgiveness to Canada Student Loan borrowers who die. The budget also extends eligibility for loan forgiveness to Canada Student Loan borrowers who acquire a permanent disability. In total, this new measure will cost the federal government only \$3 million a year.

Both measures are already in place for government student loans obtained before 1995 ("Guaranteed Loans"). Post-1995 student borrowers who became permanently disabled during the repayment period were ineligible for loan forgiveness unless the disability occurred during the first six months of repayment.

Addressing Access

In the 2004 federal budget, the federal government explicitly acknowledged the importance of grants by creating a new first-year grant to provide assistance for students from disadvantaged backgrounds. The move is a good "down-payment" on a grants program but, as currently designed, is inadequate to make a meaningful impact on access for low-income students². The value of the grant is limited: 50% of tuition fees up to a limit of \$3,000, costing the federal government only \$30-million per year³. Tuition fee increases eat away at the real value of the grant and in programs where tuition fees are higher than \$6,000, the maximum grant will cover less than 50% of tuition fees.



Membership Advisory

In its submission to the pre-budget hearings, the Canadian Federation of Students recommended elevating the value of the grant to 100% of tuition fees for first-year low-income students, increasing the cost of the program to approximately \$80-million. The 2005 federal budget does not increase spending on the grant by one dollar, despite a 4% average tuition fee increase last year.

Aboriginal Students

The 2005 federal budget includes a \$10-million addition to the \$12-million Aboriginal Post-Secondary Education Program endowment created in the 2003 federal budget. The Program's scholarships are administered by the National Aboriginal Achievement Foundation, a private charity.

To-date there has been no evidence to suggest that sporadic funding of Aboriginal student financial assistance is effective at improving the participation of Aboriginal peoples. Under the Post-Secondary Student Support Program (PSSSP), the federal government gives funding to First Nation bands to disburse to aid with tuition fees and other costs of post-secondary education participation. Annual funding for the PSSSP has not kept pace with increases in tuition fees and the growth of the adult Aboriginal population (see Figure 1). Despite a 21% increase in the Aboriginal population 18 years or older since 1994, the number of PSSSP recipients only increased by 2.4% over the same period.

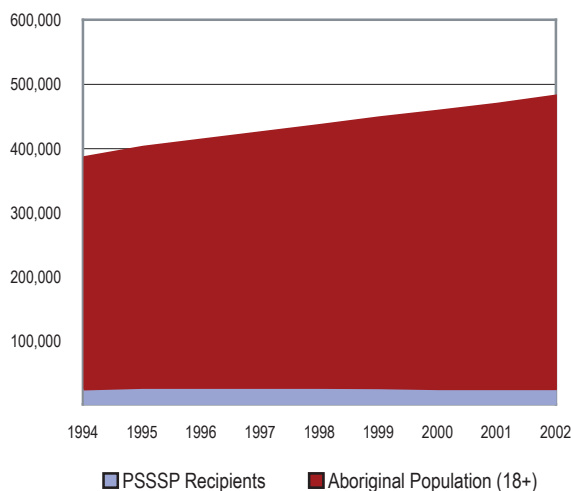
University Research

Granting Councils

The 2005 budget increases the federal granting councils' budgets by \$75-million per year for the next five years. The increase will be unevenly distributed: \$32-million for the Natural Sciences and Engineering Research Council (NSERC); \$32-million for the Canadian Institutes for Health Research; and only \$11-million for the Social Sciences and Humanities Research Council (SSHRC).

According to the Canadian Federation of Humanities and Social Sciences, both NSERC

Figure 1: Recipients of the Aboriginal Post-Secondary Student Support Program and the Total Aboriginal Post-Secondary-Age Population



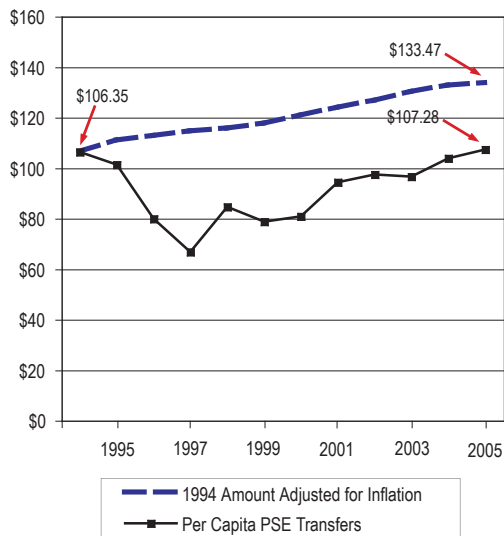
and SSHRC experienced cuts to their base budgets in 2004 due to an internal resource re-allocation within Industry Canada. Thus, the 2005 federal budget only represents a real increase of \$7.4-million (4.4%) for SSHRC and \$21.8-million (3.3%) for NSERC.

Indirect Costs of University Research

The federal budget provided an additional \$15-million for the indirect costs of research program introduced in 2003. The program's budget will increase from \$245-million to \$260-million in 2005-2006.

Cuts during the 1990s greatly reduced individual institutions' ability to properly support the infrastructure costs associated with conducting research. These costs, such as research support staff and electricity, are a direct result of work undertaken on projects funded by the federal granting councils. Unfortunately, there is no evidence to suggest that the relief provided by this program has reduced the "need" for higher tuition fees as a source of revenue, as some university presidents suggested before the program was introduced. Consequently, more money for the indirect costs of research does not serve as a substitute for increased transfer payments.

Figure 2: Per Capita Federal Transfers for Post-Secondary Education, 1994–2005



Transfer Payments

Core funding for post-secondary education was an issue ignored in the 2005 federal budget. In fact, the Canada Social Transfer—the method by which the federal government transfers money to the provinces for post-secondary education—is barely mentioned in the budget document.

Federal funding for post-secondary education was cut by more than \$4 billion during the 1990s, causing tuition fees to skyrocket

and quality to decline. Recent increases to the Canada Social Transfer have *still* not made up for earlier cuts made by Martin as federal Finance Minister (see Figure 2). When accounting for inflation, post-secondary education funding is still over \$200-million per year short of 1993 levels.

Conclusion

Some pundits in Ottawa are speculating that Prime Minister Paul Martin reneged on his election promise to create a dedicated transfer for post-secondary education because the issue is going to be on the agenda of the Liberal Party of Canada's convention in early March 2005. Granted, re-working transfer payments to the provinces requires political momentum and careful analysis, something that Martin has failed to generate since the federal election in June 2004. However, Martin has no such alibi on less complicated and more urgent issues such as the level of core funding or student financial assistance.

Footnotes

1. Editorial "Federal Budget 2005: Something for everyone?" February 24, 2005. www.policyalternatives.ca
2. At current levels, the first-year grant will aid 15,000 students with a \$2,000 grant. This population represents about 3% of full-time students who require Canada Student Loans.
3. As context for the relative fiscal commitment to the first-year grant, consider the following: the 2005 budget eliminates an excise tax on jewellery at a cost of \$20-million per year. A \$20-million top-up of the first-year grant program would provide 66% more grants for students from low-income backgrounds.