MEETING THE NEED: A NEW ARCHITECTURE FOR CANADA'S STUDENT FINANCIAL AID SYSTEM

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ABSTRACT

Canada's student financial aid system does much good in terms of assisting Canadians gain access to post-secondary education, but it is complex in terms of the different forms of aid offered and the number of programs through which the assistance is delivered. Furthermore, much of the assistance is poorly targeted, providing benefits for many who do not need it while it falling short for others. We propose a New Architecture for the Canadian student financial aid system. It would consist of a single program which assessed students' needs (schooling-related costs and living expenses minus resources available) in a fair and realistic manner, and then delivered the full amount of this assessed need with a combination of loans and grants. An additional loan program would be available to those whose parents did not live up to the expected contribution. Further assistance would be provided in the post-study period to those with high unreasonably high debt burdens, as measured by debt-to-income ratios. The plan could likely be at least mostly financed at current spending levels, with increased assistance levels for some lower-income students effectively financed through the savings realised from reduced spending on existing programs. Implementation issues are discussed.

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I. INTRODUCTION

Canada's student financial aid system should have a relatively simple primary goal: to ensure that every qualified person has the financial means to pursue post-secondary studies without suffering undue hardship. Otherwise put, cost should not be a barrier to going to college or university.

Beyond this broad objective, more specific aspects of the definition of "access" arise. We choose to view the concept as including that individuals are able to enrol in their program of choice (provided, of course, they qualify); that they have the opportunity of attending the institution they prefer, including – importantly – going out of town (again assuming they meet the relevant entry standards); that they need not work at an outside job during school to the degree that it adversely affects their studies; and that paying for the schooling does not put unreasonable demands on family resources or lead to the accumulation of excessive debt burdens in the post-schooling period.

This may sound simple, or even obvious. And one might reasonably expect, given the plethora of student aid-related program, that the current system was doing a good job of assuring access in this manner. After all, we have the Canada Student Loans Program and its provincial counter-parts, the Canada Millennium Scholarship Foundation, myriad grant programs at both the federal and provincial levels, debt remission programs, programs that help individuals facing difficulties with their student loans in the post-schooling period, education-related tax credits, Canadian Education Savings Grants, Registered Education Savings Plans, all kinds of institutional-level support, and more – all of which cost approximately $4 billion each year.[1]

Unfortunately, these are not doing the job – or at least not the full job – of guaranteeing access, while in other ways they are quite wasteful. We should be doing better.

And the good news is that we can. And – happily enough – at least most of the job could probably be done with the money currently spent on student financial aid in this country. This is, therefore, one policy area where the solution depends not so much on new and more money, but on doing better using the existing resources. What is needed is a "New Architecture" of student financial assistance. Further contributing to the relative ease of implementing the solution is that it could be engineered by basically tinkering with the existing system rather than re-inventing a new

[1] See Finnie, Schwartz and Lascelles [2003] for a description of the current system of student financial aid and associated levels of government spending. See also Junor and Usher [2002], and AUCC [2001].

set of structures and procedures from the ground up – which would carry its own set of special challenges, disruptions, and costs.

Not only is reform of the student financial aid system possible, it is important, since providing every Canadian with the chance to pursue post-secondary studies is both a basic issue of fairness or social justice, and essential to ensuring that we have the skilled labour force needed in the emerging knowledge-based economy in the years and decades to come.[2] The student financial aid issue is a case where doing the right thing also makes good economic sense – a potent context for policy discussions.

In this paper, we begin by describing the existing system and its main shortcomings. We then place the issue in an international perspective by reviewing the various approaches to providing student financial assistance in existence around the world, and placing the Canadian system in that context. This leads us into a description of the "New Architecture" that we propose, including not only the key elements of the plan we propose, but also consideration of some of the associated key design and implementation challenges. The paper concludes with a summary of the major points of the paper and the policy debates that might be expected should we begin to get on track for making the necessary changes in Canada.

II. THE EXISTING SYSTEM

Before describing our proposed "New Architecture" for the Canadian student financial aid system, we offer an outline sketch of the current Canadian system and some of its principal shortcomings.

II.1 The Current Canadian System[3]

The Canadian system of student assistance, which is an area of joint policy responsibility between the federal and provincial governments, is dauntingly complex. There are loan programs at the federal and provincial levels, provincial grant and debt remission programs dovetailed with these, other grants for particular demographic groups and those in certain disciplines (e.g.,

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[2] See Human Resources Development Canada [2002] for the federal government's discussion of this point.

[3] See Finnie, Schwartz and Lascelles [2003] and Junor and Usher [2002] for descriptions of the existing Canadian student financial assistance system and estimates of spending on the different forms of aid.

Aboriginals, female graduate students in the sciences) or families who save for their children's education, education-saving tax credits, other tax credits to help defray direct expenses (tuition fees and the standard education credit) and for the interest paid on student loans, various forms of institutional-based aid, private funded bursaries, and more.

We concentrate here on the major loan and grant programs, which our New Architecture effectively aims to build upon while eliminating the other major sources of aid. This alone is a complex system. As one recent publication noted,

> *"…it has two national loan programs (one for full-time students and one for part-time students). It has three quite separate methods of providing assistance to students (need-based, income-based, and universal grants). It has five national grant programs, seven provincial/territorial (P/T) loan remission programs, eight P/T grant programs, 12 P/T loan programs, 13 P/T student assistance programs, 15 major providers of public student assistance, over 40 different student assistance limits (depending on a student's province, marital status, dependents, and level of study), more than 100 different loan/grant combinations within these aid limits, and hundreds of thousands of possible aid configurations once assessed need is taken into account."*

But despite the complexity and variation that exists across the country, most student loan and grant systems follow a single paradigm. We now describe that approach.

Close to 99 percent of all (loan and grant) assistance given in Canada goes to *full-time* students (defined as at least 60 percent of a full course load). A similar percentage of aid is given on the basis of *need* as opposed to personal or family income, where need is defined as the difference between "costs" and "resources", though the manner in which these are assessed differs slightly from province to province.

In general, accepted costs include the following items:

- Tuition and Mandatory Fees,
- Books, Equipment (up to $3,000 max),
- Housing Costs (based on province of residence and at home/away from home status),
- Travel costs (if living away from home),
- Other living expenses.

While the resources considered to be available to the student are based on the following:

- An assumed parental contribution calculated as a percentage of family income (if the individual is considered "dependent"), or a percentage of spousal income if married,
- Minimum contributions from the student's summer income plus 80 percent of in-school earnings over $1,500,
- Adjustments for scholarships received, liquid student assets, savings (partial exemption for RRSP savings), and equity held in a motor vehicle ($5,000 exemption).

The principal contributions on the part of parents and students are deemed, or estimated, and therefore do not necessarily represent actual amounts. The parental contribution may, for example, range from zero to much more than the indicated amounts, while students might save more or less than what the standard formulas assume. While such an approach means that the different circumstances faced by individual students are not taken into account beyond the related formulas, it represents a relatively efficient and non-intrusive means of calculating students' needs which is similar to those used in other countries.

