BUDGET 2019

PREPARED BY

THE CANADIAN FEDERATION OF STUDENTS OF NEWFOUNDLAND & LABRADOR

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CANADIAN FEDERATION OF STUDENTS
NEWFOUNDLAND AND LABRADOR

Grenfell Campus Student Union
Marine Institute Students’ Union
Memorial University of Newfoundland Students’ Union
Graduate Students’ Union of the Memorial University of Newfoundland
College of the North Atlantic Students’ Union

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EXECUTIVE SUMMARY

The Canadian Federation of Students and its predecessor organizations have been the democratic voice of Canada’s university and college students for over eighty years. Today the Federation unites over 500,000 university and college students across Canada, including every one of the over 28,000 students enrolled in public post-secondary institutions in Newfoundland and Labrador. The Federation welcomes the opportunity to provide input on the Government of Newfoundland and Labrador’s budgetary visions.

Provincial budgets reflect the priorities of the government and thus should reflect the priorities of the people of the province. The provincial budget ought to play an essential role in promoting the economic and social prosperity of our province and its people. While there are many areas that can benefit from government investment, there is arguably no higher priority than investing in post-secondary education, and ultimately, our collective future.

Newfoundlanders and Labradorians believe that access to post-secondary education is essential to ensuring the future prosperity of the province. Since 1998, successive governments have implemented tuition fee freezes and reductions, reintroduced upfront need-based grants, and eliminated interest rates charged on student loans. These policy decisions once resulted in the province boasting the most accessible system of post-secondary education in Canada. However, these gains are being eroded in recent years. With new ancillary fees at MUN equating to an increase in the cost of education by about 20% for students from Newfoundland and Labrador, and with an increase in tuition fees for out-of-province students of 30%, and international students being charged 4.5 times more than domestic students. We anticipate to see a reduction in enrolment similar to that of the 1990’s when fees skyrocketed over the decade. Our province faces the stark reality of an aging and shrinking demographic amidst unprecedented unemployment projections. According to the most recent Fiscal and Economic Update, employment and population are expected to decline which will negatively affect the housing market, economic growth, and youth retention. Supporting high quality, accessible education is essential at a time of fiscal uncertainty if we are to attract students from all over the world to come here and build a future for all residents.
Accordingly, the Canadian Federation of Students-Newfoundland and Labrador makes the following recommendations for policy changes that will reduce financial barriers to post-secondary education and improve the quality of post-secondary institutions in the province:

**Recommendation 1:**

Reinstate the tuition fee freeze, with the goal of progressively reducing tuition fees to the point of elimination, for domestic and international students at all public post-secondary institutions in Newfoundland and Labrador;

**Recommendation 2:**

There was a time when our province had one of the only fully needs-based-grants systems, which meant students did not have to avail of the high interest rate loans of the federal system. In order to improve financial assistance and reduce the burdens of debt on the students who are most vulnerable, the provincial government must reinstate the full needs-based grants program;

**Recommendation 3:**

Restore core funding to 2013/2014 levels for Memorial University of Newfoundland, and the College of the North Atlantic to ensure all programs maintain high levels of performance with necessary accreditation and research capacity.
Recommendation 1:

Reinstate the tuition fee freeze, with the goal of progressively reducing tuition fees to the point of elimination, for domestic and international students at all public post-secondary institutions in Newfoundland and Labrador.

In the 1990s, when tuition fees were steadily rising in Newfoundland and Labrador, university enrolment plummeted. Not surprisingly, successive tuition fee freezes and reductions beginning in 1999 led to annual enrolment increases, including an increase of over 3 percent between 2001-02 and 2002-03 (the first two academic years following the reductions). These initial increases, derived primarily from Newfoundland and Labrador residents, materialized in spite of declining numbers of high school graduates.

The completion rate for students with under $1,000 of debt was 71 percent, while the completion rate for those with over $10,000 was 34 percent.

