Are the Poor Needy?
Are the Needy Poor?

The Distribution of Student Loans and Grants by Family Income Quartile in Canada

Alex Usher
May 2004
The Educational Policy Institute

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Table of Contents

Executive Summary ........................................................................................................ iii
Acknowledgments ........................................................................................................ iv

I. Introduction ...................................................................................................................1

II. What is Need? ..............................................................................................................3
   II. A Having Children .................................................................................................5
   II. B Working ................................................................................................................6
   II. C Attending a More Expensive Program ...............................................................7
   II. D Moving Away from Home ...................................................................................7
   II. E Becoming Independent .......................................................................................9
   II. F Summary of Need ..............................................................................................12

III. Analysis of the Population and Distribution of Student Assistance ......................13
   III. A Who Gets Loans? How Much Do They Get? ..................................................14
   III. B Who Gets Grants? How Much Do They Get? ..................................................16
   III. C Total Expenditures by Income Quartile ..........................................................19

Conclusion .....................................................................................................................21

Bibliography ..................................................................................................................24

Appendix A How Need is Assessed ..............................................................................25
Appendix B CMSF Student Panel .................................................................................34
Table of Figures

Figure 1. Expected Parental Contributions (Manitoba, 2001-02) ...................... 4
Figure 2. Distribution of Employment Income by Family Income .................. 6
Figure 3. Tuition Costs by Family Income ....................................................... 7
Figure 4. Cost and Need for At-Home and Away-from-Home Students ................... 8
Figure 5. The Benefits of Independent Status, by Family Income .................. 10
Figure 6. Distribution of Dependent and Independent Students .................... 11
Figure 7. Student Loan Expenditures by Income Quartile .............................. 16
Figure 8. Student Grant Expenditures by Income Quartile ............................ 18
Figure 9. Total Expenditures on Need-Based Student Assistance by Income Quartile ................................................................. 19
Figure 10. Per-Student Expenditures on Need-Based Student Assistance ........... 20

Table of Tables

Table 1. Summary of Rule Effects .................................................................. 12
Table 2. PSE participation rates of 18-21 year-olds, by income quartile, as per SLID (2001) ................................................................. 13
Table 3. PSE 18-21 year old student body “shares”, based on SLID (2001) .............. 13
Table 4. Student Loan Use among Dependent Students, by Income Quartile ................ 14
Table 5. Shares of Student Loan Population by Income Quartile .................... 15
Table 6. Shares of Student Grant Population by Income Quartile ................ 18
Table 7. Definition of an Independent Student .............................................. 26
Table 8. Assessed Costs During Study Period ............................................. 27
Table 9. Monthly Student Living Allowances 2002-2003 ........................... 28
Table 10. Student Resources ........................................................................ 29
Table 11. Calculation of Parental Contribution .......................................... 31
Table 12. Calculation of Spousal Contribution ........................................... 32
Are the Poor Needy? Are the Needy Poor?
The Distribution of Student Loans and Grants by Family Income Quartile in Canada

Executive Summary

This study is one part of a two-part inquiry into subsidies for post-secondary education in Canada. This study, which looks specifically at need-based assistance, feeds into a broader report entitled Who Gets What? The Distribution of Government Subsidies for Post-Secondary Education in Canada, which is also available from the Educational Policy Institute.

While it is commonly assumed that need-based assistance is primarily of benefit to low-income students, a close examination of the rules under which need-based student assistance is distributed in Canada shows that several “need-based” criteria are actually of greater benefit to higher-income students. In particular, the ease with which students reach “independent” status in Canada suggests that students from upper-income families may have far greater access to need-based assistance than is commonly assumed.

Based on a combination of administrative and survey data, the study estimates the distribution of student loans and grants by family income quartile. The estimates suggest that roughly 40 percent of all loans and grants go to students from families with above-median income. Need-based assistance is thus shown to be an inefficient way to help low-income students; more direct income-targeting methods should be adopted if policy-makers wish to use financial assistance programs to help low-income students access post-secondary education.
Acknowledgments

The author would like to acknowledge the important contributions made to this work by Sean Junor, who performed much of the valuable data crunching and Natasha Sawh, who is responsible for much of the visual content of this piece. Both also contributed to the piece by challenging the author about details, figures, concepts and methodologies, all of which improved the end product enormously. Any errors in the paper are, however, the sole responsibility of the author.

This piece was first presented to the public in September 2003 at an Ideas Forum jointly hosted by the Canada Millennium Scholarship Foundation and the Canadian Association of Student Financial Aid Administrators. The author would like to acknowledge the helpful comments and critiques made by Forum attendees (in particular Jennifer Orum, Peter Dueck, Mary Pichette and Michael Conlon) and the small financial contribution made by the Foundation to the production of the final version of this paper.
I. Introduction

Student Assistance in Canada is a major piece of the Canadian social safety net. Every year, Canadian governments collectively lend their students approximately $3 billion (at a cost of approximately $943 million) and distribute approximately $1 billion dollars in grants.

Though some might think it a rather elementary task, in the forty or so years since the introduction of the Canada Student Loans Program there has never been an examination of who actually receives this money. It is, in effect, a $2 billion act of faith.

The basic policy assumption on which student assistance in Canada is based is that it is primarily a tool to assist low and middle-income Canadians. And yet, student assistance awards are not based on income, but based on “need”, which effectively means “assessed costs” minus “assessed resources.” (In this respect, Canada is unique: it is the only country in the world where grants are given out on the basis of need as opposed to family income. Family income is of course part of the “assessed resources” – at least for students deemed “dependent” on their parents (see section II E), but it is only part of the equation.

Canada’s need-based system of student assistance gives the most assistance to those with the highest need. In the field of student assistance policy, it is almost axiomatic that “high-need” students are also “low-income students.” To take but a few examples:

- “…Grants for high-need first and second-year students…designed to focus on meeting the needs of low and moderate-income students” AUCC, Renewing Student Assistance in Canada, 1997
- “The exclusion of those from low and middle income backgrounds can only be reversed with tuition fee reductions coupled with a comprehensive system of needs-based grants.” Canadian Federation of Students 2003
- “A grant or bursary…for those who have greater need…(would be) most effective in improving access to individuals from low income families.” Ross Finnie, Policy Options September 2003

This axiom is, however, nothing more than an assumption. No study has ever really looked at whether or not “high-need” actually equals “low-income.” If the “high-need and “low-income” are not identical, then the possibility arises that many of the new grants programs targeting “high-need” students, far from helping low-income students, may actually be helping high-income students instead.

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1 In the interest of full disclosure it should be noted that the author of the AUCC piece is also the author of the present document.
The purpose of this paper is to investigate the both the rules that govern need (and hence the award of loans and grants) and the effects of these rules in terms of the distribution of student assistance.
II. What is Need?

Canadian student assistance programs (defined here as including federal and provincial student loans and grants and excluding Canada Education Savings Grants, tax credits and employment programs) are, with a few exceptions of little consequence, need-based. In all programs, the definition of need is:

\[
\text{NEED} = \text{ASSESSED COSTS} - \text{ASSESSED RESOURCES}
\]

Costs include the cost of tuition and mandatory fees, allowances for books and equipment, travel costs (if the student lives away from home) plus a monthly allowance for living, which can differ in size based on whether or not one lives with one’s parents or if one has children. Resources include contributions from personal savings, contributions from personal labour income, scholarship income, expected contributions based on parental income (in the case of “dependent” students – see below), expected contributions on spousal income. While programs differ somewhat in the manner in which they assess costs and resources, this does not materially affect the statement that student assistance programs across the country are basically consistent across the country.