The first dollars of need – costs minus resources – are always met by loans. Only if the loan gets above a certain level does a student become eligible for grants. The exact level at which loans turn into grants differs by province – see Appendix A for details – but in much of the country it is in excess of $7,000 per year. In a number of provinces (British Columbia, Quebec, Alberta and Ontario) some or all grants are provided "up front"; that is to say, at the same time that loan assistance is distributed in September and January. In other cases (Alberta, Saskatchewan, Manitoba, Ontario and the four Atlantic provinces) grants are provided as "loan remission" after a student has successfully completed a year of studies (again, see Appendix A for details). Loan assistance is always portable across provincial boundaries. In most but not all cases, grant assistance is portable as well.

Although the student assistance system *calculates* need for all students, it does not necessarily *meet* that need. In most provinces, the maximum assistance available for a single student with no dependents is $275/week, or $9,350 for a standard 34-week school year. For students with children, the amount ranges from $315/week ($10,710/year) to $500/week ($17,000/year). Quebec has much higher assistance limits, but also a stricter need assessment system which makes it hard to get substantial amounts of assistance. These maxima, with small exceptions, have remained unchanged since 1994.

While a student remains enrolled on a full-time basis, governments pay the interest on the student loan. At the end of studies, interest begins to accumulate on the loan, but students are not required to make payments during a 6-month "grace period" (although interest accumulates). After the six months are up, students must begin paying back their loans at a steady rate.

Since the beginning of the 1990s, there have been four different regimes under which student loans were issued and paid back. Before 1995, private financial institutions issued loans, although the government loan program determined who was eligible and institutions could not refuse to issue a loan that had been approved. Government agencies – both federal and provincial – guaranteed these loans by committing themselves to buying defaulted loans, at full value (including outstanding interest), from the lending institution. From 1995 to 2000, instead of acting as guarantor, the government paid the lenders a five percent "risk premium" on all loans going into repayment in a given year. In return, the banks assumed full responsibility for collection. When the 1995-2000 agreement ended, an interim arrangement was put into place whereby the government became the lender (although it continued to issue loans through the private institutions) and assumed full responsibility for all new loans issued.[4] Since 2001, the government has issued student loans directly and assigned their management and collection to private companies brought into existence for this purpose.

Repayment assistance (known as "interest relief" or IR) is available for students with very high debt-to-income ratios. For the very few students whose debt-to-income rations are persistently high over a period of three years or more, "debt reduction in repayment, or DRR, is available to reduce the actual principal owed.

Nine provinces and one territory participate in the Canada Student Loans Program. In these provinces, need is met – in theory at least – on a 60/40 basis; that is to say, the Government of Canada provides assistance equal to 60 percent of need up to a maximum of $165/week while the provinces pay the remaining 40 percent. Given that many provinces also provide assistance over $275/week to students with dependents and that provinces, on the whole, are larger per capita

[4] In this short interim period, students borrowed through private lending institutions, as before.

providers of grant assistance, the actual distribution of overall student assistance costs is actually closer to 40/60.

Quebec, the Northwest Territories and Nunavut have chosen to opt out of the Canada Student Loans Program. They have their own loan systems, to which the Government of Canada contributes through a system of alternative payments which are built into the national student loans legislation.

Overall, the Canadian student loan system reaches about 450,000 university and college students each year, and about 40 percent of all post-secondary graduates borrow from government programs at some point during their schooling. Estimates of spending on student loans and grants varies because of the lack of a standard methodology for measuring expenditures, but are likely in the range of $2.3-2.4 billion. Students receive a total of approximately $3 billion each year in loans and $1-2 billion in grants, depending on what exactly is counted, and how. Somewhere between a third and a half of the total grant money comes in the form of back end "remission".

As shown in this section (more details are shown in the Appendix), the current Canadian system provides a substantial amount of financial support to students (and their families) in myriad ways. And especially in the case of loans and grants, much of this money is targeted on those who need it. However, due to the different eligibility criteria, some of this assistance also ends up with students who may not be so needy, while the other forms of aid – tax credits and certain other grants in particular – are even worse in this respect. We now turn to discuss the major flaws of this system in terms of delivering adequate amounts of aid where it is needed.

II.2 The Major Flaws of the Current System

While this student financial aid system has some very sound elements and increases many Canadians' access to post-secondary education and improves the terms under which they are able to study and how they finance that schooling, it also has some major flaws. These include the following.

Tax credits represent a relatively large share of student aid, but are poorly targeted

Canadian governments collectively spend approximately 40 percent of all their student financial aid dollars in the form of education-related tax credits. The primary problem with these tax credits is that they are distributed almost entirely without reference to need. Much of the money goes towards students from higher income families – or their parents – who do not really need the assistance to ensure access to post-secondary studies, while lower income families are unable to benefit at all because they do not have the tax obligations required to take advantage of the benefits, or in any event receive at best no more assistance than higher income families.[5]

In addition, it is likely that some individuals are not fully aware of these credits or their value, while the benefits are not received until after individuals (students or their parents) receive their tax refunds, typically after the school year to which the benefits are meant to apply. A greater portion of government spending thus needs to be put into programs that are specifically designed to help low-income students who need the assistance.

Other need-based assistance does not always go to those who need it: the "independent" class

Other forms of Canadian student assistance – grants, loans, loan remission, etc. – are designed to be need-based. In theory, this means that more assistance should flow to students from lower-income backgrounds. In practice, however, because the assistance provided to "independent" students is actually greater than that provided to those who depend on their parents, and because students are too often considered "independent" of their parents, much of Canada's need-based assistance goes to students from wealthier families.

Across Canada, students are considered independent if they are (or have been) married, have a child (in Quebec: 20 weeks or more into a pregnancy), have been available to the labour-force on a full-time basis for two years, or have been out of secondary school for more than four years (in Ontario: five years; in Quebec: 90 credits or more completed at the undergraduate level). The last criterion is especially problematic because it makes individuals who have taken their time getting into or through post-secondary programs (including those who choose to travel or take a bit of time off from school) independent towards the end of their studies.

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[5] See Finnie, Schwartz and Lascelles [2003] for further discussion of these points, and Usher [2004] for further details on the distributional effects of tax credits. It could be argued that the small amounts spent on tax credits on student loans in repayment are at least partially based on need (i.e., the individual once qualified for a student loan and continues to make payments on that debt), but even here the targeting is not very precise, since higher income individuals are eligible for the credit as much as those with lower earnings.

There is no question that treating students as independent and making them eligible for financial assistance without regard to their family's income is appropriate in some cases. But the current rules and practices are not restrictive enough, and need to be reformed so that at least some of the money now spent on students from higher income families who manage to qualify as independents is re-targeted towards young people from lower-income families who are in greater need of the assistance. Doing so would almost certainly have a positive impact on access.

Assistance limits are inadequate

As discussed above, in most of the country, single students are currently eligible for a maximum of $275 per week in direct assistance, a figure which has not changed since 1994. Spread over a university-standard 34-week period of study, this translates into $9,350 per year.

If those limits were appropriate in 1994 – which was probably the case, based as they were on the best evidence available at that time – then they cannot be now, after costs, especially tuition, have risen significantly.

Furthermore, although calculations vary, even conservative estimates indicate that at least 25 percent of all students have need in excess of the lending limits established by the aid system itself.[6] Yet regardless of assessed need (which takes into account the expected contributions of students themselves), students cannot receive more than the $275/week. So we have the rather bizarre spectacle of a need-based program telling students that they need a certain amount of money but then not giving them what they need. Hemingway [2003a, b] makes a compelling case that student assistance maxima are currently inadequate and should be increased to approximately $350/week.

