



POLICY PAPER

Tuition & Student Financing in Post-Secondary Education

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Introduction

Tuition continues to represent one of the largest issues affecting post-secondary education, now and in the future. Continuous growth of tuition rates beyond the rate of inflation since 1990, exacerbated by periods of deregulation in the tuition framework, has contributed to expensive tuition fees. Furthermore, financial aid systems at the federal, provincial, and university levels have not kept pace with these substantial increases.

As a trend, post-secondary education is becoming an increasingly unaffordable and therefore unreachable goal for many. The high cost of post-secondary education today, largely dictated by tuition fees, affects the accessibility of higher education for many and fails to address societal perspectives on the importance of achieving equity in this context. In general, current financial aid and tuition frameworks do not adequately extend the opportunity of post-secondary education to students demonstrating financial need, much to the expense of our society at large. Acknowledging the robust evidence base supporting higher education as a social benefit, with its positive externalities for the public, existing tuition fees and financial aid systems should be re-evaluated to reduce the burden currently being placed on post-secondary students.

As one of the central factors affecting the affordability of post-secondary education, the high tuition rate represents a barrier affecting existing and future post-secondary students' enrolment; this rate should be lowered to offer more realistic, financial expectations for students entering university as well as feasible pathways to post-secondary education for lower-income students.

Once enrolled, the provincial Ontario Student Assistance Program (OSAP), with its purpose of helping students pay for college or university, provides a number of grants and loans to students with financial need to lessen the costs associated with tuition. Restrictions to the program for some, however, uncompromisingly deny these individuals access to OSAP's services, pushing back their entry into post-secondary education. In addition, OSAP's funding model targeting low-income students does not take into account the cost of individual programs, bringing on additional financial hardship for those aiming at programs such as business, engineering, or nursing which have higher tuition fees or require students to complete placements off-campus, sometimes in other cities. A further impediment which affects all OSAP students involves current interest rates which, especially on top of the already high amounts of loans being faced by most students, represent another issue discouraging students' consideration of higher education.

Revisions to other forms of financial aid for tuition should also be made in students' best interest. The current tax tuition credit offered by the federal government

represents one such form of aid which, if reinvested into more grants for students, could more effectively serve its intended purpose of offsetting the costs of post-secondary education for all students and their guardians. Furthermore, the Registered Education Savings Plan (RESP), intended for families' saving toward their children's tuition and which includes the Canada Learning Bond and Canada Education Savings Grants, should be reworked and promoted more effectively so that its benefits can be maximized for all those eligible.

The realities of university financing, both in terms of the funds received by McMaster from the government and the funds McMaster allocates to students in the form of scholarships and bursaries, can also represent the difference between affordable and unaffordable tuition for some. In terms of operating grants, Ontario universities receive the lowest per-student funding nationally, a set-up which undoubtedly contributes to the fact that Ontario has the highest average tuition of all the Canadian provinces. As for the various responsibilities facing McMaster, it must be also be emphasized that McMaster gives out some of the lowest entrance scholarships across the province. Additionally, concerns over the lack of transparency as to how McMaster fulfills the Student Access Guarantee raise questions about McMaster's commitment to accessibility for its low-income students; in general, these concerns should be addressed through a clearer outline of McMaster's activities under this guarantee.

As evident, addressing the unaffordability of post-secondary education necessarily involves the concerted efforts of various levels of government and McMaster; it is thus the MSU's aim that this policy paper help to offer a more comprehensive vision of what the future of post-secondary education could look like in terms of both equity and affordability. Presented from the student perspective, this paper highlights the problems faced by students financing their post-secondary education and focuses on the opportunities for change that can be realized through proactive policy. Acknowledging recent policy changes relating to tuition and student-financing, this paper is also sensitive to current circumstances, offering short- and long-term policy recommendations for the consideration of various stakeholders looking to address the issue that is the high cost of post-secondary education today.

Tuition Tuition Rates

Principle: Tuition rates should not disproportionately affect access to post-secondary education.

Principle: Students entering university should not be faced with unaffordable tuition as a result of the existing tuition rate.

Concern: Tuition has been increasing from year to year and continues to drastically outpace inflation rates, affecting students' ability to pay for their studies.

Recommendation: The provincial government should freeze undergraduate tuition fees for the duration of the next tuition framework. During this time, the government should also fill any gaps in funding experienced by Ontario universities as a result of the freeze.

Recommendation: After a freeze on tuition, the provincial government should allow tuition rates to increase at the rate of inflation.

Tuition increases by a substantial rate each year, continually surpassing the rate of inflation, which happened to be 2.57% in 2018, according to The Statistics Portal.¹ Statistics Canada indicates that undergraduate tuition has been increasing by an average rate of 3.1% annually across Canada, and 3.7% in Ontario.² Recalling the definition of inflation rate, it refers to the rate at which the general level of prices of goods and services is rising and at which purchasing power decreases as a result of the increase in prices.

As tuition fees continue to rise each year, students may find it more difficult to pay for tuition, especially considering that tuition rates far exceed those of inflation. Taking the definition of inflation into account, the logic behind the difference suggests that decreases in the affordability of tuition far outpace decreases in purchasing power overall. While students in need may make use of OSAP to support themselves in spite of the annual increases to their tuition fees, the existing course of action overshadows the problem, acting as a temporary solution. On average, 53-70% of student financial aid through OSAP includes loans, while the remainder is a grant.³ Although offering loans to pay back tuition later may appear to help with

¹ "Canada: Rate of inflation from 2012 to 2022," Statista, <https://www.statista.com/statistics/271247/inflation-rate-in-canada/>.

² "Percentage increase in weighted average tuition fees for Canadian full-time students, by province and level of study, 2017/2018," Statistics Canada, <https://www150.statcan.gc.ca/n1/daily-quotidien/170906/t001b-eng.htm>.

³ "OSAP Aid Estimator," OSAP, <https://osap.gov.on.ca/AidEstimator1819Web/enterapp/enter.xhtml>.

accessibility and enrolment, the more tuition rates increase, the greater the amount of loans a student will have to pay back. In fact, considering the financial strain already being placed on recent graduates, prevailing tuition rates, coupled with existing repayment mechanisms and interest rates, may instead reduce accessibility and/or the appeal to enrol in post-secondary education for future generations.

In this day and age, success and the development of necessary skill sets in several disciplines rely on degree completion at a post-secondary institution. Likewise, post-secondary education represents a major and often challenging commitment, furthermore meant to test and develop the student into a model citizen to eventually give back to society through their preferred career choice; however, some of these challenges, namely the rate of increase of tuition fees, can hold students back from maximizing their potential and may negatively affect efforts toward equity in terms of access to education.

When making considerations about tuition rate, we should also take into account the median total income of Canadian households. According to Statistics Canada, total income increases by an average of 1.01% annually.⁴ This figure is below the rate of inflation, and three times less than the average rate of increase in tuition fees, demonstrating that many families will continue to find it more difficult to support their children's post-secondary education. Based on the information surrounding this issue, it is recommended that the rate of tuition does not exceed the rate of inflation. Specifically, two suggestions for the provincial government include:

- 1) freezing the tuition rate for the duration of the next tuition framework to ensure that the affordability of post-secondary education is not further compromised until a more sustainable solution is reached; and
- 2) cutting down the tuition rate of increase annually by 0.5-1% until tuition rates are frozen (e.g. lowering it from 3% to 2% next year, and then to 1% the year after, until it matches the rate is 0%).