Family income, therefore, is only one of many factors that “drive” need. And it is a crucial factor in determining need for people who get caught by the family contribution rule. While expected family contribution differs slightly from province to province (in order to equalize for the effects of differing tax rates and costs of living), the basic demands are the same. Figure 1 shows the expected parental contribution table in the province of Manitoba, by pre-tax income (assuming that both parents work and that one parent earns $10,000 per year more than the other). Expected contributions in other provinces will be slightly different, as they are calculated as a function of local costs of living and tax rates. However, the implicit curve - that is, the rate at which contributions increase - will be the same in all provinces.
Two things stand out about this curve:

- **Its steepness;** an increase in pre-tax income of $30,000 from $50,000 to $80,000 results in an increase in expected parental contribution of $10,000. If marginal tax rates were included in this chart, one would see that parents in this income range who met student loan expectations would be keeping less than 30 cents of every dollar earned.

- **Its late entry.** Compared to most social programs, what is striking about the curve is how much income has to be earned before a contribution is demanded. $50,000 in family income is, after all, only a little below the national median for family income. Many may see this as a good thing, in that it serves to provide maximum assistance to a large number of students. This is undeniably true. It is also the case, however, that it also prevents the system from distinguishing the differences in circumstance between a family near the national median and one in the lowest percentile of income.

If family income were the only factor driving the distribution of student assistance, then the system of student assistance would in fact be fairly progressive. However, student assistance is not based on family income, but rather on “need.” Holding parental income constant, there are effectively five other factors that “drive” need. These drivers are:

- Having children (costs increase and therefore need is higher)
- Employment income (resources increase and therefore need is lower)
- Attending a more expensive program (costs increase and therefore need is higher)
• Moving away from home (costs increase and therefore need is higher)
• Becoming “independent” (resources decrease and therefore need is higher)

We will now look at each of these five “drivers” of need in turn.

II. A Having Children

The presence of children increases need considerably, for obvious reasons. The student receives both an extra “allowance” for each child and an extra personal allowance as well. In addition, the costs of child care, up to a certain maximum per month (the amount varies by province). All other things being equal, students with dependents have “assessed costs” that are approximately $12,000 higher than students without dependents. Given the Canada-wide rule that grants are only given to those students with high need, this means that not only are students with dependents more likely to receive large loans, but they are also much more likely to receive grants as well.

It should be noted, however, that this $12,000 in extra, assessed costs does not, as a rule, translate into an extra $12,000 in student assistance for two reasons. First, students with dependents frequently have spouses that are working, which decreases their need because of rules concerning expected spousal contributions. Second, each province has a student assistance limits that prevents them from providing assistance to students above a certain weekly maximum. In most provinces, this maximum is between $325 and $425/week, or $11,050-$14,450/week. Students with dependents sometimes find that their assessed need is higher than the maximum assistance level.

In terms of the effect of the work rule on the distribution of assistance – that is to say, does the treatment of children in the need assessment system ensure that money goes to students from low family-income backgrounds? – The effect is unknown, as there is no known correlation between the presence of children among students and family income background.
II. B Working

While the student assistance system in Canada assumes that students work in the summer and can make a contribution to their study costs from that income, it is explicitly assumed that students do not work during the school year. Students who do work find that their income is considered a resource, and their eligibility for student assistance curtailed. In-school work income is converted to resources according to the following formula:

\[
\text{Resources} = 0.8 \times (\text{Income} - 1500)
\]

In other words, students can keep the first $1500 earned, but after that their eligibility for loans is reduced by 80 cents for every subsequent dollar earned. What this means is that students who work get a smaller amount of student assistance than students who do not. Given what we already know about average student earnings from the recent study *Making Ends Meet*, which shows that average annual student earnings are approximately $3800, this implies that students that work are eligible for approximately $1800 less in student assistance than students who do not work.

In terms of the distributional effect of the rules surrounding employment income, the rules surrounding work appear to be absolutely neutral. According to recent data obtained by the Canada Millennium Scholarship Foundation through a national panel of university and college students (see Appendix B for a description of the methodology), there is no correlation between employment earnings and family income (see Figure 2). As a result, the “penalty” for working affects students of all backgrounds equally.

![Figure 2. Distribution of Employment Income by Family Income](source: Canada Millennium Scholarship Foundation panel survey, summer 2003)
II. C  Attending a More Expensive Program

Because increased educational costs result in increased need, attending a more expensive institution or program results in increased need. Holding everything else constant, a $2000 difference in educational costs (approximately the difference between attending university and attending college) results in $2000 more need. Figure 3 shows the relationship between family income and tuition using the Foundation’s summer 2003 national panel survey.

Figure 3.  Tuition Costs by Family Income

The result of this rule is that higher-income students have an edge in terms of need-assessment simply because they already are more likely to attend higher-cost programs. The distributional effect of the rules surrounding cost of program is thus regressive, in that it tends to provide an edge to higher-income students, not lower-income students, in terms of both loans and grants.

II. D  Moving Away from Home

When calculating student living allowances, Canadian student aid need assessment systems put students into one of two categories: those who live at home (i.e. with their parents) and those who live away from home. Although the actual amounts differ slightly from province-to-province, a good rule of thumb is that moving away from home increases assessed need by about $400/month, or $3200 for an academic year (see Appendix A for province-by-province details).
As with cost-of-program, the likelihood that a student leaves home appears to be correlated positively with income. For example, in Ontario, the average after-tax income of families of dependent students who live away from home and who receive Canada Student Loans is $43,180, while the corresponding figure for students who live at home is $32,927. The effect that this has on the distribution of student assistance can be more clearly seen in Figure 4.

**Figure 4. Cost and Need for At-Home and Away-from-Home Students**

Among dependent students in Ontario who receive student assistance, students who live away from home – who, let us recall are on average come from wealthier families - receive over $2500 more in student assistance. The distributional effect of this rule is therefore regressive - the wealthier group is therefore clearly more eligible not only for loans but also for grants as well.

It should of course be said that moving away from home is not always a choice. In particular, students from small rural communities rarely have the luxury of attending post-secondary education in their home communities. Nevertheless, there are many students who choose to move away from home to study, and the balance of evidence seems to show that regardless of the reasons for the move, those who do move are wealthier than those who do not. Hence, the apparent regressivity of the rule.

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2 Data obtained using Canada Student Loans Administrative Data
II. E Becoming Independent

The final driver of need is one’s status as a dependent or independent student. “Independent” status has a slightly different meaning in the world of student assistance than it does in everyday parlance and so merits a detailed explanation.

The student assistance system divides students into two categories: “dependent” and “independent” – terms which relate to an administrative view of a student’s relationship to his or her parents. “Dependent” students are assumed to receive support from their parents, while “independent” are not.