We thus believe that the student financial aid system should increase the maximum amounts available to whatever is required to meet the student's need. After all, if the system determines that students need a certain amount of money in order to attend post-secondary education, then the student financial aid system should make this amount available. We return to these issues below.

The expectations of parental contributions are wrong

As noted, the system divides students into two categories: dependent and independent. Independent students have their needs assessed individually, while dependent students have their

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[6] See Hemingway [2003a, b] on these and related issues.

parents' resources taken into consideration as well. Naturally, there is an income threshold below which no contributions are required and the student is eligible for the full amount of assistance available. This threshold varies by province, according to cost of living and tax rates, but effectively the formula exempts families below about the fortieth percentile of family income from making any contributions whatsoever. But by about the 65th percentile of family income, parents are expected to be contributing 75 percent of marginal after-tax income, which is extraordinarily steep. Above the 75th percentile, parental contributions are expected to be high enough that virtually no one is eligible for student assistance. Merely on the face of these schedules, they seem unreasonable.

Furthermore, data on actual parental contributions strongly affirm that the current formulas are wrong on two counts.[7] First, they vastly overestimate the parental contributions actually made by parents from the upper two income quartiles. Second, they underestimate the amount of money contributed by families with income just short of the median. As a result, the latter might receive more assistance than they "need", while the former definitely receive less.[8] Talks with institutions' student financial award officers provide further *ad hoc* evidence of these inequities.

We thus believe that the student financial aid system needs to be re-calibrated with respect to parental contributions in order to be fairer and more realistic.

The children of non-paying parents are punished

As explained above, the system simply assumes that parents give their children what the system says they should according to its established contribution formulas. There are, however, many parents who do not give their children as much as expected, or provide no support at all – and this will always be the case, even if parental contributions are re-calculated along the lines we suggest (i.e., to be more reasonable and realistic). While most Canadian student loan programs do have an appeal system that allows students whose parents are not making the expected contributions to obtain at least some public support, this system is completely unadvertised and hence seldom used.

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[7] Ekos Research [2003].

[8] See Hemingway [2003a, b].

In most countries, especially those with significant levels of tuition fees, there is some form of loan system that that gets at this precise problem. We think Canada should adopt a system of this type for the same reasons as elsewhere.

Loan remission is an inefficient way to help students

Canadian governments spend about a billion dollars in non-repayable assistance annually, but nearly half of this goes to students *after* they have completed a year of studies, or even their entire program, through what is known as "loan remission". With this form of assistance, the grant is received not by the student, but by the student's financial institution as a paydown of a portion of an existing student debt. In Alberta and Newfoundland, the loan remission occurs at the end of the program of studies and is based on total accumulated borrowing.[9] In Saskatchewan, Manitoba, Ontario and PEI, it occurs at the end of a given year of studies, based on the amount borrowed that year.

Loan remission is an odd system – and unique to Canada. First, because these programs only pay down existing loans, without putting additional money into the hands of students, to the degree students actually need more money to pay their schooling and associated living costs they provide no benefit. Second, by denying students the money up-front, they creates uncertainty about the total assistance packages they will receive, especially in terms of the mix of loans versus grants, which is an important consideration for many, perhaps especially those from lower income families. Finally, they deliver debt relief with no regard to individuals' actual debt burdens, as measured by debt-to-income ratios in the payback period.

We thus see a need to eliminate existing debt remission programs and spend more money on i) up-front grants (or loans) which provide students with the money they need with no uncertainty as to how much of it will be loan or grant, and ii) debt relief in repayment that is based on actual debt burdens (i.e., a comparison of the payments required in comparison to the individual's income)

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[9] Alberta actually has a two-stage remission process. After the first year of study, loans are remitted based on *annual* borrowing. Then, at the end of studies, another remission process reduces outstanding debt based on *total* borrowing. The stated purpose of the first year rule – which was introduced in 2001 – was to alleviate concerns about debt among students who had just begun their education.

rather than simply the amount borrowed in a given year or even that accumulated over the student's entire course of studies.[10]

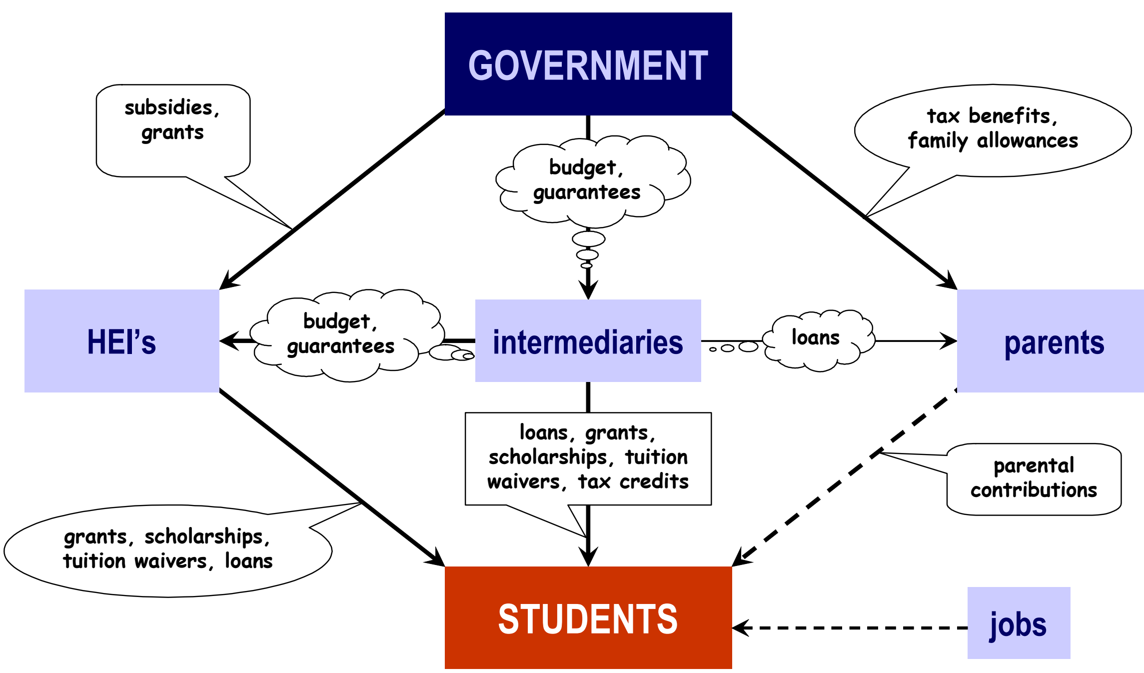
III. AN INTERNATIONAL PERSPECTIVE

This section first provides a framework of how student assistance is provided in other countries, then places the Canadian system in that context.

III.1 Student Financial Assistance in Other Countries

International practice shows a wide array of ways in which governments and higher education institutions help students meet their schooling costs, including tuition fees, other mandatory charges, study materials, living expenses, and room and board.[11] Figure 1 presents an overview of these different approaches.

Figure 1: The multitude ways in which governments and higher-education institutions subsidise students



[10] See Queen's University [2003] for further discussion of these points.

[11] See Vossensteyn [2003b].