Even with an almost 30 percent decline in high school graduates, Newfoundland and Labrador has seen consistent increases in enrolment since 1999 when tuition fees were first frozen. A study by researchers at MUN’s Faculty of Education, *Matriculating Eastward: Maritime Student Migration to Newfoundland and Labrador*, examined why an increasing number of students are coming to study at MUN from Nova Scotia, New Brunswick, and Prince Edward Island. It concluded that a comprehensive choice of programs, strong reputation and low tuition fees were the primary reasons. In particular, the study found that enrolment of students from Nova Scotia increased nearly 100%, where tuition fees are more than double those in Newfoundland and Labrador. From 2000 to 2007, the number of Newfoundland and Labrador students leaving to study in the Maritime provinces decreased by 54 percent. These gains are under threat as out-of-province students will no longer have a tuition freeze and fees continue to increase.

The provincial government currently estimates 70,000 job openings by the year 2020. In
order to fill these jobs, the Province must ensure that every Newfoundlander and Labradorian with the ability and desire, can attend post-secondary. Additionally, we must maintain our ability to attract youth from across the country and around the world through high-quality, affordable education. Allowing a 30% differential fee for out-of-province students at Memorial will hinder our ability to attract students here. We cannot afford to gamble with this experiment that has proven folly in other jurisdictions. The high cost of living and isolation of our province dictate that we must provide appealing circumstances to students from away, not charge them more.

32% of Canadian youth aged 18-24 were not pursuing education or training they wanted or needed, with the majority of them citing financial reasons as the primary

In recent Statistics Canada tracking in the province, the employment rate in Newfoundland and Labrador is 62.3 percent for those with post-secondary credentials in general, and 73.7 percent for those with a university degree. Those without any post-secondary credentials only have just over 50 percent employment rate. In a province that faces critical levels of unemployment with the culmination of various infrastructure projects, the stability of job market will be dependent upon young highly skilled workers finding meaningful employment. These statistics illustrate that, though in the past higher education might have guaranteed higher income earnings, today it is merely the basic path to an average income and employment. This means that in the new economy, a college diploma or university undergraduate degree does not secure high-income, but rather, post-secondary education is now a prerequisite for meaningful participation in a rapidly evolving labour force. With the growing necessity of post-secondary education, the responsibility for financing post-secondary education has been borne by individual students and their families since the federal funding cuts of the mid-1990s, and the increasing provincial cuts in recent years

Recent studies reveal the negative effects of tuition fees on access to post-secondary

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1 StatCan, "Labour force characteristics, monthly, seasonally adjusted and trend-cycle, last 5 months" Table 14-10-0287-01.
education for students from low- and middle-income backgrounds. Statistics Canada reports that students from low-income families are less than half as likely to participate in university than those from high-income families. In a study released in November 2011, Statistics Canada found that 32 percent of Canadian youth aged 18-24 were not pursuing education or training they wanted or needed, with the majority of them citing financial reasons as the primary reason. Additionally, University of British Columbia researcher Lori McElroy found that students with little or no debt were more than twice as likely to finish their degree than students with high levels of debt. The completion rate for students with under $1,000 of debt was 71 percent, while the completion rate for those with over $10,000 was 34 percent. Though education should act as a social equalizer, the burden of tuition fees weighs far more heavily on the budgets of the poorest Canadians.

In order to reduce economic and social inequalities among regions and individuals as well as increase competitiveness nationally and internationally, provincial governments must prioritize affordable post-secondary education. Even though the Government of Newfoundland and Labrador has taken important steps to improve student financial assistance, average student debt remains at approximately $20,000. Starting a life post-graduation with student debt limits delays other economic milestones, such as buying a home which now takes an average of 12 years, compared to 5 years in the 1970’s.