What makes a student “independent”? The definition of independence is inconsistent across Canadian student assistance programs, but the most commonly used definition is that independence occurs if a student:

- Is married; or
- Has children; or
- Has spent two years in the labour market without attending PSE; or
- Left or graduated from secondary school more than four years prior to the start of the academic year in which the student is making a request for student assistance.

This simple administrative assumption has an enormous effect on who is considered to have “Assessed Need.” At a stroke, all students are suddenly deemed to have no parental support and thus for future need calculations are all effectively equal. In most cases, independent students are considered highly needy. Once “independence” is declared, the child of a wealthy lawyer or doctor is considered to have the same amount of family support as the child of an unemployed coal miner – that is, zero.

The effect of this rule can be seen graphically in Figure 5, which is effectively identical to Figure 1, which showed parental contributions. If one had low family income to begin with, the effect of becoming independent on need is nil – in neither case is a parental contribution expected. The real effect is on students from high-income backgrounds. Prior to becoming independent, they had an expected parental contribution which reduced their need. Independence makes this expected contribution vanish. The benefit to becoming independent therefore increases with family income.

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3 For a more complete definition of “independence” and how the term is defined across the country, please see Appendix A of this report.
Are independent students really independent of their parents? Some (e.g. mature students) clearly are genuinely independent of their parents). Others are likely still in receipt of assistance from family members, but they are in advanced (graduate or professional) degree programs or are what in known, somewhat derisively, as “fifth-year undergraduates.” In fact, as we know from the Foundation survey Making Ends Meet, a considerable percentage of students 23 and older receive assistance from their families, and the amount of assistance they receive is no lower than that received by younger students. Conversely, of course, some dependent students receive nothing from their families even though the system assumes that they do.

The effect of the independence rule on the distribution is profound. The Canada Millennium Scholarship Foundation’s 2003 panel survey found that among independent students, there was no correlation whatsoever between assessed need and family income – students from wealthy family backgrounds were as likely to receive loans and grants as students from poor backgrounds. The independence rule also has the effect of making independent students as a whole much more likely to receive student assistance – particularly grant assistance - than dependent students. Figure 6 shows the distribution of dependent and independent stu-

<table>
<thead>
<tr>
<th></th>
<th>Supported By Parents</th>
<th>Avg. Monthly Amount</th>
<th>Supported by Family</th>
<th>Avg. Monthly Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Students</td>
<td>69%</td>
<td>$187</td>
<td>80%</td>
<td>$272</td>
</tr>
<tr>
<td>Students 22-23</td>
<td>74%</td>
<td>$218</td>
<td>84%</td>
<td>$336</td>
</tr>
<tr>
<td>Students 24-25</td>
<td>66%</td>
<td>$186</td>
<td>76%</td>
<td>$224</td>
</tr>
<tr>
<td>Students 26+</td>
<td>38%</td>
<td>$240</td>
<td>62%</td>
<td>$399</td>
</tr>
</tbody>
</table>

Source: CanLearn Interactive, 2001-02 school year

Figure 5. The Benefits of Independent Status, by Family Income

4 Data from Making Ends Meet, p. 51
Are the Poor Needy? Are the Needy Poor?

dents among the entire student assistance population, the student loan population and among Canada Millennium Scholarship Foundation bursary recipients (who are chosen because they have the “highest” need among the student aid population - they are also likely to be representative of grant recipients as a whole).

Figure 6. Distribution of Dependent and Independent Students

According to data obtained from the Canada Student Loans Program, 60 percent of loan recipients are “independent” students and 40 percent “dependent” students. The Quebec Student Loans program, which has a broader definition of the term “dependent”, is split 58-42 in the other direction, i.e. in favour of dependent students. As a result, the national distribution of loan recipients is approximately 56-44 in favour of “independent” students. Data from the Canada Millennium Scholarship Foundation, the country’s largest distributor of grants, shows that 65 percent of its grants are given to independent students and only 35 percent to dependent students.

A comparison of these ratios to the actual age structure of the population is instructive. Using age 22 as a proxy for “independence” (it roughly corresponds with the four-years-out-of-high-school rule), data from the Canadian Undergraduate Survey Consortium and the Canadian College Survey Consortium suggest that the real distribution of the Canadian student population is closer to 70-30 dependent-independent, which is effectively the inverse of the student assis-

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5 In some parts of the country – for instance Ontario prior to the elimination of grade 13 – the threshold to be independent is somewhat higher. This proxy will therefore somewhat overstate the number of independent students. On the other hand, it does not take account of students who have become “independent” because of the two-years-in-the-labour-market rule, which would tend to understate the number of dependents. On the whole, these two factors will roughly cancel each other out.
tance population. This is a clear demonstration of the perverse effect of the independence rule.

In short, the effect of the independence rule, on its own, is highly regressive in that it allows into the student aid systems students from higher income backgrounds, and gives the most benefit to students from the highest income backgrounds.

II. F  Summary of Need

Table 1 shows what we have learned about each of the main “drivers” of need.

<table>
<thead>
<tr>
<th>Need “Driver”</th>
<th>Distributional Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected Parental Contributions</td>
<td>Highly Progressive, but only for “dependent” students</td>
</tr>
<tr>
<td>Working</td>
<td>Neutral</td>
</tr>
<tr>
<td>Children</td>
<td>No data available, assumed to be Neutral</td>
</tr>
<tr>
<td>Program Cost</td>
<td>Lightly Regressive</td>
</tr>
<tr>
<td>Moving Away from Home</td>
<td>Regressive (likely less so for students from rural communities)</td>
</tr>
<tr>
<td>Independent Status</td>
<td>Highly Regressive</td>
</tr>
</tbody>
</table>

The only highly progressive factor in the student assistance system – that is, a factor that actively tilts assistance in the direction of students from low-income families - is the expected parental contribution. Ironically, the main critique of the parental contribution system is that it is too progressive, and moreover it applies only to a fraction of all students (those that are considered “dependent”). All the other factors in student assistance have either a neutral or regressive distributional effect. Note that this is not the same as saying that they all cause the program as a whole to be regressive. An analysis of the combined effects of these rules is the subject of the next section of this paper.
III. Analysis of the Population and Distribution of Student Assistance

In addition to getting a sense of the age structure, it is also important to get a sense of these social structure of the student body. This has recently been examined in a number of studies by Statistics Canada, notably the Survey of Labour and Income Dynamics (SLID) (1998) and a recent study by Corak, Lipps and Zhao (2003). This study takes the data from DeBroucker, which suggested that participation rates among 18-21 at universities and colleges from each of the income quartiles were as follows:

Table 2. PSE participation rates of 18-21 year-olds, by income quartile, as per SLID (2001)

<table>
<thead>
<tr>
<th></th>
<th>University</th>
<th>College</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest Quartile</td>
<td>39%</td>
<td>28%</td>
</tr>
<tr>
<td>Upper Middle Quartile</td>
<td>31%</td>
<td>28%</td>
</tr>
<tr>
<td>Lower Middle Quartile</td>
<td>24%</td>
<td>29%</td>
</tr>
<tr>
<td>Lowest Quartile</td>
<td>19%</td>
<td>29%</td>
</tr>
</tbody>
</table>

Converting these participation rates into actual “shares” of the student body, one arrives at a distribution of the student body as follows:

Table 3. PSE 18-21 year old student body “shares”, based on SLID (2001)