Note: Figure 1 focuses on the ways in which students are supported in meeting their actual out-of-pocket costs, thus ignoring other implicit forms of support, including the direct operating grants made by governments to institutions, which can be thought of as a tuition subsidy. Because we are mainly interested in public forms of support, we also leave funds provided by industry, foundations, and other private sources out of the analysis. The dotted line represent non-public support, but flows which should nonetheless be considered as part of the system, if only because public support often depends on these other sources.

Of course there is no single country in which students receive all these forms of aid. The precise combination of programs depends on many factors, including each country's conception of who is primarily responsible for the costs of study – the student, parents, the government, or a combination of these – which are in turn determined by its ideologies, traditions, political compromises, and budgetary constraints.[12] Here we identify a few broad models which allow us to categorise systems of student support and tuition policies in different countries and which groups of students generally benefit from each system.

The student centred model

In the student centred model, students are regarded as having primary responsibility for the costs of study. As such, they often face relatively high tuition fees, implying that public funds to higher education institutions should not fully cover instruction costs, and financial support is focussed on students, not their families (although family contributions are taken into account). Australia, New Zealand, the United Kingdom, Japan, and the United States provide examples of this approach.[13]

In these countries, not only are students charged considerable (differential) tuition fees, but grants, scholarships and loans are primarily awarded to students on a means-tested basis, thus targeting support on low-income and needy students. This reflects the (often implicit) expectation that parents will help their children according to their financial capacity, with parental contributions in some of these countries facilitated through programs such as tax credits and, in the case of the US, a parental loan program.

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[12] See Vossensteyn [2003a].

[13] ICHEFAP [2003].

In these cases, the means-testing mechanism determines how the public subsidies are allocated among different groups of students. To what extent do students from low- through higher-income backgrounds benefit from these transfers? In systems with parental income tests, the targeting is ostensibly on lower-income (and thus “higher need”) families, but this is not always how things work in practice. One problem is that in countries where tax credits figure importantly (e.g., Australia, New Zealand, the UK), families with high incomes also have the best opportunities to reduce their (taxable) income through those credits. Having higher costs can also increase the amount of parental support, and in many cases this is again related to family income, such as being enrolled in more expensive programs or at a more expensive institution, living away from the parental home, and being considered independent from one’s parents. These factors are particularly relevant to the Canadian system, as mentioned above, and also the U.S.

A particularly interesting example of the student centred model is Australia.[14] In 1989, tuition fees were reintroduced through the so-called “Higher Education Contribution Scheme” (HECS). The flat-rate tuition fee, representing approximately one quarter of average instruction costs, has evolved into three different tariff-bands, reflecting cost differences between programs and differences in expected future earnings (as of 1997). Students can pay their tuition up-front with a 25 percent reduction, or defer payments until after graduation via income contingent repayments collected through the tax authorities. Because HECS debt has a zero rate of real interest (only an annual inflation correction), all students choosing this option are indirectly subsidised (although the absence of the 25 percent reduction can be considered as a substitute for interest fees). Those with low incomes after graduation benefit the most from this interest subsidy because they make lower annual payments and have extended (interest free) repayment periods. A separate system of support for living costs comes from Youth Allowance (grants), based on parental income and targeted at low-income students, although some funds leak through the income testing system to wind up in the hands of higher-income students. In addition, certain ethnic groups benefit from more specific scholarship programs.

The UK system is much like Australia. The major difference is that student support for living costs comes almost fully in the form of student loans, except for a limited number of hardship scholarships. And since loans can be taken up by all students, including those from higher income

[14] See Dobson [2003].

families, the benefits from the interest- subsidy of student loans is enjoyed more widely. Students from higher-income families have to pay their tuition fees themselves, while those from low- and middle-income groups can get all or part of their tuition waived. In addition, higher education institutions have some small budgets to assist students in financial need.

The parents centred model

In this model, parents are morally, and in some cases legally responsible to maintain their children during their post-secondary studies, while there are generally no, or only very low tuition fees. As a result, student grants and loans are available to relatively few students (generally from 15 to 35 percent) and the amounts awarded tend to be low.[15]

In contrast, parents are substantially subsidised in meeting their maintenance obligations for their children, generally receiving family allowances and/or tax benefits to help them do so. Family allowances typically vary according to family size, particularly the number of children, and go to families from all income categories. Tax benefits, typically in the form of tax deductions, provide greater benefits for parents with higher incomes (and hence higher tax rates) than families in the lower income/tax brackets. Support is thus less need-based that with other systems of support. Such systems can be found in a number of Western-European countries, including Austria, Belgium, France, Germany, Italy, and Spain.[16]

Because parents are assumed to make up the difference between the expenses of students and what they get through direct and indirect support, it is usually difficult to say whether total support is sufficient to meet students' costs. However, there is considerable evidence that not all parents make the contributions they are expected to, and students spend considerably more than what they receive through the combination of all forms of public support plus parental contributions and exhibit a trend towards more part-time work.[17]

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[15] Vossensteyn [1999].

[16] ICHEFAP [2003].

[17] Vossensteyn [1999, 2003a].

The independent students model

Systems in which students are regarded as fully independent from their families are typically found in countries with the most advanced social welfare systems, including Denmark, Finland, Iceland, Norway, and Sweden.[18] In these countries, students do not have to make tuition payments, meaning that governments pay all instruction costs. At the same time, these countries have relatively flat wage systems in which higher education graduates do not earn very much more than secondary education graduates.

In addition, public support for students fully their living expenses, regardless whether they live with their parents or away from home. A substantial portion of this direct support is, however, provided through student loans, ranging between 40 to 60 percent of total support per student, the rest coming in the form of grants, and is in theory fairly evenly available across socio-economic backgrounds. However, in practice, an increasing proportion of students receive contributions from their parents or take part-time jobs in order to avoid incurring debt, while lower income students lacking family resources remain dependent on student loans and jobs.

The compromising model

A approach is where tuition and student support policies reflect a compromise between making students financially independent and having parents share in the costs, as in the Netherlands. All fulltime students are eligible for basic study grants, which vary in generosity depending on whether they are living with or away from their parents. In addition, about 30 percent of all students are eligible for supplementary grants based on a parental income test; for students who do not get a (full) supplementary grant, parents are expected to make up the difference. Students can also take out loans, with those independent from their parents allowed to take up extra loans for the amount their parents are expected to contribute in as protection against parents who are unwilling to do so. All in all, the three parts (basic grant, supplementary grant/parental contribution, and voluntary loans) each comprise about a third of students' normative budgets. In practice, however, students have substantially higher expenditure patterns, and as a result are heavily involved in part-time work which allows them to maintain a higher standard of living and avoid taking out student loans.

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[18] Vossensteyn [2003a].

Summary and conclusions

This brief survey has demonstrated that virtually all governments play an important role in providing financial assistance to students and otherwise helping them pay for post-secondary education, but that there exist significant differences in how they do this, resulting in substantial differences in how different groups of students are assisted.

Especially in countries where students are (to a large extent) regarded as financially independent or where support is principally channelled through parents, spending is distributed relatively evenly among individuals from different socio-economic groups. To the degree student financial assistance is meant to open up opportunities for underrepresented groups, the only spending that addresses this objective comes from the often limited programs that target the relevant low-income students and minority groups. In contrast, systems that focus on students themselves are generally the most successful in helping such target groups. Such an approach does not, however, guarantee that the assistant will meet students' needs, is otherwise adequate, or will generally improve access to post-secondary education for the targeted groups to the degree desired or intended.