Freezing the tuition rate for the time being is an important precondition to effectively reviewing the current state of post-secondary education. As set out in mandates addressing post-secondary education, the government should continue to involve tuition working groups and various special interest groups throughout these inquiries.⁵ During this time, the government should also consider backfilling part of the universities' expected funding from tuition to support them through the freeze and to ensure that the quality of education and services to students is not

⁴ Statistics Canada, "Distribution of total income by census family type and age of partner, parent or individual," <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110001201>.

⁵ Sheldon Levy, "Tuition Compliance Report," http://www.tcu.gov.on.ca/pepg/documents/extended_tuition_fee_technical_working_group_s.pdf.

compromised.

After a freeze is implemented for a period of time, which will allow for a fairer cost sharing model to be restored, the provincial government can look to increasing tuition at inflation. This model has been adopted in Alberta, which can be seen as a comparable jurisdiction. *Alberta's Bill 19: An Act to Improve the Affordability and Accessibility of Post-Secondary Education*, as part of an ongoing commitment to make education more affordable, plans to “cap average tuition (...) to the annual percentage change in Alberta's Consumer Price Index,” a common measure for assessing inflation.^{6,7} With Ontario's existing tuition rate continuing to contribute to high tuition costs mainly shouldered by its students, recommendations to lower the rate, at least in part, should be implemented to ensure in-province affordability of post-secondary education in the years to come.

Transparency

Principle: Students should be informed of the rates of increase for tuition and the reasons behind these increases to also better plan for the financing of their post-secondary education.

Concern: Students are not being made aware of changes to their tuition fee schedule nor the reasons behind these changes.

Recommendation: McMaster should make available information on the rationale for rising tuition rates and where the additional funding is being allocated.

Recommendation: McMaster should improve the accessibility of information relating to tuition rates through main McMaster websites, social media channels, and/or email.

Transparency in financial matters is essential when it comes to trusting an institution; this holds especially true for post-secondary institutions, considering the substantial amount of money that students must pay to receive a post-secondary education. In spite of this, many McMaster students are unaware of the reasons behind their annual tuition increases, which occur at rates greater than inflation.⁸ Unfortunately, McMaster has not taken the initiative to properly inform its students about tuition rates or McMaster's financing of student tuition, leaving many largely unaware of annual changes being made to their tuition.

⁶ “Affordable Tuition,” Government of Alberta, <https://www.alberta.ca/affordable-tuition.aspx>.

⁷ “Bill 19: An Act to Improve the Affordability and Accessibility of Post-Secondary Education,” http://www.assembly.ab.ca/ISYS/LADDAR_files/docs/bills/bill/legislature_29/session_4/20180308_bill-019.pdf

⁸ Mitchell Bishara, Semi-Annual General Meeting of the McMaster Engineering Society, University of McMaster, November 8th, 2018.

In interviews, some students expressed that they have noticed tuition rising, but not at a specific rate, and confessed that they were unsure of the details surrounding tuition rate and its breakdown, merely putting forth that they felt strained financially and that they found it harder to pay off their debt each year.⁹ Additionally, all students assumed that courses became more expensive as they progressed through their degrees. Unawareness of the fact that different programs have different tuition rates was also noted, further demonstrating the lack of promotion of these rates.¹⁰

Although McMaster has published documents that display the annual rate of tuition for each program by level, these documents are not properly publicized or provide explanation as for the reasoning behind the increases, minimizing student accessibility to information regarding tuition rates. Furthermore, the breakdowns of activities being funded by tuition, and particularly the breakdowns of activities being funded through annual increases in tuition, remain largely unknown to students; that being the case, resources for students should be created to make this information more transparent. In general, McMaster should also be more clear about its financing of student tuition as well as the various activities and future plans which have presumably led to its reliance on the existing tuition rate. Such information can be vaguely found in McMaster's financial statements, but students and other stakeholders would benefit from more comprehensible presentation of this information.

As a recommendation, McMaster should consider publishing these documents as well as summarized reports on tuition increases onto more social media platforms, such as Facebook and Instagram to ensure that they are easily accessible to students. Backing up this course of action, data by the Ryerson University Social Media Lab suggests that roughly 95% of youth ages 18-24 currently use Facebook while 67% currently use Instagram.¹¹ Furthermore, the percentages of all individuals on social media are expected to rise; according to The Statistics Portal, the number of Facebook users in Canada (19.6 million in 2018) has increased by 1.03% annually since 2012, while Instagram (10.4 million in 2018) achieved a 1.1% increase from 2017 to

⁹ Ibid.

¹⁰ Ibid.

¹¹ Anatoliy Gruzd, Jenna Jacobson, Philip Mais, Elizabeth Dubois, "The State of Social Media in Canada 2017,"

<https://dataverse.scholarsportal.info/file.xhtml?jsessionid=4e4f44a143a38c79edcbac25df78?fileId=62708&version=RELEASED&version=.3>.

2018.^{12,13} Other social media platforms, including Youtube and Twitter, have also been largely adopted and are regularly used by young adults.¹⁴

Taking these figures and trends into consideration, there is reasonable grounds to assume that this type of promotion will effectively reach students' as well as other stakeholders' attention to improve their familiarity with McMaster's tuition rates and related topics. Alternatively, as done for other services, McMaster could send this information to all currently enrolled students through email to keep them up to date with the details surrounding tuition increases. Generally speaking, providing and disseminating information on tuition rates and institutional funding will serve to empower students in financial matters. As such, this engagement is important to ensuring such behaviour and in setting a precedent for financial transparency on the part of McMaster and as directed toward its students.

Ontario Student Assistance Program (OSAP)

Eligibility

Principle: OSAP should greatly reduce the financial barriers associated with tuition by ensuring that all students have equal access to post-secondary education.

Principle: Students who are able and qualified to complete post-secondary education should not be denied OSAP for reasons largely beyond their control.

Concern: Some students with relatively high-income parents are unable to receive OSAP despite them having no/limited access to family funds.

Concern: Students affected by unfortunate circumstances, such as declaring bankruptcy or failing a credit card check, are not always given OSAP funding.

Recommendation: OSAP should continue with recent changes to put less emphasis on expected family contributions to students' education.

Recommendation: A process should be implemented whereby students who do not traditionally get OSAP (e.g. bankrupt students) can appeal this decision.

More students are attending post-secondary education than ever before, and yet these institutions fail to be accessible to the diverse student body they seek to

¹²Statista, "The number of Facebook users in Canada from 2012 to 2021," <https://www.statista.com/statistics/282364/number-of-facebook-users-in-canada/>.

¹³Statista, "The number of Instagram users in Canada from 2017 to 2021" <https://www.statista.com/statistics/557495/number-instagram-users-canada/>.

¹⁴Anatoliy Gruzd, Jenna Jacobson, Philip Mais, Elizabeth Dubois, "The State of Social Media in Canada 2017," <https://dataverse.scholarsportal.info/file.xhtml?jsessionid=4e4f44a143a38c79edcbac25df78?fileId=62708&version=RELEASED&version=.3>.

recruit.¹⁵ One way to make education more financially accessible to students is to improve a major source of financial assistance, the Ontario Student Assistance Program (OSAP); as of right now, OSAP is quite narrow in its scope of qualifying beneficiaries, limiting some students' participation in the program in spite of their financial need.

