

## Student Financial Aid Briefing

### *How Student Financial Aid works in Ontario*

While students receive financial aid through the Ontario government, the loan portion of that aid is actually composed of two loans: 60% from the federal government (Canada Student Loan, or CSL) and 40% from the provincial government (Ontario Student Loan, or OSL). Since 2001, the two separate loan programs have been integrated and offered as the Canada-Ontario Integrated Student Loan, known as the Ontario Student Assistance Program (OSAP) in Ontario. The current maximum OSAP loan amount is set at \$11,900.

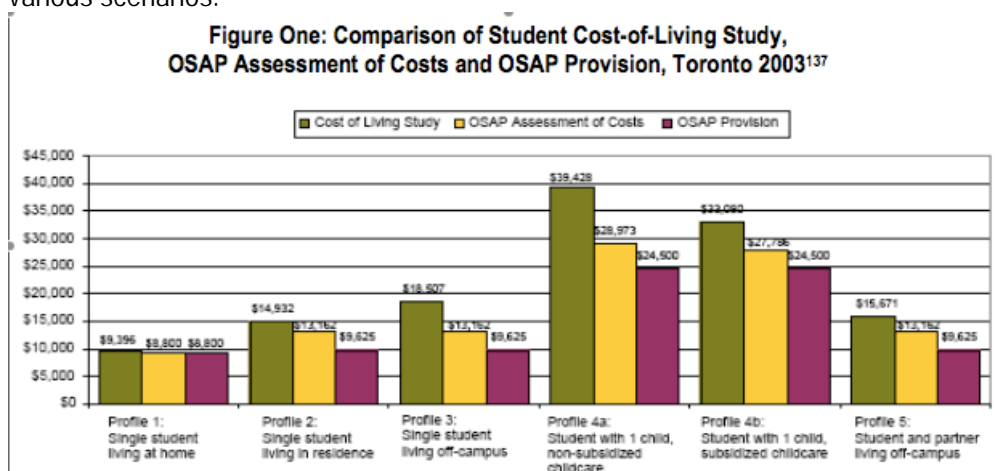
The general approach of the OSAP system is quite simple. The assistance is intended to cover the difference between a student's need, calculated as the costs of their education, and what financial resources they have available from their savings, their earnings, and from their families. The funding calculation can be summarized by the following equation:  $\text{Need} = \text{Educational Costs} - \text{Financial Resources}$ .

In addition to student loans, a great amount of student financial assistance is provided through bursaries and scholarships. At the federal level, much of the grant money distributed to students is from the Canada Student Grants Program (CSGP), which replaces the Canada Millennium Scholarship Foundation (CMSF) beginning in 2009-10. The majority of the grants provided will be for students from low and middle-income families, who will receive \$250 and \$100 respectively per month. At the provincial level, grants are provided through a variety of mechanisms including the Ontario Access grant, which provides grants up to \$3000 for low-income first and second-year students, the Ontario Distance Grant, which covers some of the costs of travel for students attending school far from home, and the Ontario Student Opportunity Grant, which caps repayable debt at \$7000 per two term academic year.

OUSA's Concerns:

### *Unmet Student Need / Assessment Formula*

Due to a difference between the maximum loan amount and the need of the student, the mechanism utilized by the financial aid system to fund a student's financial need often underfunds students' educational costs. The OSAP assessment functions by assessing each applicant's costs for their studies, including costs for tuition, textbooks and living expenses. The maximum loan amounts set in the OSAP system results in students often receiving less assistance than estimated by the needs assessment calculation. The figure below illustrates this discrepancy in various scenarios.



The funding problem is further confounded by the OSAP system's lack of responsiveness to cost increases brought forward by tuition increases and inflation. As a result, from year to year, students see their costs rise, but the need assessment and maximum levels of OSAP assistance fail to reflect these shifts. Tuition in Ontario has increased at roughly 5% annually since 2006, but the OSAP maximum has remained unchanged at \$11 900.

### *Income Based Grants vs. Needs Based Grants*

The introduction of the Canada Student Grant Program (CSGP) as the replacement for the Canada Millennium Scholarship Foundation (CMSF) will result in some differences in the way funds are distributed to students in Canada. One major shift is in funding criteria, from a criteria based on demonstrated financial need to one based solely on income. By using the low-income cut-off as a hard line between the lower level of funding (\$800 per two term academic year) and the upper level of funding (\$2000 per two term academic year), the CSGP will mean that a difference of \$1 in reported income could result in a serious drop in non-repayable support.

Another serious concern is that those under-represented groups who already have the greatest difficulty accessing PSE will now receive less support than under the CMSF. While the CSGP will likely reach more students overall than the CMSF, individual students will receive less funding, affecting those with the highest need most acutely. A best case scenario for someone in the low-income category is \$2000 for a two term school year, down from \$3000 on average from the CMSF program. Specifically, aboriginal and rural students stand to suffer from the CSGP if no special provision is created for these groups. These two issues alone will undoubtedly lead to a greater reliance on student-loans, fueling the return to a rapid growth of student debt in the province of Ontario, and cripple a generation of students.

### *Up Front Grants vs. Tax Credits*

Currently, the provincial and federal governments utilize tax credits as incentives for students to attend post-secondary education.

*From the CMSF: In terms of improving access, education tax credits and savings grants have some important limitations. First, not only do tax measures not target those in financial need, they actually tend to disproportionately benefit affluent families and students. Many of these tax supports cannot be fully used unless the student (or a family member) owes income taxes. Those who cannot use the tax credits can only carry them forward to future years. Second, tax credits do not help students pay for their tuition, books or housing when these costs become due. Even those that are not carried forward can only be claimed in the spring following the calendar year in which the student earned them.*

### *Where OUSA Stands*

1. The amount of financial assistance allocated to students must be large enough to completely cover actual tuition and reasonable cost of living expenses and should automatically adjust to changes in tuition and inflation.
2. The Ontario government must replace back-end education tax-credits with up-front grants for students.
3. The Canadian government must add a needs-based component to the other criteria for the CSGP, whereby insuring that financial-aid primarily reaches those who can least afford PSE.
4. The Canadian government must increase funding for those with the highest need, specifically aboriginal and rural students, to remedy the possible loss of \$1,000 in funding.