This take us to the issue that different models of student financing have different price-tags for society. All models which, directly or through families, provide public subsidies to all students, tend carry higher public costs, because students from relatively affluent backgrounds also benefit. More targeted programs can, in contrast, deliver more assistance to those most in need, but may be more complicated to implement or go against certain societal values related to government spending generally, and aid for post-secondary education in general. We return to these issues in our discussion of a New Architecture for Canada below.

III.2 The Canadian System in International Perspective

The Canadian system for the most part falls in the "student-centred" model. As we have just seen, the primary characteristics of this system is that students pay considerable tuition fees and are the prime unit for measuring financial need and receiving assistance. That said, a number of specific aspects of the Canadian system stand out in comparative perspective.

First, Canada has relatively forgiving criteria for treating students as independent. In most countries, a student is not considered as independent until age 24 or after the first degree program has been completed (Quebec's independence criteria is closer to the international norm). As a result, an unusually large proportion of Canadian loans and grants go to moderately older undergraduate students who meet the independent criteria.

The combination of tuition differences – varying across programs and provinces – and a need-based student aid system means that those variations in tuition are directly translated into financial need. The practical result of this is that students in more expensive programs receive greater amounts of aid than others.

Students generally first *have* to take loans before they may receive any grants. In most countries, the criteria for loans and grants are separate, which makes it quite possible to receive both. In the United States for example, loans are given out on the basis of need and grants are given out on the basis of family income. This is at least partly related to the fact that Canada rolls all related expenses – including both tuition and related fees and living costs – into a single system, whereas most other countries have different systems for tuition and living expenses.

The proportion of assistance that comes in the form of tax expenditures is very high compared to other countries.

Canada has a variety of student assistance actors, including institutions, provincial governments and the national government. The multiple assistance points makes Canada similar to the United States, the main differences being that Canadian provincial governments are more important than U.S. state governments in the provision of aid, and the role of institutions is weaker in Canada than in the U.S.

Together with the U.S., Canada also uses a relatively complex mix of loans, grants, tax expenditures and savings instruments. Not only may the number of instruments be somewhat unusual, but also rare is that the combination of instruments is wielded by so many different policy actors. The result, as in the case of the United States, is a certain policy incoherence and a lack of transparency for prospective students and their parents in terms of what assistance they are entitled to and what the net cost of their education will be.

IV. A NEW ARCHITECTURE FOR STUDENT FINANCIAL AID[19]

In this section we first describe the basic underlying principles and characteristics of a New Architecture for student financial assistance that addresses the six major deficiencies in the current Canadian system as described in Section II and otherwise comprises a coherent, effective, and efficient system for delivering student aid where it is needed. We then address various implementation issues and related questions.

IV.1 The New Architecture

The overall design goal is a student financial aid system which ensures that all students have access to the money required to cover the costs of post-secondary studies without imposing undue hardship on the students themselves or their families or unreasonable debt loads in the post-schooling period. The system should consist of the following elements.

The first step would be to determine the amount of each student's financial assistance package. This would begin with determining the student's schooling-related costs, including tuition, other fees, equipment, supplies, and living expenses. These calculations would be based on actual expenditures (e.g., tuition fees) or reasonable estimates (e.g., living expenses that cover students' basic needs), much as in the loans system. The established formulas should be easily understood and simple to follow in order to be fair and to keep application and administration costs down, but flexible enough to cover students in varying circumstances.[20]

Next, similar types of formulas would be used for arriving at what students and their parents would be expected to contribute towards these costs – again much like the current system in structure, but with the sorts of adjustments suggested above in order to make them more reasonable and realistic.

The resulting difference between costs and resources available would be declared the student's financial need, and this full amount would comprise the financial aid package.

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[19] The basic elements of this New Architecture were first proposed in Finnie [2003].

[20] See the previous section for a discussion of how schooling and living costs are treated separately in many other countries. In Canada, they have been traditionally added together in order to assess the student's overall need, and we follow that lead here.

The composition of the financial aid package would then be determined, in particular its balance between loans and grants. We propose that the first, say, $5,000 (per year), of assistance be given in the form of a student loan. This “loan up-front” approach would keep incentives right (higher education is an expensive good leading to substantial expected private benefits); would deliver the aid in a highly efficient manner (a dollar of government spending on loans goes much further than a dollar spent on grants because it is effectively recycled as it is paid back); and would generally limit borrowing to reasonable amounts.[21] Of course the $5,000 amount could be adjusted according to public debate.

These loans would carry subsidies similar to those that exist in the current student loan system, including the money being interest-free while the individual remains in school, the student being eligible for assistance in the repayment period (see further on this below), and the government absorbing the costs of default in one manner or another (as it has done in different ways over the years as discussed earlier).

The balance of the aid would be given in the form of a (non-repayable) grant. This more generous – and expensive – form of assistance would thus be reserved for those who have greater overall need, and would deliver a price subsidy (the fact that the money does not have to be repaid effectively reduces the cost of the schooling) where it is likely to be most effective in improving access – to individuals from lower income families.[22]

This loan-first approach is also consistent with the existing Canadian system, and thus presumably conforms to established value judgements in this regard. All this said, a grant-first system would have its own advantages, as well as disadvantages, and could be an alternative option. Public debate could help resolve this issue. The rest of the package could remain as proposed.

As part of these calculations, the definition of a “dependent student” would be extended to cover most students not enrolled in graduate or professional programs. In particular, the current rules

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[21] See Finnie [2001, 2002] on the advantages of loans over grants in these and other respects.

[22] This system also means that individuals with greater expenses, including those relating to being in a more costly program or going away to school, will tend to receive more assistance (and more grants), than others, and these decisions and amounts may be related to family background as young people from higher income families incur higher expenses. In this sense the system we propose may have a regressive element. But we believe the proposed formula is the best solution for ensuring that the aid package is complete, and that it should open up opportunities for those from lower income families, in particular, as they realise they are eligible for financial aid to cover the full cost of their studies – including enrolling in more expensive programs, leaving home to go to school, and so on.

which permit many students who take a bit longer to get through their studies because they decide to take time off for work or travel or go to school part-time would be tightened. A starting point would be to consider all single students (i.e., not married, no children) age 25 or younger in any program below graduate school or a second degree professional program to be considered as dependent and thus have their parents' expected contribution taken into account. This would reduce the amount of money going to older students from wealthier families and allow more money to be concentrated on younger, lower-income students.

The next element of the system, however, is focused at solving the problem of dependent students whose parents cannot or will not make the expected contributions. We would solve this by setting up a secondary loan program which allowed students to borrow an additional amount equal to the value of their expected parental contribution (with a maximum value equal to their assessed need). This additional program would require students to make interest payments in order to discourage excess and frivolous borrowing, including borrowing by children from higher-income families who do not need the money who might see the advantages of borrowing from a subsidized program.

We would also make parents' expected contributions clearly understood to parents and students alike, thus making clear to all what those contributions should be and putting moral pressure on parents to make those contributions to children's educations.

The next aspect of the system concerns the post-schooling period and addresses the potential problem of excessive debt loads – even thought this should be a limited problem in a context where loans are capped at $5,000 per year. We propose generous assistance for those who face excessive debt burdens relative to their post-schooling incomes in the form of both shorter-term interest relief and, for more chronic situations, reduction of the principal owed. Such programs currently exist, but are not heavily subscribed to. They need to be made more generous and better advertised.