One issue affecting a large number of students is the fact that OSAP places a lot of their decision-making with regard to funding on parental income.¹⁶ This is an issue for many reasons, a primary one being that students may not be receiving assistance from their parents for their education. This can be due to strained relationships with parents, or because of parents having many other dependants that they must financially support.¹⁷ Supportive parents with multiple dependents who are/have attended post-secondary education may incur excessive debt, and face the dilemma of having to provide reduced financial support for their youngest children. Furthermore, students sometimes do not receive OSAP for unfortunate external circumstances, such as declaring bankruptcy or failing a credit card check.¹⁸ This reality prevents students with lower socioeconomic status who are already struggling financially from accessing loans to fund their education.

All of these situations, however, can be circumvented through the implementation of a well-promoted and accessible process through which students can apply to request an override of an initial decision that disqualifies them from receiving OSAP. In fact, the initial OSAP application should have a section which allows for students to state and back up circumstances outside of the narrow scope of the application, such as parents who are already in debt due to financing other siblings. Furthermore, OSAP should continue to place less emphasis on parental income when accessing financial debt, to be cognizant of students who cannot be supported by well-off parents.

Program-Based OSAP Funding

Principle: Capable students should not be impeded from pursuing professional undergraduate degrees for their relatively more expensive tuition fees.

Concern: The cost of tuition for McMaster students varies by faculty and program; currently, OSAP's "free tuition" model does not account for more expensive programs such as professional degrees in nursing or engineering.

¹⁵ Erin Millar, "More Students Go to Post-secondary, But One in Seven Drop Out," *Maclean's*, November 20, 2007, <https://www.macleans.ca/education/uniandcollege/more-students-go-to-post-secondary-but-one-in-seven-drop-out/>.

¹⁶ "OSAP: Ontario Student Assistance Program," Government of Ontario, https://www.ontario.ca/page/osap-ontario-student-assistance-program?_ga=2.233291742.1514647543.1541356883-1310467683.1537152925.

¹⁷ Flora Pan, "OSAP Student Funding Considers Income But Not Parents' Debt Load," *Canadian Broadcasting Corporation*, August 18, 2017, <https://www.cbc.ca/news/canada/kitchener-waterloo/parent-income-high-osap-finances-university-waterloo-1.4249481>.

¹⁸ "Learn About OSAP," Government of Ontario, last modified October 19, 2018, <https://www.ontario.ca/page/learn-about-osap#section-1>

Recommendation: The provincial government should alter the OSAP formula to increase the amount of grants and loans all students enrolled in professional programs receive to ensure they have enough financial support to pay for their degree.

Recommendation: The provincial government should alter the OSAP formula to allow professional students who have a parental income under \$50,000 or individual income under \$30,000 to receive grants at an amount comparable to their tuition fees, similar to students in arts and science programs.

Universities offer a host of different undergraduate degrees, many of which are considered to be either academic or professional. In general, both types of degrees confer many benefits for those who pursue them as well as for society at large. Access to professional programs, however, is often far more limited than access to academic programs. As professional degrees like nursing and engineering are necessarily more skills-based, the price of tuition tends to be higher to reflect the costs behind such programs' work-integrated learning experiences. While a price differential between such programs and other bachelor degrees makes sense, the reality is that many low-income students are being excluded from such opportunities as a result of their unaffordability.

Currently, OSAP does not effectively address this issue. Updates to OSAP in 2017 featured "free tuition" for dependant students, married students, and single parents with an annual family income of \$50,000 or less; and independant single students with an annual income of \$30,000 or less.¹⁹ However, for low-income students pursuing a more expensive degree, OSAP has put forward that the grants cover just over the value of "average tuition for a regular college or undergraduate arts and science program."²⁰ Considering the actual funding being received by these low-income students, the "free tuition" model currently being promoted represents a misnomer at their expense which, most importantly, does not succeed in addressing their financial needs.

Intending to fill this gap, OSAP also makes use of the Student Access Guarantee, a partnership between OSAP and Ontario post-secondary institutions whereby these institutions are meant to help cover low-income students' tuition. Nevertheless, while the Student Access Guarantee does represent a justifiable means of securing more funds for these students, the onus cannot be solely on these institutions. Recognizing the considerable financial strain being placed on Ontario institutions, which already receive the lowest per-student funding from the government nationally, the provincial government should also provide more OSAP funding to low-income students; this action is furthermore important to ensuring that the goals and impact of the free tuition model more closely correspond to the way it is currently idealized

¹⁹ "Ontario Student Assistance Program," OSAP, <http://www.tcu.gov.on.ca/eng/eopg/publications/osap-promotion-april-24-en.pdf>.

²⁰ Ibid.

to students and their families.²¹ Therefore, as a recommendation, OSAP should cover a larger percentage of tuition for low-income students in programs with tuition fees exceeding the average price of a typical undergraduate arts and science program by providing additional grants for students in professional programs comparable to the amount of their tuition. Additionally, loans and grants should be increased for all students in professional students who are eligible for OSAP. For instance, a student enrolling in engineering with a parental income of \$80,000 that will be living at home will receive \$1,600 in grants and \$7,200 in grants, totaling \$8,800.²² This does not cover the \$13,830 the student must pay in tuition or OSAP's estimated total cost of the year of \$21,301. However, the same student, if enrolled in the Life Science program would receive \$4,000 in grants and \$5,900 in loans, totalling \$9,900. This will cover the student's tuition fees of \$6,714 but still not OSAP estimated total cost of \$13,639.²³ The total amount of aid is, overall, higher if the student enrolls in a Life Science program as opposed to Engineering. While it may be assumed that if the student pursues and engineering degree that they will have an increased likelihood of obtaining a high paying job upon graduation, the student, at the time of their enrollment, will have a greater gap between what OSAP provides compared to if they enrolled in a science program. To ensure equitable access to post-secondary education for all students regardless of financial ability or choice of program, the provincial government should increase financial aid resources for those in professional programs.

Student Loans

Principle: All willing and qualified students should be able to opt into student loans when necessary and without the fear of not being able to pay them off due to high interest rates.

Principle: Recent graduates should be given the chance to stabilize their finances before being expected to pay back their student loans.

Concern: Students in need of financial accommodation are declining loans with variable interest rates of 1.0% and 2.5% above prime rate for provincial and federal loans, respectively.

Concern: After graduation, students are currently faced with the burden of having to pay off not only their student loans, but also the interest accumulated on these loans; for many, these payments also represent an immediate burden.

Recommendation: The provincial and federal government should increase the income threshold in the Repayment Assistance Plan at which recent graduates have to start paying back their loans to ensure that these graduates can successfully pay them off without compromising other immediate needs.

²¹ <https://news.ontario.ca/opo/en/2017/03/free-tuition-for-hundreds-of-thousands-of-ontario-students.html>

²² OSAP Aid Estimator for Fall 2018 enrollment at McMaster in Chemical Engineering Level 1, <https://osap.gov.on.ca/AidEstimator1819Web/enterapp/summary.xhtml>

²³ OSAP Aid Estimator for Fall 2018 enrollment at McMaster in Life Science Level 1, <https://osap.gov.on.ca/AidEstimator1819Web/enterapp/summary.xhtml>

Recommendation: The federal government should extend the provincial governments' six-month grace on the Ontario portion of OSAP loans to the repayment of the Canada portion of the loans.

Recommendation: The provincial and federal governments should re-evaluate the existing interest rates on loans, considering their added burden on students, and further consider lowering them in a feasible way.