<table>
<thead>
<tr>
<th></th>
<th>University</th>
<th>College</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest Income Quartile</td>
<td>34.5%</td>
<td>25%</td>
<td>31.6%</td>
</tr>
<tr>
<td>Upper Middle Quartile</td>
<td>27.4%</td>
<td>25%</td>
<td>26.4%</td>
</tr>
<tr>
<td>Lower Middle Quartile</td>
<td>21.2%</td>
<td>25%</td>
<td>22.4%</td>
</tr>
<tr>
<td>Lowest Income Quartile</td>
<td>16.8%</td>
<td>25%</td>
<td>19.6%</td>
</tr>
</tbody>
</table>

While technically these figures only cover the 18-21 population, it would be reasonable to assume that it covers the entire “dependent” student population, which is the basis on which this paper will proceed. This still leaves open, however, the question of the social background of “independent” students. Here, there is simply no existing administrative or survey data to draw upon other than the Summer 2003 Canada Millennium Scholarship Foundation panel survey. This survey asked approximately 1,500 students to report their parents’ income as accurately as they could. While the actual amounts reported are probably not accurate to any useful degree, the survey did show that the median and average responses to this question were nearly identical for dependent and independent students. In other words, the “shares” of the student body by income quartile shows in table 3 holds not only for dependent students, but also for independent students and therefore for the student body as a whole.
III. A  Who Gets Loans? How Much Do They Get?

In order to determine the distribution of assistance by family income quartile, it is important to understand what percentage of students from each income quartile receive loans. Again, existing administrative databases and studies of student finances appear to be unable to answer this simple but key question. In order to answer this question, we must once again turn to the Summer 2003 Canada Millennium Scholarship Foundation panel survey, which tried to examine “need” as a function of income. Though the survey could not directly monitor student loan usage exactly (the timing of the survey meant that not all students knew their student loan status), it did measure student need by collecting information sufficient to infer need as it would be calculated by the Canada Student Loan Program (data on Quebec students is excluded from the present discussion, although a similar analysis could be performed upon it using the same data). As a simplifying assumption it is assumed here that everyone with need uses student assistance. This is probably not the case in reality, but since there is no reason to assume that there would be any systematic difference by family income between assessed need and student loan take-up rate, it is at least a reasonable approximation of reality.

The survey showed that among dependent students, the rates of student loan usage was as follows:

<table>
<thead>
<tr>
<th>Income Quartile</th>
<th>Dependent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest Income Quartile</td>
<td>55%</td>
</tr>
<tr>
<td>Lower Middle Quartile</td>
<td>52%</td>
</tr>
<tr>
<td>Upper Middle Quartile</td>
<td>19%</td>
</tr>
<tr>
<td>Highest Income Quartile</td>
<td>3%</td>
</tr>
</tbody>
</table>

Table 4 suggests that the parental contribution system works more or less way one would expect given the curve shown in Figure 1. Broadly speaking, the rates of usage among the lowest two income quartiles are the same between the bottom two-income quartiles, which is to be expected that they have similar rates of expected contributions (i.e. zero). There is a sharp drop off of loan usage in the next-to-highest income bracket and nearly no loan eligibility among the highest income bracket.

As noted earlier, the survey found that among independent students, need was distributed randomly by family income. This is a necessary consequence of the fiction that independent students receive no assistance from their parents—all students, regardless of background, are equally poor. As a result, income for independent students is entirely a function of labour income, which, as we saw in Figure 2, is also uncorrelated to family income. As a result, loan recipients among independent students mirror the population as a whole, i.e. it is heavily biased towards higher income groups.
As a result, the shares of population among student loan recipients are as shown in Table 5.

<table>
<thead>
<tr>
<th>Table 5. Shares of Student Loan Population by Income Quartile</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Lowest Income Quartile</td>
</tr>
<tr>
<td>Lower Middle Quartile</td>
</tr>
<tr>
<td>Upper Middle Quartile</td>
</tr>
<tr>
<td>Highest Income Quartile</td>
</tr>
</tbody>
</table>

This result is dramatic. It shows that close to 45 percent of all students who receive student assistance are from the two highest income quartiles. Partly, this bias can be explained by the nature of the student population, which is already drawn disproportionately from students from higher income backgrounds. But as the figures for dependent students show, the targeting of subsidies can still be done in a manner that favours the poor. The main culprit of this state of affairs is the independence rule, which clearly biases the distribution of assistance to students from higher income backgrounds.

To see how this plays out in dollars spent, we must once again make a simplifying assumption; namely, that distribution of the cost of loans mirrors the distribution of borrowers. This is unlikely to be precisely the case for two reasons. First, while costs related to loan interest and risk premiums are certain to be mirror the borrowing population, this accounts for only about 40 percent of total spending on student loans. The balance of costs lie in loan defaults and interest relief measures, where no data exists to help us understand how these subsidies are distributed, but it seems unlikely that they would exactly mirror the student population. Second, it is intuitively likely that independent students should have higher loans than dependent students because of the absence of parental contributions. The former seems likely to tilt costs in the direction of low-income students, the latter in the opposite direction. As a result, the simplifying assumption steers a middle ground.

On the basis of this simplifying assumption and the data of tables 4 and 5, it is a simple matter to describe the financial implications of the $943 million spent each year on student assistance.6

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6 Finnie, Schwartz and Lascelles, How Ottawa Spends, p. 157. Note that student loan expenditures are not the same as student loans issued. A dollar in loans costs government only about $0.33, on average. Approximately $3 billion in public student loans are issued each year in Canada.
Overall, the picture is a progressive one, in that children from poorer families get more assistance than children from richer families, but it is only lightly progressive. Families above the median income line are receiving approximately $396 million every year in student loan expenditures, or 42 percent of the total.

**III. B Who Gets Grants? How Much Do They Get?**

The distribution of grant money is only slightly different from the distribution of loan money. In effect there are only two things that affect the distribution of grants as opposed to loans.

1. The distribution of grants among dependent students is even more progressive than the distribution of loans. This is an inevitable consequence of the parental contribution rule (see Figure 1) and the fact that grants are given only to those with the highest need. This would tend to skew the distribution of grants more towards the poor.

2. Independent students make up a greater percentage of grant recipients than loan recipients (see Figure 6). Since we know that close to 60 percent of the independent students receiving student assistance are from the two upper income quartiles (see table 4), this will tend to skew the distribution of grants more towards the rich.

In the final analysis, these two factors more or less cancel each other out, ensuring that the distribution of grant money occurs on a basis that is broadly similar to that seen for loans.
In order to perform the same kind of distributional analysis performed for loans, we need to know what percentage of grant recipients are dependent and independent and the extent to which the distribution of dollars follows the distribution of recipients. We do not have full data on either of these questions, for the simple reason that most provincial governments do not calculate expenditures in this manner. We do however have two crucial pieces of data which allow us to make certain inferences about distribution by income quartile.

- The Canada Millennium Scholarship Foundation, which is the country’s largest provider of grants (providing about 30 percent of all grant dollars nationally), and which provides grants on essentially the same basis as provinces do, reports that 65 percent of its bursary recipients are independent and 35 percent are dependent. There is no estimate of the dollar value of distribution to the two categories.
- The Government of Quebec, with its broader definition of “dependence”, has an independent-dependent split of 55-45 in terms of recipients, but 65-35 when it comes to dollars. The extra bias towards independents should not be surprising given our earlier discussion of the effects of independence rule – their higher need not only means they are more likely to get assistance, but also that they are likely to get more assistance.