User fees (tuition and ancillary fees) have increased in NL by over 71 percent since 1992-93, over four times of rate of inflation. The Canadian Association of University Teachers reports that while tuition fees in Newfoundland and Labrador may be among the lowest in the country, more students from the province are forced into debt than the national average. It is difficult for students to earn enough to pay for post-secondary education. The summertime employment rate for young people (15-24) in this province is only 50.6%. Almost twice as many young people have part-time summer jobs or are unemployed, compared to those with full-time jobs. Thus most students need to either have savings and deplete them, obtain financial assistance (grants or loans), or have parents with the means to pay for their education, which, in a province that has been in recession for several years, is increasingly fewer people. The best way to address the upfront cost to post-secondary education is to progressively eliminate tuition fees and ancillary fees since these financial barriers are cited as the main deterrent to post-secondary education.
INTERNATIONAL STUDENTS

The rising cost of post-secondary education with the declining birth rate, have resulted in a smaller pool of eligible university and college students graduating in a variety of fields including health-care, engineering, social work, and more. International students present a potential boon to the population and can fill positions in fields that desperately need more trained professionals. The province’s immigration plan in *The Way Forward* recognized this, stating “Immigration is a key component of economic and labour market growth in Newfoundland and Labrador and contributes to the social and cultural vibrancy of the province.” In conjunction with this commitment and the goal of having 1,700 immigrants annually, in the last year the government announced two programs for international students *My First Job in NL Pilot Program* and the *Student Internship Pilot Program*. These measures are a great first step in attracting highly skilled, talented, and creative young people who have already adjusted to our culture and our weather, and have likely made friends and connections in the community. However, any policy to attract international students will be greatly hindered while differential tuition fees are in place. Increasing tuition fees for international students at MUN by 30% is counter-intuitive of the goals in *The Way Forward*.

International students including their visiting families and friends, contributed almost $11.4 billion to economic activities in Canada in 2014

Recently, Global Affairs Canada released the result of their study on the impact of international students on the Canadian economy and the findings were overwhelming positive. The study, titled *Economic Impact of International Education in Canada*, found that the “total annual expenditure of international students including their visiting families and friends, contributed almost $11.4 billion to economic activities in Canada in 2014. This translates to $9.3 billion in GDP contribution to the Canadian economy. This $9.3 billion figure includes $6.7 billion contribution to GDP in direct value-added associated with tuition, food, and accommodation, and $2.6 billion in indirect value-added associated with firms supplying goods and services to the education services and other sectors.” In
Newfoundland and Labrador, international students had annual expenditures of over $48 million dollars with over 350 jobs created.

In Newfoundland and Labrador, international students contribute over $800,000 into the local economy

Due to its high quality of education and relative affordability, Memorial University has become the hub of the international community in Newfoundland and Labrador. However, in the past year international students have seen their tuition increase to 4.5 times that of domestic students reducing the accessibility and attractiveness of Memorial University of Newfoundland. As the tuition fee advantage at Memorial is deliberately deteriorated by policy makers at Memorial, international students are highly likely to look over Memorial and Newfoundland and Labrador for larger urban centres, especially when combined with the remote location, relative high cost of travel and living in NL, challenging climate, and lack of a developed international community. Furthermore, several post-secondary institutions recognize the value that international students bring and have started charging international students domestic fees at least to new doctorate students, such as the case of the University of Toronto and McMasters University.

Undergraduate international students pay $11,440 in tuition costs alone, over 4.5 times more than domestic students. In Newfoundland and Labrador, international students contribute over $800,000 into the local economy. This is further evidence that the exorbitant tuition fees paid by international students are not justified as their contributions to the local economy are significant.

As a distinct group of individuals, international students enrich the cultural fabric of our province while boosting our economy. Through teaching, organizing cultural events on campuses and in communities, conducting research, purchasing necessary goods and services, and paying both sales and income taxes, international students are continuously making our province a better place. Further, by simply living and working here, international students bring diversity to the province’s population and promote equity, regardless of cultural or racial background. They bring a wealth of unique knowledge and experience to our university and college, and the communities they live in, enhancing the educational experience for all students and citizens of our province.
In 2009, the provincial government showed its support against a proposed fee hike for international students at Memorial University. The current government must now take bolder steps to legislate the progressive reduction of fees for international students, starting with funding to Memorial University earmarked to reverse and eradicate differential fees for international students.