Out of principle, it must be emphasized that all willing and qualified students should be able to opt into student loans when necessary and without the fear of not being able to pay them off due to high interest rates. While post-secondary education is easily accessible for some socio-economic groups and situations (i.e. upper-middle- and upper-class students financially supported by their families), many students rely on loans to help them cover the costs of their schooling. As such, there remain many individuals who wish to pursue post-secondary education but who desperately need financial accommodation. This reality also holds true for many McMaster students, as evidenced through the 2017-2018 McMaster Factbook which states that \$79,551,795 in loans provided by OSAP were accessed by McMaster undergraduate students over the course of one year; considering this statistic, it becomes clear that there is a significant need for financial accommodation among many students at our own university.²⁴ That being said, students in general have also expressed the fear of having to pay back these loans.

Loans funded by the provincial and federal government require repayment according to a specific timeline. The current OSAP repayment system allows students to complete their post-secondary degree(s) before beginning to pay off their loan.²⁵ The OSAP website specifies that during the first six months, students will “not be charged interest on the Ontario portion of [their] loans (...) [but will] be charged for interest on the Canada portion of [their] loans”.²⁶ This essentially means that although students will not be charged any interest on the provincial portion of their loan in this time, they will already be accumulating interest on the federal portion of their loan during the grace period.

In terms of the interest rates currently being implemented on all OSAP loans, Federal Student Loans charge an interest rate of 2.5% above the prime rate, while Provincial Student Loans charge 1.0% above the prime rate.²⁷ To some, these interest rates may seem manageable, but to others, the idea of graduating from post-secondary education only to have student loans with accumulating interest rates, is very intimidating.

A few possible recommendations stand out as appropriate measures for improving the existing standards, the first being to increase the income threshold at which recent graduates would have to start paying back their loans. As stated on the

²⁴ <https://ira.mcmaster.ca/fact-book/>.

²⁵ <https://www.ontario.ca/page/pay-back-osap>.

²⁶ Ibid.

²⁷ <https://osap.gov.on.ca/dc/TCONT003397>.

government of Canada's website, eligibility for the Repayment Assistance Plan (RAP), last updated in November of 2016, is currently based on a family size to income threshold ratio with family sizes ranging from one person to five or more; the existing income thresholds, however, fail to account for many individuals in need of delaying their loan repayment schedule.²⁸ In terms of the single person income threshold being set at \$25,000, it can be noted that this is lower than what an individual working 40 hours a week at minimum wage (\$14/hour) for 52 weeks of the year would earn, which would amount to \$29,000 a year. With this knowledge, it is recommended that the government increase the threshold allowing a larger number of individuals who would benefit from RAP to be eligible. Furthermore, to ensure that all students, regardless of salary, have the opportunity to build some financial security, the federal government should also follow suit with the six-month grace period currently being offered on the Ontario portion of OSAP loans.

As another recommendation, the provincial and federal governments should re-evaluate the existing interest rates on student loans. Considering the costs that students face upon entering post-secondary education, it is believed that the provincial and federal governments should do more to lessen the burden being placed on students financially, preferably by lowering interest rates on loans in a feasible way. Every year at McMaster, students' tuition costs increase by 3-5% depending on their faculty, posing increasingly large problems with regard to loan repayment; with the government's help in lowering interest rates on loans, the financial burden being placed on students may be mitigated in part to help support them financially post-graduation.²⁹ Any decline in interest rates on government loans would help McMaster as well as other post-secondary institutions progress forward in minimizing the financial strain that is currently placed on students.

With implementation of these recommendations by the government, comes the likelihood of an increase in students accessing loans; lower interest rates and/or a higher RAP threshold represent two main incentives for taking on a loan as they both ensure greater financial stability for borrowers. Increasing the grace period on the Canada portion of OSAP loans to six months to match the Ontario portion will also help to alleviate financial stress after graduation from post-secondary education. Furthermore, all these changes would likely also improve rates of loan default, which are important to students' credit scores for the future. Overall, students are more likely to positively engage with these changes, considering the fact that they would owe less money upon graduating, helping to ease financial stress at a financially uncertain time and encouraging more students with financial need to take on post-secondary education.

Federal Tuition Tax Credits

Principle: Financial aid provided by the government financial aid should be based on need.

²⁸ <https://www.canada.ca/en/employment-social-development/services/education/repayment-assistance-plan.html?fbclid=IwAR02X90AHdMHOPISyVJdCCZ8CfuZhuyMU0NoIXI2crIxxOG7vTjMz3iRF4o>.

²⁹ <https://www.mcmaster.ca/bms/pdf/tuition17-18.pdf>.

Principle: Financial aid should be received in a timely manner and prior to tuition payment deadlines.

Concern: The federal tuition tax credit is proportional to income, disproportionately benefiting families or individuals with high incomes.

Concern: The federal tuition tax credit is received in the spring, roughly nine months after tuition is due.

Concern: Because the federal tuition tax credit can be claimed by parents and guardians, students may not benefit from the credit as the funds may be allocated to other needs of the family, thereby not serving its purpose.

Concern: The federal tuition tax credit is claimed annually by only a third of eligible citizens.

Recommendation: The federal government should work to eliminate the tuition tax credit and transfer the funds to upfront grants as part of the federal Canada Student Loans program.

In 1961, the federal government implemented tax credits related to post-secondary education as a way to reduce the amount of taxes students pay each year.^{30,31} However, as a mechanism of financial relief, the tuition tax credit fails to be adequate for several reasons. The primary concerns of the tuition tax credit are that:

- 1) tax credits disproportionately benefit those from higher-income backgrounds;
- 2) students directly receive only one-third of tax credit expenditures; and
- 3) tax credits are inaccessible financial instruments for low-income families.

A 2016 report entitled Federal Spending on Post-Secondary Education found that the tuition tax credit is not meeting its objective of providing relief to students for the reasons listed above.³² Specifically, this report noted that the credit disproportionately advantages those with higher incomes. The nature of tax credits is proportional to income and, while many students do not earn significant income, the tax credits may be claimed by a parent or guardian.³³ For families who can access such supports to claim all credits that they are eligible for, this tuition tax credit is beneficial. However, as noted in the report on federal spending, these families are disproportionately of higher income, ultimately reducing the effectiveness of the tuition tax credit's principle of needs-based financial aid.

In addition to the disproportionate benefits to students from higher-income backgrounds, the tax credit also fails to be even be claimed by a number of lower-income individuals each year. In the 2013-2014 fiscal year, approximately \$527 million of the allocated \$1.8 billion was claimed.³⁴ Simply put, less than one third of the tuition tax credit went to students in that fiscal year. The other two-thirds of the

³⁰ https://library.carleton.ca/sites/default/files/find/data/surveys/pdf_files/millennium_rs-30_2007-05_en.pdf

³¹ Ibid.

³² http://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/2016/PSE/PSE_EN.pdf

³³ Ibid.

³⁴ Ibid.

credit were claimed by parents, spouses, or added to accumulated credits from previous years. In a broader context, not only is the tax credit reaching only a fraction of eligible students, the students who most need financial assistance are being excluded.

The tuition tax credit is an outdated mechanism of financial aid. The reallocation of similar tax credits, such as the education and textbook tax credits, resulted in substantial funding increases to the Canada Student Grants Program and the Repayment Assistance Program. These programs are needs-based forms of financial aid and provide upfront, non-repayable grants and loan relief, respectively. These grants are much more accessible than tax credits, especially to lower-income families, are received through provincial financial aid programs (when applicable), and help offset upfront costs of tuition and tuition-related payments. Another concern of the tuition tax credit is its timing. Tax credits are claimed and received in the spring, which is typically nine months after large tuition payments in September. Therefore, students do not receive relief from the large upfront costs of tuition. The reallocation of the education and textbook credits allowed for relief from the upfront costs of tuition; however, the continuation of the tuition tax credit prevents the Canada Student Grants Program from reaching its maximum potential of providing financial relief to students at times when they need it the most.