These two pieces of data allow us to infer certain things. We know from the Quebec data that the distribution of grants between dependent and independent students is likely to be somewhat lower than the 65 percent the Foundation figures imply. It is also clear from the Quebec data that the actual distribution of grant dollars between dependent and independent students is likely to be several percentage points more biased towards independent students than is the simple student distribution. This likely implies that the true figure for the percentage of grant dollars given to independent students is somewhere between sixty and seventy percent. To continue this analysis, however, a single figure must be chosen, and so 65 percent - the midpoint of the likely range – will be chosen.

Based on an analysis that is identical to the one performed for student loans, the shares of the student population are shown in Table 6.
Table 6. Shares of Student Grant Population by Income Quartile

<table>
<thead>
<tr>
<th>Income Quartile</th>
<th>Dependents (35%)</th>
<th>Independents (65%)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Income Quartile</td>
<td>1.7%</td>
<td>31.7%</td>
<td>21.1%</td>
</tr>
<tr>
<td>Upper Middle Quartile</td>
<td>10%</td>
<td>26.5%</td>
<td>20.7%</td>
</tr>
<tr>
<td>Lower Income Quartile</td>
<td>45.9%</td>
<td>22.5%</td>
<td>30.7%</td>
</tr>
<tr>
<td>Lowest Income Quartile</td>
<td>42.4%</td>
<td>19.7%</td>
<td>27.5%</td>
</tr>
</tbody>
</table>

Once again, we see that a system that is designed to give assistance to “high-need” students in fact gives a considerable portion of assistance to students from higher income backgrounds, mostly courtesy of the independent student rule. Over 40 percent of grants go to students from higher income backgrounds.

In sheer dollar terms, using a similar set of simplifying assumptions as for loans, the financial distribution of Canada’s annual $1.07 billion⁷ is as follows:

Figure 8. Student Grant Expenditures by Income Quartile

Source: Author’s calculations; Canada Student Loans Program and Canada Millennium Scholarship Foundation Administrative data.

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⁷ Author’s calculations based on Junor and Usher (2001) and Finnie, Schwartz and Lascelles (2003)
III. C Total Expenditures by Income Quartile

Simply adding the figures from Figure 7 and Figure 8 gives us the total expenditures by income quartile.

Figure 9. Total Expenditures on Need-Based Student Assistance by Income Quartile

![Bar chart showing total expenditures by income quartile.](image)

Source: Author’s calculations; Canada Student Loans Program and Canada Millennium Scholarship Foundation Administrative data.

Figure 9 shows us once again the consequence of the current need-based system – over forty percent of expenditures go to students from higher income backgrounds. If, as, governments and stakeholders seem to believe, need-based assistance is meant to help the least well off in society then this is a curious and disquieting result.

The main reason for this unintended state of affairs is clearly the independent student rule, it is important not to overstate the case. The figures we have been looking at are aggregate expenditure by income quartile. This can give a false impression of the nature of the “tilt” on expenditures. Part of the reason high-income students as a whole receive more assistance money is that there are proportionately more of them. Indeed, if we break down the aggregate expenditures to a per-student expenditure, the apparent progressivity of expenditures is improved somewhat, as is shown in Figure 10.
Students from the lowest income quartile get, on average, just over twice as much need-based assistance per student as students from the highest income quartile. This seems genuinely progressive, but it should be noted that averages can be somewhat misleading. This figure does not mean that individual low-income student aid recipients get more assistance than high-income recipients; it simply means that low-income students are on average likelier to receive assistance. Despite this, the sheer number of students from higher income quartiles creates the much less progressive pattern shown in Figure 8 to Figure 10.
**Conclusion**

Nevertheless, regardless of the precise numbers used, it should be clear from the foregoing exposition that “high-need” and “low-income” are not the same. Recent efforts to help high-need students, such as expanded grant or loan remission programs in Newfoundland and Saskatchewan, or the Government of Canada’s Millennium Scholarship bursary program, are therefore likely missing their intended mark. Created to help younger students contemplating their first dip in the waters of post-secondary education to overcome their fear of debt, significant proportions of this assistance money are helping older students from wealthier families (many who are attending professional programs). This is not because of any sinister manipulation on their part; in fact, the situation has arisen precisely because these governments have listened to those voices – primarily student associations - that kept up a steady drumbeat for “need-based grants.” The fact is that the Canadian post-secondary policy community as a whole paid insufficient attention to the basic mechanics of need assessment and as a result poured money into programs that delivered money to the wrong clients.

Part of the problem stems from the fact that not everything the need-based system rewards deserves to be subsidized. Few can argue with providing more grant assistance to students with dependents. The situation is less clear-cut with respect to people who choose to move away for school, work less or choosing to attend a more expensive program. Certainly it makes sense to lend students money on these bases, for all these things effectively increase need and it is simply common sense to make sure that students have enough money to cover their needs. But the contention that students should have increased eligibility for grants on these grounds is more contentious. Many peoples’ solution to the rising cost of education is to live thriftily - live at home, study cheaply and get a job. Yet students who pursue this laudable course of action are doing the exact opposite of what is necessary to obtain a grant. The real way to get grants is to study expensively, refrain from working, and move away from home. Is this the message Canadian governments want to send to students?

Less contentious still is the idea that simply by going back for a fifth year of undergraduate studies (“becoming independent”) suddenly qualifies one for massive amounts of student grants where previously one might not even have been eligible for loans. The “independent” rule manufactures need out of thin air. Due to it, and to the Canada-wide insistence that grants go only to students with high need, millions of dollars every year go to students from higher income backgrounds that likely do not need it. Recent proposals from student associations - and at least one private members’ bill in the House of Commons - to abolish parental contributions and treat all students as “independent” would exacerbate the situation even more and make the system a truly regressive one by throwing hundreds of millions more dollars at students from higher-income families.
The problem is simple. The current need-based system finds too many reasons to give money to students from high-income families. A new system needs to be found that can get more money to students from low-income families.

One obvious way to do this is to replace a need-based system of grants with an income-based system of grants, as is done in most other countries, including the United States. An income-based system would get rid of the distortions produced by costs (moving away from home, going to a more expensive program) in the awarding of grants. This idea is certainly an intriguing one; among other things it has the virtue of simplicity, which is far more than can be said of the present system. However, it may be unnecessary – as the data in Table 4 and Table 5 show, where dependent students are concerned, Canada’s existing system of need-based assistance actually does an admirable job of concentrating assistance to low-income students. The nub of the problem, as always, is the dependent/independent rule.

Solutions to this dependent/independent problem are less evident than the problem itself. Extending the period of dependency to age 24 (as is the case in the United States) would reduce the number of upper income “independent” students receiving grants, but it would also increase the number of people who are caught in the existing parental contribution rules, which as noted earlier, are extremely punishing for two-income families. In addition to extending dependency, it will therefore probably also be necessary to relax rules concerning parental contribution so that it is easier for dependent students to borrow. Ideally, resources would also be made available for those students who are legally “dependent” but whose parents refuse to contribute – a notable flaw in the existing system that is the cause of many of the misguided calls for treating all students as independent.