**ANALYSIS**

Free education is a viable opportunity for the future of this province. Several countries in the Organization for Economic Co-operation and Development (OECD) offer post-secondary education at zero or near-zero tuition levels. Denmark, Finland, Sweden, Norway, Estonia, Slovenia, Poland, Turkey, and the Slovak Republic all offer free tuition. Other nations including Austria, Germany, Luxembourg, Belgium, and Hungary offer accessible education with tuition at less than $1,000.\(^2\) Denmark, while having zero tuition, also pays students a monthly stipend to cover housing and food costs. This was once the case in Newfoundland and Labrador. Many sitting MHAs benefitted from this and credit this policy as how they were able to afford to get an education.

In Newfoundland and Labrador, the tuition fees and ancillary fees at Memorial University and the College of the North Atlantic, total about $87 million.

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3 MUN Annual Report 2017, [https://www.mun.ca/finance/financial_statements/](https://www.mun.ca/finance/financial_statements/)

in tuition. For context, $87M is just under a quarter of the funding the province provides to those institutions (approx. $370M to $390M).

**There are many potential sources of funding to cover the costs of making tuition free:**

- The tuition tax credit and the GST exemption on tuition would no longer be claimed, and the tax expenditures on this item would be eliminated freeing up $X budgeted annually;
- New revenue sources, e.g. revenues from the coming carbon tax, will be in the order of $400M annually, if the province sets the tax rate at the lowest possible level under the federal backdrop (and more if the province sets the rate higher); and
- Increases to existing revenue sources, e.g. increases to corporate income tax rates for large corporations, or to the top income-bracket personal income tax rates.

There is more than enough money currently in the system to eliminate tuition and ancillary fees for all learners. Minor reallocations of funds and political will, is all that is needed.
Recommendation 2:

In 2014, our province introduced one of the only fully needs-based-grants systems, greatly reducing student debt and no longer punishing those who are too poor to afford an education. In order to improve financial assistance and reduce the burdens of debt on the students who are most vulnerable, the provincial government must reinstate the full needs-based grants program;

One in four cite debt aversion as their principal deterrent to pursuing studies

Newfoundland and Labrador families are making incredible sacrifices to prepare themselves for an evolving workplace in a dire economic situation. Tuition fees and other financial considerations foster an aversion to debt that prevents many students (and parents) from making post-secondary education a priority. Debt is responsible for lower levels of university and college completion, not to mention financial stress that is disproportionately borne by those from low-income backgrounds. After graduation, student debt distorts career choices, especially for professionals, which in turn affects certain populations’ access to services, such as health care and legal aid. Studies of medical and law students found that they expect to seek higher paying jobs in fields or regions that are not necessarily their first choice.

Debt aversion is the personal calculation that the sacrifice of debt accumulation and repayment are not worth the return from post-secondary education, and is one of the biggest reasons youth choose against a post-secondary education. Research has found that debt aversion is strong among non-attendees in Canada. According to Statistics Canada’s Youth in Transition Survey, 70 percent of high school graduates who do not go on to post-secondary education cite financial reasons as the main factor. One in four cite debt aversion as their principal deterrent to pursuing studies, meaning those without the means to afford to pay the upfront costs to education are being denied opportunities because of their financial circumstances, and we are all hurting because of it.

In addition to being linked with lower degree completion levels, student debt also reduces the likelihood of continuing studies beyond a bachelor’s degree or college diploma. A
study of wealth and assets done by Statistics Canada shows that student debt will increasingly have an influence on the ability of graduates to participate in the economy and enjoy the quality of life experienced by past generations. According to Statistics Canada, student loan borrowers were less likely to own a home, had lower assets, and lower net worth than those who did not have student loans. Additionally, if a student has difficulty repaying their loan, it is recorded in the student’s credit report, limiting their ability to finance future investments, even if their financial situation improves.

A lack of adequate student financial assistance also has considerable impact on a student’s success rate while in school. The number of college and university students being forced to work while studying in a vain attempt to finance post-secondary studies is rising. In 2007, over 80 percent of full-time students were employed part-time while studying, with almost 6 percent employed full-time. Studies show that working more than twenty hours a week has a negative effect on student success rates. So, although part-time work can be rewarding and help gain meaningful work experience, the pressure of having an increased work load, in addition to school work, has a negative impact on a student’s grades, retention rate, and mental health. A full system of upfront need-based grants would ease this burden and allow students from low and middle-income backgrounds the ability to fully engage in their studies and the opportunity to choose, if they have the ability and time, to pursue part-time work.