Alternatively, a full income contingent repayment system could be adopted, whereby payments would be automatically geared to an individual's income in the post-schooling period, perhaps with the aid of the tax system, with no payments required for those with incomes below a certain minimum.[23]

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[23] See Finnie and Schwartz [1996] for a discussion of income contingent student loans in the Canadian context.

The final element of the New Architecture would be to advertise all elements of this simple, effective, and equitable system so that all potential students were aware of the resources available to them and understood that financial barriers need not stand in the way of their pursuing post-secondary studies.

At the same time, prospective students and their parents should be made abundantly aware of the substantial private benefits that accrue to higher education participation. Financial barriers are but one impediment to post-secondary studies. Others include individuals' perceptions, attitudes, and preparation. All sets of issues need to be addressed if access is to be equally available to those from lower-income families, a point which is often missed in discussions of student financial aid.[24]

Consider an example. Suppose a student decided to go away to enter university and that the total cost of doing so – including both directly education-related expenses and living expenses – was $15,000 per year. The student might (by the chosen formulas) be expected to contribute $3,000 out of summer savings and (perhaps) a bit of work during term to those expenses. If the individual came from a low income family deemed unable to make any contribution to these expenses, the resulting aid package would consist of the full difference between costs and resources available, or $12,000. Of this, $5,000 would come in the form of a loan, $7,000 as a grant. The student would be given the resources to undertake the chosen schooling through what most would probably consider a relatively generous aid package. At the same time, the student would be making a considerable contribution to those costs (the $3,000 in cash and the $5,000 loan), yet without accumulating an excessive amount of debt. And if a significant amount of borrowing did accumulate over the student's full academic career and the individual faced a substantial debt burden relative to his or her post-schooling income, further assistance would come in the form of interest and debt relief.

This "New Architecture" might seem obvious: calculate the student's need, assess the resources available, deliver the difference as the financial aid package, bundle the aid in a judicious combination of loans and grants, allow for those whose parents do not provide the assistance expected of them, help those who have unreasonable debt burdens in the payback period, and make the system (as well as the benefits of post-secondary education) well advertised and fully transparent. Such a system should meet the basic goal of removing financial barriers to post-

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[24] See Finnie, Laporte and Lascelles [2003], Looker [2001], and Junor and Usher [2002]) on these issues.

secondary education. Furthermore, once in place, it could be fine-tuned in a relatively easy and transparent manner.

IV.2 Where Would the Money Come From?

In many circumstances, this new system would deliver increased amounts of aid to students who the current system leaves short-changed, primarily because aid limits fall short of the student's needs or expected parental contributions are too high. There might also be a substitution of grants for loans, thus driving aid costs up further. And there should almost certainly be increased aid for those facing hardship in the post-schooling period because their earnings are not high enough to cover their debt loads.

However, any resulting increased expenditure on the main target group of student aid – those who need the assistance to pursue their studies – can, first of all, be generated by reducing current spending on student financial assistance where it is not needed to ensure access or is otherwise spent relatively ineffectively.

It was previously argued that tax credits, in particular, which now account for roughly 40 percent of all spending on student financial aid, go to higher-income families who do not really need the assistance while entirely shutting out those at the bottom whose incomes are too low to benefit from the credits, and are otherwise untargeted with respect to need. The delayed nature of the benefits (i.e., tax refunds are received only after a given year's tax form is filed and refund received) further diminishes their effectiveness as a form of student aid.

Certain existing grant programs, such as the Canadian Education Savings Grants, which are taken up disproportionately by higher income families who have the means of putting money aside for their children's future education costs, are similarly misdirected – at least in terms of (not) being targeted on those who actually need the assistance.

Debt remission programs take another substantial share of spending on student financial aid and often go to students who would eventually be able to manage their loan payments with relatively little difficulty (i.e., those with sufficiently high earnings in the post-schooling years), and are otherwise of limited effectiveness because they introduce uncertainty into the student's financial aid package, go only to those already in or through the system, and provide students with no additional money to pay their schooling costs (instead simply changing the composition of the bundle of grant and loan).

Reducing the amount of spending going towards these poorly targeted or relatively ineffective forms of student assistance would thus represent at least a large down payment on the funds required by the unified – and in many cases more generous – student financial assistance package proposed here. And while all those who currently receive these other kinds of assistance are surely glad to have it, the first goal of the Canadian student financial aid system should be to eliminate financial barriers to access for children from lower and middle income families – which the proposed system would do.

That said, many of those currently receiving the forms of support that would be eliminated in the proposed program – tax credits, debt remission, and so on – would receive assistance through the new system, so that what is taken away with one hand would be (at least partially) given back with the other. And most importantly, those who really needed financial support would get it under the New Architecture – and as part of a unified and coherent system that rationally ensured sufficient assistance for all who deserved it rather than giving money to many not in need while delivering to the target populations in only a limited, incomplete, and wasteful fashion.

After those basic needs were met – after the financial barriers to post-secondary education were removed for all – extra money could *then* be directed towards providing subsidies to higher income families for this clearly costly expenditure. But, to repeat, only after the fundamental goal of assuring access to all was met.

IV.3 Contrasting the New Architecture to the Current System

In many ways, the system we propose would be similar to the one currently in place. We see this as one of its benefits, as it would make its implementation easier than a more radical set of changes. Our New Architecture, would, however, also embody a number of key changes in its structure, as well as some important differences in the detailed workings of the program.

First, the new system would most resemble the current manner of assessing loan and grant eligibility, but would represent a single unified and coherent program that replaced the plethora of existing programs – including not only grants and loans, but also tax credits, savings grants, debt remission, and so on – doing the job of all these others more simply, thoroughly, and efficiently.

Second, the full difference between costs and resources available would be declared the student's financial need and this amount of money would comprise the individual's financial aid package. Hence, there would be no unmet need. This is in comparison to the limited aid packages which do not necessarily meet the student's assessed needs currently available.

Third, the full aid package would be delivered up front and in cash through loans and grants instead of months or even years after the fact in the form of tax credits and debt remission and other more ambiguous, uncertain, and delayed forms of assistance.

Fourth, and more in the way of some important details rather than more fundamental differences, the formulas used to estimate the student's costs and family contributions would include certain additional expenditures (e.g., computers) on the one side, and fairer – and more realistic parental contributions on the other. The latter might begin at lower income levels, requiring modest (nominal?) contributions from low-income parents where currently none are required. But more importantly, the required contribution would rise much more slowly than in the present system, requiring many middle-class parents to contribute less and allowing more families to benefit from the system.

Fifth, the definition of a dependent student would be extended to include those who simply take a little longer to get into or through their studies. Meanwhile expected parental contributions would be made clearer and provisions to protect students whose parents did not make those contributions would come in the form of a second student loan plan. Aid delivered by institutions would, as now, provide additional help to such students, as well as others who inevitably fell through the cracks of the proposed system (and its appeal procedures).

Sixth, assistance for those facing excessive debt loads would be based on total accumulated debt after leaving school and the individual's income, or ability to service that debt. This approach would resemble an expanded version of current interest and debt reduction programs, while replacing all existing "debt remission" programs, which are in most cases based on annual borrowing rather than the total accumulated by the time the individual enters repayment and in no instances take the student's capacity to pay into account.