A third option would be to mimic the Australian system of student support and create two entirely separate student assistance programs for dependent and independent students (the current differences in resource calculations mean they are already treated in very different ways). Once separate, more grant funding into the one for dependent students, so as to ensure greater resources for those who are from genuinely low-income families.

Whatever the solution, it must be found quickly. Existing student assistance limits are under government scrutiny. Simply tacking on ever-greater amounts of grants to students with high need will perpetuate the existing wasteful distribution of student assistance money to students from high-income families. There are too many students in genuine need of grant assistance for this to be an acceptable use of public funds.

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8 Note that this refers to the Australian method of providing support for student living costs via grants and loans, and has no relation to the very separate system of delayed income-contingent payments for education, known as HECS.
There is no question that the creation of a new system to address this problem will be wrenching and difficult. It may even be expensive (though it need not be so if governments are bold enough in their reallocation decisions). There will undoubtedly be winners and losers in any revised student assistance scheme which may create some political turmoil. Policymakers may well ask themselves whether it is politically acceptable to create such turmoil. Yet this is not the real question. The real question is whether or not governments wish to continue pouring public money into programs that give hundreds of millions of dollars a year to students from higher-income backgrounds.

Let the dialogue begin.
Bibliography


[www.statcan.ca/english/IPS/Data/11F0019MIE2003210.htm](http://www.statcan.ca/english/IPS/Data/11F0019MIE2003210.htm)


Appendix A. How Need is Assessed

In most of Canada, student assistance is not a universal program. It is not even an income-tested program. Rather, it is a need-tested program. The distinction between income-tested and need-tested is crucial: the former simply tests income, while the latter tests both income and costs. In an income-tested program, two people with identical incomes will receive the same benefits. In a need-tested program, like student assistance, two people with identical incomes may receive very different benefits if their respective costs for attending post-secondary education are different. The assessment process for student assistance programs is thus considerably more complicated than the assessment process for other income-support programs.

How Need Is Assessed

In Canadian student assistance programs, need is assessed according to the following four-step procedure:

1. The student’s category is identified.
2. The costs of the student’s post-secondary studies are assessed.
3. The student’s available resources are determined.
4. The student’s need is calculated by subtracting available (or expected) resources from assessed costs.

Step 1. Determining a Student’s Category

A student’s category determines the types of expenses that are considered, as well as the resources that are taken into account when needs are assessed. Each student falls into one of the following six categories:

1. Single Dependent – living at Home (SDH)
2. Single Dependent – living Away from home (SDA)
3. Single Independent – living at Home (SIH)
4. Single Independent – living Away from home (SIA)
5. Married (M)
6. Single Parent (SP)

Different types of students have different assessed costs. Students living at home are considered to have lower costs than students who are living away from home. Married students are considered to have higher costs than single students. Students with children have additional costs, based on the number of children in the family.

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9 The territories are an exception: they provide most student assistance on a universal basis rather than according to need.
In addition to affecting the way costs are assessed, the distinction between dependent and independent students is crucial in terms of that student’s resources. Independent students only have their own resources assessed. Dependent students have their parents’ income assessed as well, which makes obtaining assistance considerably more difficult. Married students, similarly, have their partners’ resources taken into account. The various definitions of dependent and independent are shown below in Table 7.

**Table 7. Definition of an Independent Student**

<table>
<thead>
<tr>
<th>Program</th>
<th>A student is independent if he or she is ...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada Student Loans Program, plus all provinces except ON, BC and QC</td>
<td>Married/divorced/widowed, has a dependent, has been available to the workforce for 2 years, and/or has been out of secondary school for at least four years.</td>
</tr>
<tr>
<td>ON</td>
<td>Married/divorced/widowed, has a dependent, and/or has been out of secondary school for at least five years.</td>
</tr>
<tr>
<td>BC</td>
<td>Married/divorced/widowed, has a dependent, has been available to workforce for 2 years, has been out of secondary school for at least four years, is a ward of the court, or parents are deceased and has no legal guardian</td>
</tr>
<tr>
<td>QC</td>
<td>Married/divorced/widowed, has a dependent, is at least 20 weeks pregnant, has been in the workforce for two years, has completed a Bachelor’s degree, has been out of full-time studies for seven years, and/or has no surviving parents.</td>
</tr>
<tr>
<td>Territories</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

**Step 2. Assessing Student Costs**

In the Canada Student Loans Program’s need assessment process, the cost of post-secondary studies includes both education and living costs. A student’s education and living costs are assessed for the entire academic year. All of the provinces adopt a similar approach, with some differences in Quebec and Ontario. Table 8 lists the educational and monthly allowances for each province sorted by student category.
Table 8. Assessed Costs During Study Period

<table>
<thead>
<tr>
<th>Program</th>
<th>Tuition and fees</th>
<th>Books and supplies</th>
<th>Living allowances</th>
<th>Travel</th>
<th>Childcare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada Student Loans Program, plus all provinces except BC, ON, and QC</td>
<td>Actual amount payable to the educational institution</td>
<td>Up to a maximum of $3,000</td>
<td>See Table 4A.III.3</td>
<td>If living away from home, up to two trips per year ($600 max. per trip)</td>
<td>Actual cost, up to a monthly ceiling which varies from $400 to $800, depending on the province</td>
</tr>
<tr>
<td>BC</td>
<td>Actual amount payable to the educational institution</td>
<td>Up to a maximum of $3,000</td>
<td>See Table 4A.III.3</td>
<td>If living away from home, a maximum of $1800 per program year</td>
<td>Same as above</td>
</tr>
<tr>
<td>ON</td>
<td>Actual amount, except for deregulated fee programs in Ontario, for which the 34-week cost is capped at $5,350 (co-op program) or $4,500 (non-co-op)</td>
<td>Same as above</td>
<td>See Table 4A.III.3</td>
<td>Same as above</td>
<td>Actual cost, up to $40/week for married students and $83/week for sole support parents</td>
</tr>
<tr>
<td>QC</td>
<td>Actual amount, up to a maximum of $6,000/term</td>
<td>Up to a maximum of $375/term, depending on the program</td>
<td>See Table 4A.III.3</td>
<td>$484/year if the student is from one of Quebec’s “regions périphériques”</td>
<td>Up to $25/week per child (based on cost of public daycare)</td>
</tr>
<tr>
<td>Territories</td>
<td>Varies depending on territory and Aboriginal status</td>
<td>Varies depending on territory and Aboriginal status</td>
<td>Varies depending on territory and Aboriginal status</td>
<td>Up to two economy-class return trips per year</td>
<td>Varies</td>
</tr>
</tbody>
</table>

In addition to these costs, there are ranges of costs that can be taken into consideration on an exceptional, case-by-case basis. These include alimony and child support, funeral costs, legal expenses, etc. Provinces usually also have some discretion in making allowances for items like relocation expenses.
Table 9. Monthly Student Living Allowances 2002-2003