University Operating Grants

Principle: Ontario universities should be publicly-funded.

Concern: Since the 1990s, provincial contributions to university operating budgets have decreased significantly.

Concern: The rise of student contributions to university operating costs has greatly outpaced the contributions of the provincial government since the 1990s.

Concern: Ontario institutions rely on international student tuition, ancillary fees, and campus services to function with decreased government grants.

Concern: Ontario institutions receive the least amount of per-student funding in Canada.

Recommendation: The provincial government should increase operating grants to Ontario universities until students are contributing approximately one third of university operating budgets.

Students believe post-secondary institutions should be publicly-funded, which can be defined as the government contributing at least 50% of universities' operating budgets. At the present time, universities can be considered publicly-assisted since the government contributes less than half. Since the 1990s, the provincial government has significantly decreased operating grants to Ontario's post-secondary institutions. To ensure that institutions remain functional, tuition has increased substantially, placing an undue burden on students financially supporting these institutions. As seen in the figure below, student contributions to university operating budgets have increased from below 20% in the 1980s to over 55% in 2015-2016. In contrast, provincial grants have gone from 80% to 40% of university

operating budgets. The decrease in provincial funding has been directly felt by students, as both tuition and ancillary fees have increased to maintain institutional function. Ontario universities received under \$10,000 per student in the 2015-2016 school year, while students contributed over 50% of university operating budgets in that same year. These funding models are unsustainable; to ensure affordable, high quality education, the provincial government should increase operating grants to universities and increase per-student funding so that students are not expected to contribute more than one third of university operating budgets, while the provincial government and other sources of revenue, such as donations and research grants, making up the remaining two-thirds.

STUDENT AND GOVERNMENT CONTRIBUTIONS TO ONTARIO UNIVERSITY OPERATING BUDGETS, 1980-2015

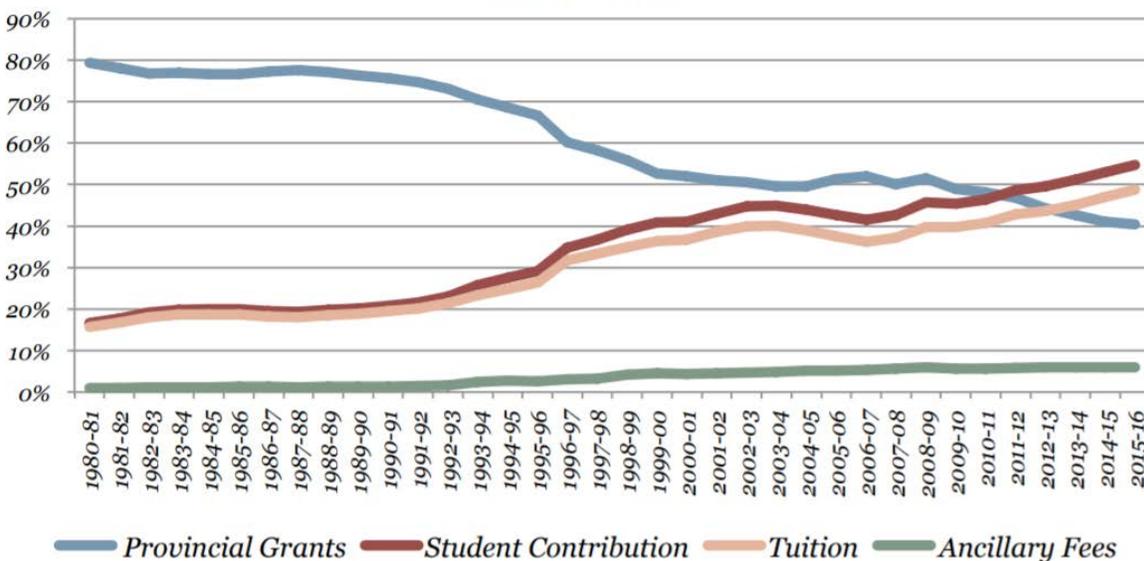


Figure 1: The contributions from provincial grants and students from 1980-81 to 2015-16.³⁵

McMaster Tuition Payment Policies

Principle: Tuition payment processes should accommodate the varying financial situations of students and recognize the unique needs of individuals.

Principle: Consequences for late tuition payments should be reasonable and avoid creating unnecessary financial and academic barriers for students.

Concern: McMaster's inflexible tuition payment process poses a financial threat to students and families that cannot afford large, upfront payments.

³⁵ Clubine, Andrew, Victoria Lewarne, Vipin Chandra Narra, Brittany Pantaleo, Mary Zhu, and Marc Gurrisi. Policy Paper: System Vision. Toronto: Ontario Undergraduate Student Alliance, 2017.

Recommendation: McMaster should offer a flexible tuition payment plan as an alternative for students.

Recommendation: McMaster should decrease or eliminate fees for late tuition payments or implement a form through which students can apply to have their late fee waived.

Paying tuition fees is not a straightforward process for most students—in 2017, more than half of Canadian university students used three or more different sources to fund their education, such as their families, government aid, loans from financial institutions, and earnings from employment.³⁶ This complexity demonstrates the challenges students have in paying for their tuition, and the amount of time and effort that they evidently invest in planning their finances each year.

Despite this lived reality, McMaster's current approach to tuition payment does not alleviate these difficulties or accommodate the nuances involved in students' financing of their education. Presently, McMaster uses a term-based payment system, meaning that students must pay for half of their tuition (and residence and meal plan) by September 1st, or if using OSAP, September 22nd. If fees are not paid on time, students can face interest charges of 1.2% per month, a \$75 late fee, and eventually penalties like withheld grades.³⁷ It is widely believed that the nature of this system unfairly treats all students equally, failing to take into consideration the difficulties faced by certain students—primarily those paying for their education partially or fully—and unnecessarily contributes to the existing financial pressure associated with post-secondary education.

In general, a significant number of students use their own earnings to pay for their tuition. A 2017 survey of Canadian students in university found that 49% used income from the summer to help fund their education, and 44% used earnings from a current job.³⁸ In fact, on average, students contributed \$7,132 towards their education from current earnings only, and the average Canadian student spends 2.6 hours each day working a job. This indicates that many students are not paying from a reserve or savings, but with income they earn during school. This issue even applies to those whose families contribute to financing their education—66% of Canadian parents use their daily income to pay for their child's university education rather than drawing from savings or borrowing.³⁹ The fact that so many students rely on money not yet available at the time at which payment is due highlights the weakness of the current payment schedule—paying a fixed, large sum twice a year creates obstacles for students who cannot easily afford to do so by forcing them to either pay late and accept the penalties, including more financial strain with fees and interest charges, or to take out loans and accumulate more debt.

³⁶ CUSC 2017 Middle Years

³⁷ https://academiccalendars.romcmaster.ca/content.php?catoid=32&navoid=6676#Payment_of_Fees

³⁸ CUSC 2017 Middle Years

³⁹ HBC document

Furthermore, earning enough money over the summer to pay for tuition is not a realistic expectation for students. A 2010 survey found that most Ontario students work between 31 and 40 hours a week during summer, for 13-16 weeks total.⁴⁰ With the current minimum wage in Ontario, this means that students working full-time hours throughout the entire summer likely earned \$5,642-\$8,960 this summer. For 2017-2018, the average cost of education for McMaster students, including tuition and ancillary fees, was \$7,771, which would be \$3,885.50 per semester.⁴¹ Since students require money for things besides tuition, such as groceries, rent, transportation, and other living expenses, it is highly unlikely that their summer jobs provide sufficient funding to cover all costs for the school year, and perhaps not even the first installment of tuition if they incurred additional living costs to sustain themselves throughout the summer.

