

## **COST OF EDUCATION**

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### **The Problem**

Alongside tuition, students face a variety of additional challenges in financing their education. Ancillary fees, books, supplies, residence fees, rent, food and other living expenses all push up the cost of education. In turn, this cost can prevent many students from pursuing post secondary education. If a student comes from a lower income background, the cost of tuition and living expenses may prove to be one of the greatest barriers to access. This issue is exacerbated by current inadequacies in the financial aid system in Ontario, and may have significant impacts on both student debt and overall accessibility of the system.

Beyond the specifics of tuition fees, there are at least two major concerns with the cost of education in Ontario:

#### **A. GAP BETWEEN ACTUAL & ASSESSED COST OF EDUCATION**

There is a significant gap between the actual costs of education for students living in Ontario and the assessed costs by the Ontario Student Assistance Program (OSAP). Based on OSAP's assessment, factored together with expected summer earnings and rigid parental support requirements, OSAP awards a maximum aid package of \$12,240 for students living in residence or in off-campus housing. However, the Canada Millennium Scholarship Foundation assessed the total annual expenditure for dependent students living away from home to be approximately \$17,400 in 2003-04.<sup>1</sup> While institutions must meet students' tuition and book shortfall through scholarships, bursaries or work-study to be in compliance with the Province's Student Access Guarantee, these amounts are insufficient to cover the true costs of post-secondary education in Ontario.

#### **B. PROPORTIONAL INCREASE IN TOTAL COST OF EDUCATION**

Throughout the 1990's in Ontario, there was a tremendous increase in the total cost of education, as the burden of cost shifted from the government to students. This was felt most severely by low-income families. Increased costs divert funds away from necessities including food and rent, and can create real or perceived barriers that prevent youth from low-income backgrounds from considering higher education as a viable option. For example, the low-income cut-off before taxes, in 2008, for a four person family living in a city sized 100,000 to 499,999 was \$35,480.<sup>2</sup> Based purely on the cost of tuition (\$5,381 in 2007-08), the tuition cost of a university education is approximately 15% of a low income family's total before-tax resources for a year. If the total estimated cost of attending university is calculated, this consumes over half of a low-income family's annual income.

### **The Result**

#### **A. DEBT**

Higher costs have translated into greater debt for Ontario's students. The average debt for an Ontario undergraduate student with a loan graduating in 2009 was \$25,778. This is a substantial increase from \$14,504 in 1998 and more than double the 1990 average of \$10,800. Additionally, the number of students taking out debt has increased from 57 per cent in 2003 to 64 per cent in 2009.<sup>3</sup>

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1. Joseph Berger. 2007. *The Price of Knowledge: Access and Student Finance in Canada, Third Edition*. Ottawa: Canada Millennium Scholarship Foundation.
  2. Statistics Canada. 2009. *Low Income Cut-Offs for 2008 and Low Income Measures for 2007*. Ottawa: Ministry of Industry.
  3. Joseph Berger, Anne Motte, and Andrew Parkin. 2009. *The Price of Knowledge: Access and Student Finance in Canada, Fourth Edition*. Ottawa: Canada Millennium Scholarship Foundation.

Unfortunately, as debt and costs have gone up, student aid has not kept pace. The gap between the actual and assessed cost through Ontario's financial aid system has caused more students than ever before to utilize campus food banks and private forms of financial assistance. Currently, 34% of students report having private debt, and over 50% of these students also have government loans.<sup>4</sup> This is indicative of the lack of availability of government loans and the inadequacy of their cost assessment model. The average level of private debt in Ontario is \$7,500 and requires an average of \$108 per month to service.<sup>5</sup> Unlike public assistance, students must service private loans while in school.

## **B. FURTHER MARGINALIZATION OF UNDER-REPRESENTED GROUPS**

Increasing costs of education only compound existing barriers to access for historically disadvantaged groups. Participation rates for low-income groups have increased from the late seventies into the late nineties, but the large gap in participation between the highest and lowest income quartiles has remained the same. Often under-represented groups have additional financial challenges such as additional medical, child care, and costs of relocation to urban areas. If these costs are not appropriately calculated, the provincial funding structures are only exacerbating the conditions that sustain the gap in participation rates between populations.

## **C. CREATION OF NEW DISADVANTAGED GROUPS**

The growing gap between actual and assessed costs of PSE is creating a new group of disadvantaged students within the middle income earning bracket. This is supported by research performed by Statistics Canada which illustrates the decrease in university participation for students from middle income families during the mid-nineties until the final year of reported data. The concern over funding costs of education and the fear of going into debt is a serious deterrent for students considering PSE and is also a downward pressure on retention rates. In a 2007 study, financial reasons were cited as the rationale for one in five (22%) students who discontinued their studies.<sup>6</sup>

## **The Solution**

1. OUSA believes that **financial assistance programs must be modernized** to meet the actual costs of attending post-secondary education.
2. OUSA advocates for **increased funding to the Ontario Student Opportunity Grant to reduce student debt loads.**
3. OUSA believes that the **cost of education must be controlled** through the regulation of all tuition costs and the continued student control of compulsory ancillary fees.

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4. Canadian Student Survey. 2010. *Next Steps: Upper-Year Canadian PSE Students' Future Plans and Debt*. Toronto: Higher Education Strategy Associates.

5. EKOS Research Associates. 2003. *Making Ends Meet: The 2001-2002 Student Financial Survey*. Ottawa: Canada Millennium Scholarship Foundation.

6. Andrew Parkin, and Noel Baldwin. 2009. *Persistence in Post-Secondary Education in Canada: The Latest Research: Research Note # 8*. Ottawa: Canada Millennium Scholarship Foundation.