<table>
<thead>
<tr>
<th>Category</th>
<th>NF</th>
<th>PE</th>
<th>NS</th>
<th>NB</th>
<th>QC (CSLP)&lt;sup&gt;a&lt;/sup&gt;</th>
<th>ON</th>
<th>MB</th>
<th>SK</th>
<th>AB</th>
<th>BC</th>
<th>YT</th>
<th>NT &amp; NU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single student away from home</td>
<td>$748</td>
<td>$738</td>
<td>$780</td>
<td>$750</td>
<td>$805</td>
<td>$696</td>
<td>$810</td>
<td>$757</td>
<td>$730</td>
<td>$935</td>
<td>$905</td>
<td>$1,101</td>
</tr>
<tr>
<td>Single parent (without dependents)</td>
<td>$1001</td>
<td>$955</td>
<td>$1036</td>
<td>$1004</td>
<td>$1016</td>
<td>$863</td>
<td>$1195</td>
<td>$990</td>
<td>$940</td>
<td>$945</td>
<td>$1192</td>
<td>$1255</td>
</tr>
<tr>
<td>Married student &amp; spouse (without dependent)</td>
<td>$1495</td>
<td>$1477</td>
<td>$1556</td>
<td>$1507</td>
<td>$1486</td>
<td>$1795</td>
<td>$1563</td>
<td>$1471</td>
<td>$1455</td>
<td>$1865</td>
<td>$1809</td>
<td>$2047</td>
</tr>
<tr>
<td>Each dependent&lt;sup&gt;c&lt;/sup&gt;</td>
<td>$346</td>
<td>$383</td>
<td>$403</td>
<td>$379</td>
<td>$423</td>
<td>$497</td>
<td>$453</td>
<td>$381</td>
<td>$315</td>
<td>$498</td>
<td>$407</td>
<td>$574</td>
</tr>
<tr>
<td>Single student living at home</td>
<td>$345</td>
<td>$371</td>
<td>$364</td>
<td>$361</td>
<td>$388</td>
<td>$282</td>
<td>$390</td>
<td>$387</td>
<td>$364</td>
<td>$347</td>
<td>$386</td>
<td>$400</td>
</tr>
</tbody>
</table>


Notes:

<sup>a</sup>This column refers to allowable living expenses for students receiving Canada Student Loans and residing in Quebec
<sup>b</sup>This column refers to allowable living expenses for students receiving assistance through the Government of Quebec’s Aide Financière aux Études (AFE). AFE applies the same living allowance calculation regardless of where a student studies. AFE uses a weekly rather than a monthly allowance for living expenses - in this chart, weeks have been converted to months at a rate of 4.35 weeks/month. Childcare costs are calculated on a yearly basis, and have been converted to months by assuming a school year of eight months. Admissible childcare costs are lower in Quebec because the province provides substantial family assistance outside the student assistance system.
<sup>c</sup>The amounts in this row are added to the baseline amount for a single parent without dependents.

Table 9 shows the living allowances used in the need assessment process by jurisdiction. The amount of the living allowance amount varies from one jurisdiction to the next according to the cost of living in each province and territory. Of particular interest in this table is the difference between students who receive assistance from the Canada Student Loans Program and those who receive it through Quebec’s Aide Financière aux Études. The Canada Student Loans Program clearly allows higher expenses for students in Quebec than Quebec’s own government does. It is also clear that Quebec students are at a further disadvantage if they leave the province, because the Quebec program does not recognize different cost structures in different provinces. Thus a single Quebec student at the University of Ottawa is assumed by the Aide Financière aux Études to be able to survive on $696 a month; a single student from Ontario is assumed by the federal and provincial programs to require $926 to get by.
Table 9 also shows that Alberta has, in effect, two cost assessment systems – one to assess eligibility for Canada Student Loans, and one to assess eligibility for provincial student loans. In all categories, the higher figure is the federal allowance, while the lower figure is the provincial one.

### Step 3. Determining Student Resources

When calculating a student’s resources, assistance programs may take three kinds of resources into account – student resources, family resources, and spousal resources. Table 10, Table 11, and Table 12 break down the formulae used by the various government-sponsored assistance programs across the country to calculate a student’s resources.

<table>
<thead>
<tr>
<th>Program</th>
<th>Pre-study contribution</th>
<th>Study period income</th>
<th>Scholarship income</th>
<th>Savings</th>
<th>Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada Student Loans Program, plus all provinces except AB, ON, MB, and QC</td>
<td>In practice, about $1,500 to $2,000 if the student lived at home, and $100 to $400 if he or she lived away from home.</td>
<td>80% of all income over $600</td>
<td>100% of scholarship income over $600</td>
<td>100% of personal savings</td>
<td>Cars worth over $5,000 are considered assets (the first $5,000 is discounted), as is the portion of an RRSP exceeding $2,000 x (student’s age - 18), if applicable. 100% of assets are considered as resources.</td>
</tr>
<tr>
<td>AB</td>
<td>Ab expects $1,350 if student has 4 months available to work, $1080 for 3 mo; $720 for 2 mo</td>
<td>Ab allows a $225/mo exemption for part-time earnings and 100% of all other resources</td>
<td>100% of scholarship income over $1,600</td>
<td>Same as above</td>
<td>Same as above</td>
</tr>
<tr>
<td>ON</td>
<td>Same as above</td>
<td>80% of all income over $600</td>
<td>100% of scholarship income over $3,000</td>
<td>Same as above</td>
<td>Same as above</td>
</tr>
<tr>
<td>MB</td>
<td>Same as above</td>
<td>80% of all income over $600, including bursary income</td>
<td>100% of scholarship income over $3,000</td>
<td>Same as above</td>
<td>Same as above</td>
</tr>
<tr>
<td>QC</td>
<td>The student’s contribution is based on the previous year’s educational status: Secondary - $430, College/Cegep - $940, University - $1,280</td>
<td>50% of all income over the minimum summer contribution.</td>
<td>100% of scholarship income over $5,000</td>
<td>0% of personal savings</td>
<td>Assets are not considered as resources</td>
</tr>
<tr>
<td>NT (repayable loans only)</td>
<td>10% of net summer income</td>
<td>None</td>
<td>100%</td>
<td>0% of personal savings</td>
<td>Assets are not considered resources</td>
</tr>
<tr>
<td>YT and NU</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Notes:
The actual amount is the larger of the following two calculations: 1) a minimum monthly contribution (which varies between provinces), or 2) 80% of all income, minus living expenses (as calculated in Table 4A.III.3 above).

This amount is based on the assumption that the student did not work in the summer. It may also be reduced based on the number of courses taken over the summer.