In short, the New Architecture we propose should be a more effective, more efficient, and less wasteful means of delivering financial aid to those students who need it than the current panoply of overlapping yet incomplete programs, and thus make post-secondary schooling a more viable option for many Canadians from middle and lower income families.

IV.4 Federal-Provincial Considerations

One potential set of complications of such a unified and coherent plan in the Canadian context stems from the associated set of constitutional and jurisdictional issues and the mosaic of different provincial (and territorial) programs currently in place, reflecting the different needs, circumstances, and manner of doing things relating to student financial aid across the country. These differences in turn stem from the fact that post-secondary education is, constitutionally, a provincial jurisdiction, but that the federal government has an established role in the area of student financial assistance, such as their operation of the existence of the Canada Student Loan Program since 1964, various grant programs, and the education-related tax credits they provide.

Cost-Sharing

The short and easy answer to such concerns is that once the clear advantages of the unified and coherent student financial aid system proposed here were recognised, it would simply be up to the relevant provincial and federal authorities to make it work. They would owe it to their constituents to do so.

And this would not seem an impossible outcome, given the considerable level of federal-provincial cooperation which already exists in the area of student financial assistance. The Canada Student Loans Program, in particular, delivers federal dollars across the country using provincially-determined need assessment procedures and other administrative rules, while co-existing with provincial loan and grant programs which also differ substantially from jurisdiction to jurisdiction.

A new program could, therefore, presumably function with some level of provincial diversity, rather than a single nation-wide set of rules and procedures. There could, for example, be variation in the need assessment procedures, in the mix of loans and grants, in the amount and type of assistance available in repayment, in the extra aid going to higher-income families, or any of the other specific program parameters as the basic characteristics of the New Architecture were maintained (i.e., a single unified program which fully met students' needs).

The federal government and each province could thus agree to a specific form of the sort of unified and comprehensive system described above, and then divide the costs according to a simple formula, such as the benchmark 60-40 split which has come to be the standard for student financial assistance.

Unfortunately, this type of arrangement would have its own problems. Provinces might, most basically, vary in the degree to which they were willing (and able) to provide financial aid to students. Or they might be tempted to push up tuition rates (which they control) and otherwise inflate students' assessed costs in order to increase the amount of federal spending on student aid (even as the provinces took in the resulting increased tuition revenues). Or the federal government might more balk at being locked into some sort of cost-sharing arrangement where the provinces were spending only "40-cent dollars", thus distorting spending incentives.

Still, one can imagine a set of federal-provincial agreements pegged as required against a set of reasonably well-defined costs of post-secondary education (including tuition fees) which resolved these problems, with each jurisdiction paying its share. Students would – ideally – see only a single program, thus making it very clear to them the level of assistance for which they were eligible, while making their lives easier at each point of contact with the program, including application procedures, the actually taking out of the loan, and all aspects of repayment.[25]

Splitting Responsibility for the Different Types of Costs

An alternative to this sort of total cost-sharing would be to separate the responsibility for meeting different broad categories of costs. The provinces could, for example, be made responsible for the tuition side of the student's expenses while the federal government took care of living expenses. With tuition fees currently in the $4,000-$6,000 range in most cases (at least for the benchmark Bachelor's degree programs in the arts, sciences, and humanities), this would likely work out to represent something close to the traditional/current 40/60 provincial-federal split.

Such an approach would have the additional advantage of keeping the provinces financially responsible for the consequences of their tuition policies, thus avoiding the incentive problems

[25] The federal and provincial governments could, for example, agree to a single set of need-assessment procedures by which tuition fees and other costs were not pushed up in any such artificial manner. Admissible tuition costs could, for example, be based on average fee levels across the country rather than the actual rates in a given province.

described above. If they raised tuition fees, they would be on the hook – politically if nothing else – for providing additional financial aid to those who needed it as a result.

Another variation on cost-separation idea would be to separate the loans and grants portions of the program, with the provinces being responsible for loans and the federal government being responsible for grants (or vice-versa).

Going it alone

Even in the absence of even limited federal-provincial cooperation of the type just described, any single government – federal or provincial – could, on its own, adopt a formula and set of procedures that *should* work were both levels of government cooperating in a reasonable manner, and then hold up their end of the deal.

In the face of provincial intransigence, for example, the federal government could adopt a reasonable need assessment procedure, guarantee its 60 percent share of the assessed aid package, and provide that financing in a mix that made sense were the whole package delivered in a unified manner (e.g., the first $5,000 in loans, the rest in grants). Any single province could do the same thing.

The responsibility of each level of government would presumably be clear, perhaps creating pressure for greater cooperation – especially if there were other jurisdictions where the system was in fact working in a cooperative manner to students' advantage. In the meantime, although fuller coordination would clearly be much preferred, a lack of cooperation on the part of any single government – federal or provincial – would not necessarily prevent the implementation of a program that worked at least half-way right (and perhaps worked fully in the provinces where such federal-provincial cooperation did in fact obtain).

Letting the provinces run their own aid programs

One final possibility might for the federal government to simply transfer funds to the provinces on the condition that they run student financial aid packages that broadly conformed to the "New Architecture" principles and provided sufficient visibility for the contributions made by the federal government. The provinces might then be free to fine-tune their individual approaches within such an overall "Education Accord" – perhaps each learning from others in the spirit so clearly elucidated in the SUFA agreement of the late 1990's. That said, arriving at the federal government's precise share of total spending (i.e., their transfer to the provinces), perhaps on a province-by-province basis, might present certain challenges, especially in the context of the incentive problems noted above.

Other possibilities and the general principle

Other approaches could be tried. The overarching goal would be to ensure that the federal and provincial governments together committed themselves to delivering student aid packages of the type prescribed by the New Architecture we propose. The driving force should be the understanding that students would not generally care how federal-provincial authorities were divided up or who paid which share of their aid package, only that the program delivered the assistance they needed and deserved in the most administratively simple manner possible.

IV.5 Who Would – and Wouldn't – be Covered by the New Architecture?

We have written this proposal as if it were intended for community college students or those in basic undergraduate (non-professional) university programs – and that is indeed our primary policy target. Other cases include graduate level and professional university programs. These would require special variants of the New Architecture proposed here.

Any plan for graduate students would, in particular, need to take into account the substantial scholarships and teaching/research assistantships available to many candidates, as well as the wider variation in tuition rates relative to the college/undergraduate levels. Individuals who go on to these advanced levels are also likely to wind up earning higher salaries than others. In our opinion, the system we propose would comprise a good starting point for devising a graduate assistance program which best served that clientele. We would suggest, most of all, retaining the one-system-meets-all-needs aspect of what we have proposed – while of course taking the other sources of funds for which upper level students are eligible (scholarships, research and teaching assistantships, etc.) into account.

Professional schools will likely require a substantially more different system. Medicine, law, business, and other professional students now commonly face tuition fees of $10,000 per year or more, sometimes many multiples of this, and these trends remain sharply upward. At the same time, most such programs continue to represent good personal investments in terms of future earnings. Student financial aid packages for professional students should reflect these differences, while still recognising the basic principle of our New Architecture: the need to eliminate financial barriers that stand in the way of post-secondary education opportunities, especially for those from lower-income families, in an effective and efficient manner.