It is also worth considering that working full-time every summer is a burden for students. Finding a job can be difficult—in August 2018, the unemployment rate for youth in Ontario ages 15-24 was 12.2%, and of those students who were employed, 53.5% had only a part-time job.⁴² Also, many students would ideally use their summer to advance their academic career, perhaps by taking summer courses or writing standardized tests for graduate or professional schools like the MCAT and LSAT, both of which require countless hours of studying. Finally, school can be a stressful experience for students, especially those who must also worry about not having enough money to fund their education, and having a break for the sake of mental health during the summer would be beneficial. Nonetheless, a 2015 survey by the Ontario Undergraduate Student Alliance found that students' most common reason to work during their summers was needing earnings in order to continue going to university; this means that many students are being forced to overlook each of these significant needs for the sake of getting enough money to pay their first, substantial tuition fee at the beginning of the school year.⁴³

Because of these factors affecting a significant number of students, it is proposed that McMaster be more accommodating with regard to tuition payments. This recommendation is especially pertinent considering recent changes to the policy on late tuition payments; in the 2016-2017 school year, the fee for late payment was increased significantly from \$35 to \$75, or by 114.3%. This change is a backward step from progress for students, and the MSU believes the fee must be lowered to at least its original amount, or preferably waived completely. As lobbied by Ontario Undergraduate Student Alliance, late fees penalize those already struggling financially and generate profit unfairly through these vulnerable students; if maintained, they should not be used unless necessary, and students should be given more time before the fee is applied. Alternatively, a form could also be created

⁴⁰https://d3n8a8pro7vhmx.cloudfront.net/ousa/pages/390/attachments/original/1486564093/3/Affordability_OPS SS2015_document.pdf?1486564093

⁴¹ <https://ira.mcmaster.ca/common-university-data-ontario-cudo/>

⁴² <https://www150.statcan.gc.ca/n1/daily-quotidien/180907/t014a-eng.htm>

⁴³https://d3n8a8pro7vhmx.cloudfront.net/ousa/pages/390/attachments/original/1486564093/3/Affordability_OPS SS2015_document.pdf?1486564093

through which students presenting with financial difficulty can apply to have their late fee and penalties waived.

Furthermore, the MSU recommends that McMaster consider a monthly tuition payment plan as an option for students who require it. This is a more logical payment schedule as it matches the monthly cycle of most job payments and expenses like rent and bills, lessening the pressure of having to put aside large sums of money. To ensure feasibility of this recommendation, this option should be made available to lower-income students specifically.

While flexible tuition payment plans are currently not offered at many Canadian universities, some schools do offer alternative plans for graduate students; at Wilfrid Laurier University, students who are approved for the alternative plan pay tuition in three monthly installments over the course of the semester, while the University of Calgary allows students to pick from a variety of payment plans.^{44,45} Additionally, models similar to the one we propose are used by some private universities in Canada, such as Trinity Western University, and schools outside of Canada, such as Columbia University.^{46,47} The MSU suggests that McMaster research these options, consider the outcomes at schools where they have been implemented, and consult students and staff about the potential benefits.

Scholarships

Entrance Awards

Principle: McMaster should provide students with ample opportunity to receive scholarships, including entrance awards.

Concern: McMaster has one of the lowest budgets for entrance scholarships in Ontario. Moreover, such funding is only applied to the first year of study and is not renewed in each subsequent year.

Concern: The relatively low entrance scholarships may dissuade high-achieving students, and particularly those from low income backgrounds, from enrolling at McMaster, negatively affecting McMaster's overall growth and performance.

Recommendation: McMaster should increase entrance scholarship amounts, at least to match those of neighbouring universities comparable in student population size.

Recommendation: The renewal of these scholarships should be based on financial need.

With the continuous increase in tuition fees, students are experiencing steadily higher amounts of debt. It is therefore vital that financial aid also increase through

⁴⁴ <https://students.wlu.ca/academics/graduate-and-postdoctoral-studies/managing-your-program/tuition-payment-plan-program.html>

⁴⁵ <https://www.ucalgary.ca/registrar/finances/tuition-fees/graduate-student-payment-plan#s1>

⁴⁶ <https://www.twu.ca/undergraduate/admitted-students/fall-semester/tuition-payments>

⁴⁷ <https://sfs.columbia.edu/pay-plan>

discounted tuition to ensure that such increases in tuition are at least in part counterbalanced.

Considered to be one of the lowest university entrance award systems in Ontario, the McMaster's President's/Honours Awards are awarded based on admission average and are only applied for the first year of study as follows:⁴⁸

Admission Average	Entrance Award Value
95%+	\$2,500
90-94.99%	\$1,000
85-89.99%	\$750
80-84.99%	\$500

McMaster's automatic entrance awards are lower than those offered at Queen's University, University of Western Ontario, University of Toronto, Ryerson University, University of Guelph, University of Ottawa, and Carleton University, to name a few examples.⁴⁹ For instance, Queen's University's maximum entrance scholarship is valued at \$6,000. Additionally, the school offers higher scholarship amounts than those offered at McMaster in other academic categories, numerous major admissions awards, and admissions bursaries.⁵⁰ University of Western Ontario, with its own approach to tuition discounting through scholarships, has a Continuing Admission Scholarship awarded to those with an admission average greater than 95% amounting to \$2,500 for each of the four years of undergraduate study.⁵¹ Another example includes the systems in place at Ryerson University and Carleton University; entrance scholarships at these schools have also managed to remain significantly higher than those offered at McMaster, with the highest entrance award amounting to \$4,000 per year, totaling \$16,000 in tuition fees offset over the course of four years.^{52,53,54} From another perspective, Ryerson University's lowest entrance award is almost equivalent to that of McMaster's highest entrance award.

⁴⁸ <http://www.electronicinfo.ca/scholarships/?search=&group=m-o>.
Scholarships," electronicinfo.ca, accessed November 3, 2018,
<http://www.electronicinfo.ca/scholarships/?search=&group=m-o>.

⁴⁹ Ibid.

⁵⁰ <https://www.queensu.ca/studentawards/admission-awards>.

"Office of the University Registrar, Student Awards," queensu.ca, accessed October 30, 2018,
<https://www.queensu.ca/studentawards/admission-awards>.

⁵¹ http://www.registrar.uwo.ca/student_finances/scholarships_awards/admission_scholarship_program.html.

"Admission Scholarship Program," registrar.uwo.ca, accessed October 30, 2018,
http://www.registrar.uwo.ca/student_finances/scholarships_awards/admission_scholarship_program.html.

⁵² <https://www.ryerson.ca/admissions/scholarships-awards/>.

When considering a course of action, increasing the amount and frequency of scholarships, and specifically entrance awards, based on a set minimum standard of need or merit may be necessary to alleviating the financial pressures being placed on current McMaster students and to attracting more highly and diversely talented students to the university. As mentioned, it is evident that many universities in Ontario have high entrance awards, providing incoming students with greater financial aid than they could ever receive at McMaster. Increasing entrance scholarship amounts to match those of comparable neighbouring universities or increasing the duration of these scholarships based on financial need represents a first step to making post-secondary education more affordable for many McMaster students. As such, the university should strongly consider increasing entrance awards to alleviate students' pressure to keep up with rising tuition, and subsequently, increasing debt. Furthermore, realizing the benefits accrued by students through improved entrance award systems, academic achievement and financial need should serve as drivers for McMaster to increase funding earmarked for students moving forward.