Table 10 looks specifically at the treatment of student income and assets. The comparison shows that there are some significant differences between provinces in terms of calculating student resources and contributions are calculated, most notably with respect to personal savings. Quebec does not consider a student’s personal savings when calculating resources, whereas in the rest of Canada students are effectively required to deplete their savings accounts before they can receive any assistance from government. Some differences also exist between provinces in the treatment of merit scholarship income and work income. Generally speaking, one can say that Quebec’s treatment of student income and assets is significantly more lenient than programs in the rest of the country (especially those provinces whose approach is identical to the Canada Student Loans Program).
Table 11. Calculation of Parental Contribution

<table>
<thead>
<tr>
<th>Program</th>
<th>Parental income exemption</th>
<th>Parental contribution rate</th>
<th>Treatment of parental assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada Student Loans Program, plus all provinces except AB, BC, ON, and QC</td>
<td>The exemption varies by province, but below a minimum amount of after-tax income for a two-person family (between $26,100 in NB and $32,500 in BC, plus $5,000 per extra family member), no contribution is required</td>
<td>45% of the first $3,000 of after-tax income above the exemption level, 60% of the next $3,000 of after-tax income above the exemption level, and 75% of all income above that</td>
<td>At the discretion of each province, but generally assets are not considered as resources and so no contribution from assets is required</td>
</tr>
<tr>
<td>AB</td>
<td>Same as above</td>
<td>Same as above</td>
<td>5% of net worth of parental business assets over $250,000</td>
</tr>
<tr>
<td>BC</td>
<td>Same as above</td>
<td>Same as above</td>
<td>1% of personal assets (excluding RRSPs, vehicles, and principal residence) over $150,000</td>
</tr>
<tr>
<td>ON</td>
<td>Below the after-tax minimum of $30,000 for a two-person family (plus $5,000 per extra family member), no contribution is required</td>
<td>If after-tax income is between $30,000 and $40,000, the contribution is $100 plus 5% of income over $30,000. If after-tax income is above $40,000, then contribution formula is identical to that of the Canada Student Loans Program above.</td>
<td>No contribution from assets is required</td>
</tr>
<tr>
<td>QC</td>
<td>Below a pre-tax minimum income of $21,885 (if parents are living together) or $19,775 (if parents are living apart), plus an additional $2,105 if both parents work, plus $2,660 for the first child and $2,400 for each additional child, no contribution is required.</td>
<td>The contribution is 23% of the first $36,000 of pre-tax income above the exemption level, 33% of the next $10,000 in income, 43% of the next $10,000 in income, and 53% of any income above that.</td>
<td>Assets under $90,000 ($250,000 for farmers and fishers) are exempt; parents are required to make a contribution equal to 2% of the value of their assets above this level.</td>
</tr>
<tr>
<td>NT (repayable loans only)</td>
<td>N/A</td>
<td>No contribution required</td>
<td>None</td>
</tr>
<tr>
<td>YT and NU</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Table 11 shows the differences in the treatment of parental contribution across the country. The differences between Ontario and the rest of the Canada Student Loans Program “zone” are minimal – in practice, they amount to requiring a couple of hundred additional dollars from families in the lower-middle part of the income scale.
**Table 12. Calculation of Spousal Contribution**

<table>
<thead>
<tr>
<th>Program</th>
<th>Spousal income exemption</th>
<th>Spousal contribution rate</th>
<th>Treatment of spousal assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada Student Loans Program, plus all provinces except ON and QC</td>
<td>Equal to the student’s living allowance (see Table 9), which in practice amounts to</td>
<td>The highest of the following amounts:</td>
<td>Cars worth over $5,000 are considered assets, as are RRSP's worth more than $2,000 x (student’s age - 18). 100% of assets are considered as resources.</td>
</tr>
<tr>
<td></td>
<td>between $11,600 and $14,800 (after tax) per eight-month school year</td>
<td>1) a minimum monthly contribution (varies by province between $0 and $500/month, with an average of about $150)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2) 80% of all income above the living allowance (see Table 9). Ab allows a $200/mo exemption</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ON</td>
<td>Equal to the student’s living allowance (see Table 9), which in practice amounts to approx. $14,200 (after tax) per eight-month school year</td>
<td>Same as above</td>
<td>Same as above</td>
</tr>
<tr>
<td>QC</td>
<td>Below a pre-tax minimum income of $11,755 (plus an additional $2,200 if the student has a major disability), no contribution is required</td>
<td>The contribution is 23% of the first $36,000 of pre-tax income above the exemption level, 33% of the next $10,000 in income, 43% of the next $10,000 in income, and 53% of any income above that.</td>
<td>Not considered</td>
</tr>
<tr>
<td>NT (repayable loans only)</td>
<td>None</td>
<td>10% of net summer income</td>
<td>None</td>
</tr>
<tr>
<td>YT and NU</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Table 12 shows that there are some notable differences in the treatment of spousal income across the country. The minimum income-exemption level is lower in Quebec than in the rest of Canada; on the other hand, the contribution rate progresses more steeply in the Canada Student Loans Program zone than in Quebec, and assets are “taxed” much more severely.

It is worth noting that a comparison of Table 11 and Table 12 reveals that Quebec does not treat spousal contributions as being significantly different from parental contributions, while in the Canada Student Loans Program zone spouses are asked to contribute at much lower levels of income than parents and their contribution rate progresses more steeply.

**Step 4. Calculating Assessed Student Need**

This is the simplest part of the need assessment exercise. Assessed need is determined by subtracting the student’s total assessed resources from his or her total assessed costs. If the resulting figure is zero or less, then the student is not...
considered to have “need” and is therefore ineligible for student assistance. If the figure is positive, the student is eligible for assistance. Ideally, the student would be able to receive an amount of assistance equal to his or her assessed need; however, as detailed in \textbf{Section IV of this chapter}, the amount of available aid is finite, therefore the level of assistance received by the student may not always equal his or her assessed need.
Appendix B. CMSF Student Panel

The Canada Millennium Scholarship Foundation Summer 2003 Student Panel was conducted by the public opinion firm Ipsos-Reid on behalf of the Foundation in August of 2003. Ipsos-Reid has an on-going Online Access Panel consisting of approximately 80,000 individuals. Invitations were electronically mailed to all individuals in the panel who had been identified themselves as being both enrolled in post-secondary education and under the age of 30.

Each respondent to the questionnaire was given a unique URL to access the survey at the Ipsos-Reid server. Data was collected and stored in a secure stable environment. Incentives in the form of cash draws were used to increase participation.

A questionnaire was constructed using the same questions asked on the Canada Student Loans Program (CSLP) website as part of its “calculator” (available at http://www.canlearn.ca/nslsc/sle/sle.cfm?langnslsc=en). The only difference was that whereas this questionnaire asked independent to input information on parental income, whereas the CSLP calculator, in keeping with the CSL program guidelines does not.

1520 students responded to the survey. The margin of error is therefore +/- 2.53 percent, 19 times out of 20.
We believe...

...that education is the fundamental lever for improving social and economic conditions for individuals and nations. Buoyed by a solid foundation of knowledge and understanding, our youth can overcome barriers and stereotypes that fall in the way of human progress. In a truly global society, this knowledge is critical to the development of a population that is cognizant of our collective strengths and weaknesses, underscored by a compassion for all.

Unfortunately, educational opportunity is not equal or equitable. Students and families from the lower rungs of the economic ladder do not frequently enjoy the same opportunities as other students. Only through a concerted and consistent effort on behalf of policymakers, practitioners, communities, and families can we ensure that all youth receive the opportunity to develop to their fullest potential.

At EPI, our research is aimed at facilitating the expansion of educational opportunity for all students, focusing on students with the least support and the most need, through a program of high-level research and analysis on issues that make a difference. Through our efforts, we hope to enlighten policy debates in the U.S., Canada, and beyond, in hopes that policymakers will improve public policies and educational practices to enhance the aspirations, motivations, and skills of our youth and truly open the doors of opportunity for all.