V. CONCLUSION

In this paper we have shown that the current system of student aid in Canada has a number of major weaknesses. One of its major disadvantages is that it is a complex system with many different forms of support coming from a variety of different sources. Another is that it does not seem to deliver as much aid as is needed for some students, while giving other amounts of support to those who have no real need for it in terms of being ensured access to higher level studies. The results are uncertainty and unmet need for prospective students, which are likely to constitute barriers to access for those from disadvantaged socio-economic backgrounds in particular. Though international evidence shows that these problems are faced in many other countries, it does not change the fact that we should be able to do better.

We have proposed a New Architecture that should overcome the problems identified. In particular, it would combine, coordinate, and target the resources spent on student financial aid so as to deliver the full assistance required to those in need with an open, transparent, and easily understood set of program elements and rules.

We acknowledge that any proposed changes would have to reckon with longstanding traditions and interests in the area of student aid. Federal-provincial relations are one important element here. And it is never easy to reduce the assistance being provided to certain groups (e.g., children from higher income families) even when it would clearly be better spent elsewhere.

Nevertheless, we think that the ultimate objectives that any student aid program should have and that we believe our program would better achieve – removing cost barriers for the poor – is sufficiently laudable on grounds of economic opportunity and smart enough in terms of investing in our economic future that it should be a winning policy proposal.

APPENDIX A – MORE DETAILS ON THE CANADIAN SYSTEM

Need-Based Assistance Limits

Needs-based aid for single, full-time students with no dependents (and in some cases others) was limited to the following amounts in 2002-03 (based on 34 weeks of study).

Province	Type of student	Total maximum loan	Total maximum grants (up-front)	Source of up-front grants	Total maximum assistance[a]
BC	All	$275/week	$119/week (35th through 136th week of post-secondary only)	B.C. Grant, millennium bursary	$275/week
AB	Single, no dependents	$10,700/year ($315/week)	$3,000/semester ($88/week)	Alberta Opportunity Grant, millennium bursary	$10,700/year ($315/week)
	Students who have to move	$12,700/year ($374/week)	$4,500/semester ($132/semester)	Alberta Opportunity Grant, Supplementary Grant, Millennium bursary	$12,700/year ($374/week)
SK	Single, no dependents	$180/week	$95/week	Saskatchewan Grant	$275/week
	Special Incentive Students[b]	$180/week	$205/week	Saskatchewan Grant	$385/week
MB	All	$275/week	$40/week	Manitoba Study Assistance	$315/week
ON	All	$275/week	$3,000 bursary/year ($88/week)	Millennium bursary	$275/week
QC	CEGEP	$2,005/year[c]	$12,451/year	AFE Bursary, millennium	$14,152/year ($416/week)

				bursary	
	Undergraduate	$2,460/year[c]	$14,479/year	AFE Bursary, millennium bursary	$16,619/year ($489/week)
	Graduate	$3,255/year[c]	$14,479/year	AFE Bursary	$17,414/year ($512/week)
NB	All	$275/week	$50/week	New Brunswick Bursary	$325/week
PE	All	$275/week	$0	N/A	$275/week
NS	All	$315/week	$0	N/A	$315/week
NF	All	$275/week	Up to $1,750/year ($51/week)	Millennium bursary	$316/week

Notes:

[a] The values in the "Total maximum loan" and "Total maximum grants" columns do not necessarily add up to the figure in the final column, "Total maximum assistance," because grants sometimes displace loans.

[b] Special incentive students include Non-Status Indians, Métis, and students residing in northern Saskatchewan.

[c] These totals apply only for students eligible for both loans and grants (students within the normal duration of studies plus one term). If a student is eligible for loans only (students within normal duration of studies plus two or three terms), then the total maximum assistance will be equal to the maximum loan amount.

Debt Reduction Programs

The following debt reduction programs are currently in existence.

i) Jurisdiction	Program	VI. DESCRIPTION	VII. AUTO-MATIC?
BC	None	N/A	N/A
AB	Alberta Student Loan Relief Benefit	Available to first-time, first-year post-secondary students who have been issued more than $5,000 in combined federal/provincial loans and have completed a year of studies. The amount of loan relief is equal to the total value of federal/provincial loans minus $2,500 per semester of study (normally, $5000). It is paid at the end of the first year and applied against provincial loans.	Yes
	Loan Relief Program Completion	Available to graduating students who have been issued more than $5,000 in combined	Yes

	Payment	federal/provincial loans. The mount of loan relief is equal to the total value of federal/provincial loans minus $5,000 per year of study. It is paid upon completion of studies and applied against provincial loans	
SK	Remission (Special Incentive Students[26] only)	Available to Special Incentive Students whose total student loan assistance exceeds $105 per week of study. Remission is available on the amount between $105 and $180 per week of study, and is only applied to the student's first 60 weeks of post-secondary study. Successful completion of 60% of a full course load is required.	Yes
	Millennium bursary	Available to undergraduate students who meet minimal merit criteria and are among those with the highest need. The award size varies between $2,000 and $4,000, depending on need.	Yes
MB	Manitoba Millennium Bursary	Given to undergraduate students who do not receive a Canada Millennium Scholarship Foundation bursary and who have loans exceeding $6,000. The award reduces outstanding loans to $6,000.	Yes
	Millennium bursary	Available to undergraduate students who meet minimal merit criteria and are among those with the highest need. The award size varies between $1,000 and $4,500, depending on need.	Yes
ON	Ontario Student Opportunity Grant	If the student's combined federal/provincial loan exceeds $7,000 for two terms or $10,500 for three terms, a grant will be awarded to reduce debt to those amounts. It is paid at the end of each year and applied against provincial loans.	Yes
QC	Remission	Available to students who have completed studies within a normal period of time and who have received a bursary during each year of study. The amount of remission is 15% of the outstanding loan .	No

[26] See p.(?) for definition

NB	Millennium bursary	Available to undergraduate students who meet minimal merit criteria and are among those with the highest need. The award size varies between $2,000 and $4,000, depending on need.	Yes
NS	Millennium bursary	Available to undergraduate students who meet minimal merit criteria and are among those with the highest need. The award size varies between $2,000 and $3,500, depending on need.	Yes
PE	Debt Reduction Grant	Available to students who complete a year of studies and whose combined federal/provincial loans exceed $6,000. The amount of loan relief is equal to the student's total federal/provincial loans minus $6,000, up to a maximum payment of $2,000. It is paid at the end of each year and applied against provincial loans.	Yes
	Millennium bursary	Available to undergraduate students who meet minimal merit criteria and are among those with the highest need. The award size varies between $2,000 and $4,000, depending on need.	Yes
NF	Remission	Available to students who have graduated in a timely manner from a program of study in Newfoundland of at least 80 weeks' length. The student's combined federal/provincial debt must exceed $22,016 for programs between 80 and 128 weeks in length or $172 per week for programs that exceed 128 weeks. The amount of loan relief is equal to the total value of the student's federal/provincial loans minus the debt minimums described above. It is paid upon completion of studies and applied against provincial loans.	No
	Millennium bursary	Available to undergraduate students who meet minimal merit criteria and are among those with the highest need. The total award size varies between $2,000 and $3,500, depending on need, and 50% comes in the form of loan remission.	Yes

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