It was detailed in a 2017 national survey\(^5\) that graduates in Atlantic Canada had the highest average debt load of any region in the country, at $20,493,\(^6\) and a third more than the national average of $14,763. Average amounts still owing by graduates were also the highest in the country, and at $17,087 are two-thirds more than the national average of $10,506. As of 2017\(^7\) there were: “29,145 loans outstanding for the whole portfolio (loans owned by the Corporation and by the Department of Advanced Education, Skills and Labour) totaling $102.5 million ($98.6 million principal and $3.9 million interest receivable).” These are just provincial figures, and do not include the federal loans, which will accrue interest, or bank loans. The overall indebtedness for the province, including

\(^{5}\) IPSOS, “Three in Four (77%) Canadian Graduates Under 40 Regret Taking on Student Debt” Sept 2017

\(^{6}\) This average includes the 28% of graduates with no student debt (as with other figures in this paragraph). If we exclude those, and consider only those with student debt, the average figure is higher, at $28,413,.

\(^{7}\) Student Loan Corporation, 2016-2017 Annual Report
\(\text{http://www.aesl.gov.nl.ca/publications/annualreport/slc_2016_17.pdf.}\)
federal loans, appears to be $440 million, although this is a different data source\(^8\) and thus might not be comparable to the above figures. It is difficult to find reliable data for how long it takes residents of NL to pay off their debt. Canadian student loans are generally paid in about 9.5 years, but can be extended up to 14.5 years (maximum limit).\(^9\) This robs graduates who must avail of financial assistance of their full ability to contribute to the economy, and, ultimately, hurts us all in the end.

Student debt does not affect students equally. Statistics Canada data shows that 52 percent of full-time post-secondary students aged 18-24 whose parents earned less than $40,000 received a loan from the federal government in 2000. By comparison, only 14 percent of students whose parents earned more than $80,000 received a public loan. In addition, more women students received federal loans than did their male counterparts (34 percent versus 29 percent). These gaps highlight the challenges faced by students from both low-income and marginalized backgrounds.

Students are still facing rising rental costs, high gas and oil bills, increasing textbook costs, and an overall increase in the cost of living. Student financial assistance in Newfoundland and Labrador is critical for providing support to those students without the resources to pay for the individual costs of an education.

For an investment of approximately $13 million per year, the remaining provincial loan system could be replaced with a full provincial program of non-repayable grants that would help over 7,000 students per year. The Federation recommends that the provincial government continue to progressively expand the grant program until the loan portion is once again, completely eliminated. Such a move would secure Newfoundland and Labrador’s place as a leader in ensuring access to post-secondary education in Canada and serve as a model system of student financial assistance for other provinces.

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\(^8\) StatCan, “Survey of Financial Security (SFS), assets and debts held by economic family type, by age group, Canada, provinces and selected census metropolitan areas (CMAs)” https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110001601&pickMembers%5B0%5D=1.3&pickMembers%5B1%5D=3.1&pickMembers%5B2%5D=5.1&pickMembers%5B3%5D=4.1.

Recommendation 3:

Restore core funding to 2013/2014 levels for Memorial University of Newfoundland and the College of the North Atlantic to ensure all programs maintain high levels of performance with necessary accreditation and research capacity.

Government funding for post-secondary education, in the form of core operating grants allocated on a per-student basis, is required to ensure long-term, high-quality university and college education in Newfoundland and Labrador.

Budgetary cuts to the Department of Advanced Education, Skills, and Labour equate to almost $60M in just 4 years

Facing government funding cuts in the 1990s, our province’s College and University resorted to eliminating programs and downloading the cost of learning onto students through tuition and ancillary fee hikes. Many students no longer had access to training programs, and campuses were scheduled for closure due to low enrolment. As a result of chronic underfunding, and despite history and students advising against it, these same outcomes are happening today.