“Scholarships and Awards,” ryerson.ca, accessed October 30, 2018,
<https://www.ryerson.ca/admissions/scholarships-awards/>.

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⁵⁴ <https://carleton.ca/awards/scholarships/entrance-scholarships-for-new-students/>.

“Entrance Scholarships,” carleton.ca, accessed October 30, 2018,
<https://carleton.ca/awards/scholarships/entrance-scholarships-for-new-students/>.

University Aid and Award Applications

Principle: Students wishing to apply for scholarships for financial aid should be able to do so easily, efficiently, and with access to accurate scholarship information.

Principle: Student-dedicated funding in the form of scholarships and bursaries should effectively make its way into the hands of students.

Concern: Year after year, many scholarships at McMaster go unclaimed, either due to a lack of awareness of their existence or due to strict criteria drastically limiting the applicant pool.

Recommendation: McMaster should have a frequently updated and accessible list of past, current, and future scholarships, and whether past scholarships were claimed or not.

Recommendation: Where appropriate, applicant criteria for unclaimed scholarships should be re-evaluated. Alternatively, McMaster should reallocate funds from unclaimed scholarships to bursaries or to the Student Access Guarantee.

Recommendation: The University Aid and Award Applications page on Mosaic should be updated annually to include the possible number of recipients for a scholarship based on whether or not it was claimed in preceding years.

Recommendation: Students should automatically be signed up to receive notifications for scholarship application deadlines they are eligible for when they first enrol in post-secondary education.

It is a truism that scholarships and bursaries offer great financial relief to those awarded with them. Students who do not receive adequate funding from OSAP or other assistance plans may turn to scholarships to support their education. Not only do they offset tuition costs, but they also give students who must largely finance their schooling the chance to refocus their attention to learning instead of working. Furthermore, other benefits of scholarships can also include validation of students' past and present academic efforts; increased morale; decreased stress levels, owing to alleviated financial pressure; and increasing competitiveness in the job market—all of which can also lead to financial stability and success in later years.

Considering these benefits, students applying for scholarships should be able to do so through more streamlined processes that are furthermore transparent. In general, applying to scholarships through Mosaic can be a lengthy process; most all scholarships at McMaster require write-ups from candidates as well as reference letters and other supporting documents. Furthermore, current expectations make it so that students have to completely rework their applications for each scholarship and ask for separate, tailored reference letters from their reference contacts. Surely, these factors limit the numbers of applications received from students to further limit the number of scholarships being claimed each year.

Equally troubling is the selectiveness of the criteria judging eligibility for most scholarships. Scholarships open to students based on faculty (as well as those open to all faculties) are included in the Apply for Financial Aid section of Mosaic; however, many of the scholarships listed are not applicable to the vast majority of students, with many of these scholarships being very niche. Many of these scholarships are also poorly promoted, meaning that, among the students eligible for these scholarships, few may even know about the opportunities available.

Furthermore, comparing McMaster's scholarship offerings to those of other schools' also reinforces the sentiment that McMaster does not offer enough scholarship opportunities for its students. The University of Toronto, as a comparator, gives its students access to over 5,900 in-course scholarships each year. Additionally, through its University of Toronto Scholars programs it gives out 400 \$1,500 scholarships to its students. It should also be noted that the number of scholarships offered in each program is extremely variable, with some programs having very few opportunities in spite of their size and students' needs for financial aid.

To address these issues, McMaster should have a frequently updated and accessible list of past, current, and known future scholarships available to undergraduate students. Additionally, this list, requiring annual updates, should communicate whether or not each past scholarship was claimed by its deadline in the preceding year.⁵⁵ In the future, scholarships which are not applied to/claimed by the deadline should be re-evaluated and improved for applicant criteria. Understanding that this criteria may be set by external donors, it is asked that McMaster reconsider their approach to making arrangements with donors to ensure that the funds being donated effectively go toward helping students in their post-secondary education. In cases where donors would be more open to less restricted student-dedicated funding, unclaimed scholarships could also be turned into needs-based bursaries or used to strengthen McMaster's Student Access Guarantee; this divestment of funds would help to ensure that McMaster students derive maximum amounts of financial benefits from the full offering of student-dedicated funding. However, understanding the position of University Advancement in donor fundraising for scholarships, in situations where eligibility criteria for a scholarship cannot be relaxed, University Aid and Award Applications on Mosaic should instead be updated alongside the public scholarship list to reflect the number of possible future recipients.

Lastly, to improve students' knowledge of potential scholarships, they should automatically be signed up to receive notifications for upcoming scholarships for which they meet the requirement. This can be done when students enrol in their first year at McMaster, with the option to unsubscribe if preferred. To ensure that relevant content is being delivered, a series of questions, similar to the ones asked when filling

⁵⁵ Mosaic reference

out an application for a General Bursary, should also be asked to filter out scholarships for which a student is ineligible.

Student Access Guarantee

Principle: McMaster should be accountable and transparent in its efforts to fulfill the Student Access Guarantee.

Principle: McMaster should take all possible efforts to relieve the financial strain on students struggling to finance their education.

Concern: McMaster students are making decisions about their finances and education without a complete understanding of the needs-based funding available to them.

Concern: Some McMaster students struggle to finance their education, a reality which adversely affects these individuals' university experience.

Recommendation: McMaster should publicly demonstrate how it fulfills the Student Access Guarantee and provide clear, transparent information to students on how to receive funding under the guarantee.

The Student Access Guarantee (SAG) is an agreement between the provincial government and 45 postsecondary schools in Ontario stating that, if a student continues to have unmet financial needs after receiving OSAP funding, then it is the school's responsibility to provide financial aid to address that need in the form of a bursary, scholarship, or work-study program. It is an excellent commitment that recognizes how government funding might not be sufficient for all students, and it is crucial that McMaster do its part to fulfill this promise. McMaster appears to do so through its Entrance and In Course bursaries, to which students must apply to receive. Nevertheless, students would be greatly benefitted if McMaster took measures to make this process more accessible and transparent.

It is not uncommon for students to have unmet financial needs even after receiving government financial assistance. A 2015 survey by the Ontario Undergraduate Student Alliance found that almost half the students who borrowed money from a bank to pay for their education did so because they needed to supplement the aid they were receiving from the government. This demonstrates that the gap the SAG tries to fulfill is extensive and a common issue for many students. Adequately fulfilling the SAG is evidently not a small or inconsequential matter—it can mean the difference between an incredibly stressful and precarious university experience versus a comfortable one. Thus, McMaster should seriously consider any improvements to the current aid system that could allow it to more effectively help students.

For example, several universities make it clear that they automatically consider students who receive OSAP for financial aid and bursaries. This includes the University of Toronto, University of Windsor, York University, Ryerson University, University of Waterloo, and Wilfrid Laurier University. Automatic consideration makes sense because the information needed to evaluate the extent of a student's unmet need is available through their OSAP application. Furthermore, this eliminates the chance of students in need falling through the cracks if they are not aware of the bursary program. Thus, the MSU believes that all students receiving OSAP should be automatically considered for bursaries such as the Student Access and General bursary.