The Government’s annual financial reports (“Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund”\(^\text{10}\)) include spending through the Department of Advanced Education, Skills and Labour. From the combination of indicators, we know that the total spending of the Department of Advanced Education and Skills was reduced by the following amounts:

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<td>$758,793,810</td>
<td>$712,951,474</td>
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\(^{10}\) [https://www.fin.gov.nl.ca/fin/public_accounts/](https://www.fin.gov.nl.ca/fin/public_accounts/)
In particular, Memorial University has faced successive cuts to both the overall budget and the total operations spending. It is important to note that the uptick of about $18M in 2018 doesn’t reflect operational funding, which declines in every year. The increase is attributable to a new spending sub-item: “Loans, Advances and Investments” for Physical Plant and Equipment. Loans, Advances and Investments doesn’t appear in previous years. As the tables below show, from 2014/2015 to 2017/2018, there have been reductions across the board with the total reduction in the operations spending of $30,127,835.

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<td>Total operations</td>
<td>$363,020,035</td>
<td>$324,002,200</td>
<td>$321,828,130</td>
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<td>spending for “Memorial University”</td>
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<td>0</td>
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As the province heads towards a labour shift and increasing levels of unemployment, it is essential to have a highly skilled and educated workforce. In particular, the public college system in the province is in need of increased core funding if it is to meet the demands of the labour market in coming years. Expansion of college campuses and increases in available seats are imperative as the waitlists for certain programs discourage many potential students from attending post-secondary studies or pushes them towards the private college system, guaranteeing these students an increased debt load and a higher chance of defaulting on their loan.

Yet, time and time again in the past year, we have seen programs under fire for fear of losing their accreditation, students not getting the level of training needed, safety procedures not being followed, and students left in the limbo as these programs struggle to meet expectations.
The College of the North Atlantic provides an impressive benefit/cost ratio estimated at $11.50 earned for every dollar of provincial tax money invested in it. From a narrow investment perspective, the Newfoundland and Labrador government can expect to earn a 13.1 percent return on this investment into post-secondary education. Therefore, while the individual student benefits from a high-quality and accessible post-secondary education system, funding this system in Newfoundland and Labrador adds to the overall quality of life in this province and it should be viewed as a strategic financial investment in our entire society. In a time of economic insecurities, it is funding in education and other social safety nets that will ensure a high quality standard of living.

While the provincial government must continue to increase funding to both Memorial University and the College of the North Atlantic, the cooperation of the federal government is required for the development of a high quality and equitable post-secondary education system. The provincial government should work with other provinces to pressure the federal government for the creation of a dedicated transfer payment for post-secondary education, governed by principles similar to those contained in the Canada Health Act.
Conclusion

The Canadian Federation of Students was founded on the principle that post-secondary education is a basic human right and therefore, regardless of socioeconomic backgrounds and geographic locations, every citizen should be able to access higher learning. The recommendations in this submission reflect this founding principle.

This budget will set the priorities of the government for the coming year and it is an opportunity to continue making meaningful movement towards the overall equalization of our society. While acknowledging competing demands for provincial budget allocations, students believe that there can be no higher priority than post-secondary education.

Now is time to reinvest in post-secondary education. Reducing student debt, reducing up-front costs and financial barriers, and increasing core operating funding to the College and University are all key public policies if we are to reestablish Newfoundland and Labrador a centre of high-quality and accessible post-secondary education. The recommendations contained within this document will attract and retain youth to our province, something we desperately need right now. Amid challenging economic times, it is more important than ever to increase investments in post-secondary education, which is proven to be one of the best ways to stimulate an economy, increase health outcomes, and reduce the burden on other social programs.

Access to university or college training is one of the most reliable determinants of a
Funding a high-quality, accessible post-secondary system generates multiple economic spin-offs and reinvestments in society. As such, the government’s involvement in funding and managing post-secondary education is therefore arguably the most important of its charges.

The Canadian Federation of Students remains committed to working with the Government of Newfoundland and Labrador to create a post-secondary education system that contributes to a prosperous province for all Newfoundlanders and Labradorians and trusts that the Department of Finance will choose to make the investment in an accessible and affordable post-secondary education system a top priority in the coming year.