Students would also benefit from more clear and public information about how McMaster fulfills the SAG. Several universities have a section of their website devoted to clearly explaining the process they use to fulfill the SAG, such as York University's website, and some even publish numbers and statistics demonstrating their fulfillment of the SAG, such as the University of Toronto. Students take scholarships and financial aid into account when deciding on universities, and it is important that they can gain an appreciable understanding of McMaster's financial support systems from resources like its website. Furthermore, in order to ensure that McMaster is fulfilling the SAG as promised, transparency about the process and amount of funds being used for this is crucial. Therefore, we believe McMaster should have a section of the Financial Services website that explains how the SAG is fulfilled, and that the university should also consider publicizing information about how much money is allocated to fulfilling the SAG.

Registered Education Savings Plan (RESP)

Principal: Families should not be overburdened by the costs of post-secondary education.

Principal: The government should make long-term investments into students' education.

Principal: The Canada Learning Bond and Canada Education Savings Grants should help to resolve issues of accessibility to post-secondary education.

Concern: The total amount of funds dedicated by the government to the Canada Learning Bond as well as the schedule through which these funds are dispensed offer little financial relief to low-income families.

Concern: Existing government savings incentives and programs for low-income families present barriers to access.

Concern: Many individuals are unaware of the financial benefits offered by the Canada Learning Bond and the Canada Education Savings Grants.

Recommendation: The government should offer a larger overall deposit to Canada Learning Bond recipients or provide larger grants upfront (instead of on an annual basis) to enable more low-income families to take advantage of tax-free compounding.

Recommendation: The government should improve the public's awareness of its saving and investment services for post-secondary education through public campaigns targeting new parents.

Most new parents cannot afford to pay for their children's tuition which feels faraway as compared to more immediate debts and payments. Data by Ipsos indicates that only 21% of Canadian parents with kids ages 14-22 say they started saving money for post-secondary education when their children were born.⁵⁶ More concerning is the fact that 31% of these parents also admit to not having started saving at all. Furthermore, 68% of these parents would do something differently if they could start again, with many citing that they would have saved more money per month or started saving while their children were younger.⁵⁷ As long-term saving largely facilitates access to post-secondary education, these figures serve to emphasize the inadequacy of current saving mechanisms and incentives offered by the Canadian government and the need for improvement in this regard.

Among the families that do save for their children's post-secondary education, high-income families are by far the most likely to do so, largely making use of Canada's Registered Education Savings Plan (RESP). RESPs are government-sponsored, tax-sheltered, and considered to be major investment vehicles for the financing of post-secondary education. In general, participation in RESPs is more concentrated among wealthier families. According to the results of the most recent Canadian Financial Capability Survey, 68% of parents with children younger than the age of 18 with an annual income of over \$120,000 had an RESP as compared to just 46% of those with incomes between \$32,000 and \$55,000 and 37% of those with incomes of less than \$32,000.⁵⁸

Logistically, Canada's Education Savings Program is made up of a patchwork of grants that add funds to RESPs, two of which include the Canada Education Savings Grants (CESGs) and Additional Canada Education Savings Grants (A-CESGs).⁵⁹ CESGs are based on the amount of funds contributed to the RESP; up to a maximum of \$2,000 contributed annually (or \$4,000 if considering carry-forward room), families will earn 20% (\$400, or up to \$800 dollars if considering carry-forward room) in grants to supplement their contribution to the savings plan.⁶⁰ A-CESGs, on the other hand, are based on income, where those with a "net family income of primary caregiver" of less than or equal to \$45,282 receive an additional 10% on the first \$500 contributed annually (or up to \$100) and those with an income between \$45,282 and \$90,563 receive 10% of the first \$500 contributed (or up to \$50).⁶¹

⁵⁶ <https://www.ipsos.com/en-ca/news-polls/canada-parents-RESP-knowledge-first-financial>

⁵⁷ Ibid.

⁵⁸ <http://policyoptions.irpp.org/magazines/october-2016/a-million-canadian-kids-missing-out-on-free-education-money/>

⁵⁹ <https://www.canada.ca/en/employment-social-development/services/student-financial-aid/education-savings.html>

⁶⁰ <https://www.canada.ca/en/employment-social-development/services/student-financial-aid/education-savings/resp/info.html>

⁶¹ Ibid.

Despite being created as part of the Canadian Opportunities Strategy, CESGs continue to disproportionately benefit wealthy individuals who are more capable of making large, annual contributions to their children's education. Considering the fact that the government matches contributions to RESPs proportionally through the CESG, it is not unlikely that high-income families would be more inclined to subscribe to this saving mechanism and incentive program. Additionally, A-CESGs which are meant to help redistribute the grants to low-income families, offer low savings incentives when considering the inconsequential annual maximum grant value being dedicated and the requirement of large contributions to receive this aid, which these families may not be able to afford.

Another grant, the Canada Learning Bond (CLB), established in 2004, provides extra some financial assistance to low-income families who open RESPs. Through the CLB, low-income families can obtain \$500 upon the creation of an RESP for their child and another \$100 annually until the child, or beneficiary, reaches the benefit year at age 15.⁶² However, opportunities through this grant could be improved when considering its small cut in the Canada Education Saving Program's overall budget and the fact that less than \$1 in \$5 of these funds gets dedicated to low-income families.⁶³ Considering the positive association between having an RESP and post-secondary enrolment across all quintiles of income, the currently poor uptake of the CLB must also be addressed.⁶⁴ In 2016, the national CLB participation rate was less than 40% among those eligible.⁶⁵ Behavioural barriers to enrolment supported by research on RESP uptake include but are not limited to misperceptions about RESPs, process barriers, and low awareness of the CLB, demonstrating a need for improved promotion of the benefit.

Recognizing the potential of RESPs to greatly improve access to post-secondary education, a few recommendations come to mind as being necessary to achieving such ends. First, CESGs should be revised, considering the fact that investment in RESPs tend to increase with net worth, so that more redistributive goals for the grant may be identified and implemented. Additionally, the government should provide a larger upfront grant to low-income families opening up a Canada Learning Bond. Specifically, the government could provide a lump sum payment of \$2,000 (the amount of money that would be eventually dispensed to a child receiving the CLB) as an initial payment to allow low-income families to benefit from tax-free compounding on the initial investment. Additionally, barriers to the CLB should be lessened through more campaigns targeting new parents, and especially those in target locations or in underperforming Forward Sortation Areas.⁶⁶ These campaigns should engage financial advisors and could take place online or through elementary schools and high schools to improve awareness and opt-in among families with financial need.

⁶² <https://www.canada.ca/en/employment-social-development/services/learning-bond.html>

⁶³ <http://policyoptions.irpp.org/magazines/october-2016/a-million-canadian-kids-missing-out-on-free-education-money/>

⁶⁴ <https://www150.statcan.gc.ca/n1/pub/11f0019m/11f0019m2017392-eng.htm>

⁶⁵ <https://www.canada.ca/en/innovation-hub/services/reports-resources/behavioural-insights-project.html>

⁶⁶ <https://open.canada.ca/data/en/dataset/ce99c2c9-c224-43eb-aef0-1f379b70c91d>

Decisions to enrol in post-secondary education, undeniably affected by financial considerations, often occur years before a child is eligible to enrol. A sense of financial preparedness therefore represents an important factor with the potential to change the sentiments that low-income families have toward post-secondary education as well as families' overall decision-making. Generally, RESPs have the important role of supporting these families throughout this entire process and in the long-term. As such, RESPs should be remodeled according to more equitable funding frameworks and made more accessible to further ensure that all parents, regardless of income, can comfortably afford to send their children to pursue higher education.