

2007-2008 BC Budget

Introduction

BC's Budget 2007 describes a strong financial position for the province, yet offers no relief for students suffering under the second highest average student debt in the country, currently \$26,675 according to the federal government. In 2006, the BC Government generated a record surplus of \$2.8 billion. Recognising the province's generally strong economic position in pre-budget consultations, it was clear that British Columbians expected more investment in public services, to ensure that all of BC is able to benefit from the strong economy.

BC Economy Would Benefit More From...



Mustel Group, January 2007 Omnibus Poll

While the BC Government pays lip service to British Columbian's stated priorities, the details of Budget 2007 tell a different story. The largest expenditure is the second biggest personal income tax cut since the BC Liberal party took office in 2001 - \$1.5 billion over the next three years. Meanwhile, user fees for a number of public services, including post-secondary tuition fees, will increase, meaning low and middle-income families will not see any benefit from their share of the tax cut.

Budget 2007 purports to react to public concern about high tuition fees and high student debt, but offers superficial and ineffective remedies, including:

- a post-secondary 'Children's Education Fund' that will not be available until 2026 and will offer no relief if tuition fees continue to increase;
- a small allotment over three years for scholarships and internships for graduate students; and
- increases to core funding to post-secondary institutions that do not keep up with inflation.

Worse, rather than reforming the student financial assistance system to ensure that students are able to access the financial assistance they need, Budget 2007 includes a multi-million dollar cut to student loan disbursements and non-repayable student financial assistance, such as interest relief and the Loan Reduction program.

Budget 2007 can be summed up as an abundance of rhetoric, with very little action on the core concerns of British Columbians, including the escalating cost of BC's post-secondary education system.

BC's High Tuition Fees... Still Rising

Since 2002, tuition fees in BC have increased at a higher rate than anywhere else in Canada, doubling on average. Graduate and professional programs, as well as international student tuition fees, have increased at an even more rapid rate, with graduate student tuition fees nearly tripling.

In 2005, as a result of significant pressure from students, the BC Government re-regulated tuition fees, capping increases at the rate of inflation. Tuition fees in BC are now 14% higher than the national average.¹

In response to the massive tuition fee increases of the last five years, students and faculty united in calling for a 10% reduction in tuition fees in 2007 at pre-budget consultations held throughout the province. Nevertheless, despite the clear direction, the BC Government continues to take no action to reduce tuition fees.

Instead Budget 2007 keeps the 2% inflationary tuition fee cap. With this additional increase, students will pay an extra \$44 million in tuition fees in the 2007-2008 academic year. At the current rate of increase, by next year, the BC Government will collect more than a billion dollars in revenue from tuition fees from BC's 450,000 public post-secondary students.

Baby Bonus in 2026

Rather than addressing the needs of students and families now, by reducing tuition fees and re-instituting the BC Grants program, Budget 2007 includes a proposed 'Children's Education Fund' of \$1,000 to be invested on behalf of every baby born after January 1, 2007, that would be available upon the child's entry into a post-secondary institution.

Despite a negative reaction to the proposal from students, faculty, and many pundits, the 'baby bonus' was officially announced in Budget 2007, and details of how the money would be allocated were included.

The Government estimates that the fund will grow to \$2,200 by the time the first children are able to access it, in 2026. At the current rate of inflationary tuition fee increases, by 2026, average tuition fees for a four year undergraduate degree will start at \$7,226 in the first year. Without a commitment to freeze tuition fees, by the time the grant provided by the fund is available, it will do nothing to increase accessibility to post-secondary education in even a student's first year.

Not only is the fund thoroughly ineffective at addressing the lack of accessibility in BC's post-secondary system, now and in the future, it is also a regressive form of student financial assistance. Rather than targeting grants to those students who are most in need, the fund will provide a flat subsidy to every student, regardless of financial need. Should tuition fees continue to remain too high, low and middle-income children will be shut out of the post-secondary education system, while children from rich families will receive a \$2,200 subsidy.

Furthermore, there is no commitment that surplus money from the fund will be invested in the post-secondary system. Many children will not or will be unable to attend post-secondary education, leaving the danger that unused money from the fund will go toward creating artificial provincial surpluses under future governments.

Student Financial Assistance... Slashed

Budget 2007 cuts funding for student financial assistance programs by \$60 million, including a \$23 million cut to non-repayable student financial assistance programs, such as interest relief and Loan Reduction.

The explanation given, that the demand for this assistance has declined, is indicative of the limits of the current patch-work model of student financial assistance in BC. There are several different debt repayment and reduction programs operated by the BC government, with varying criteria to qualify, as opposed to a simple system of up-front needs based grants, shown to have the greatest impact on increasing accessibility through student financial assistance. As a result of the patch-work system in BC, government records indicate a decline in demand for student financial assistance, while average student debt is the highest in BC's history.

Student Loan Disbursements

Budget 2007 projects a \$37 million decline in student loan disbursements (actual money loaned) in the coming academic year. This decline is projected despite more relaxed eligibility criteria and an increase in overall enrolment. As such, the decline indicates a demographic shift away from low and middle-income participation in post-secondary education, where eligibility for student loans is highest, as a result of tuition fee increases.

Interest Relief

The only immediate action contained in Budget 2007 to address rising student debt is to ease the application process for interest relief upon graduation. The Government will delay audits of students who apply, and may offer online applications.

Graduate Student Funding

\$20 million has been allocated over the next three years for graduate student scholarships and internships. This is an important first step, as graduate students have been amongst those students who have been hit hardest by tuition fee increases over the last five years, which amount to an average of 185% more than in 2001.

However, the new funding is only guaranteed over the next 3 years, and should be viewed in the context of the Government announcing that it will create 2,500 new graduate student spaces by 2010. Furthermore, graduate student funding continues to fall well-behind comparable provinces, such as Ontario, Québec, and Alberta.

Core Funding

The Government increased core funding to BC's post-secondary institutions by \$198 million, in reaction to growing concern over the impacts of under-funding. Prior to the Budget, the BC Auditor General released a report, noting that "funding meant to be used for creating new seats ends up being used to maintain existing seats" for students.²

Over the last five years, the Federation of Post-Secondary Educators of BC has noted, per-student funding has not kept pace with inflation. Budget 2007 includes an increase in operations funding of \$116 million, and a three year funding plan that continues to leave funding slightly off-pace with inflation.

25,000 New Student Spaces

In December, the BC Auditor General released an audit on the progress toward the 25,000 new student spaces promised by 2010. The Auditor General found that, two years in, the plan is already well behind schedule, with about half of the spaces available that are needed at this stage, and that funding dedicated thus far for the new spaces is less than what is needed.²

In response to the Auditor General's Report, \$82 million was allocated to fund the seat expansion in Budget 2007. Less than 10% of the funds will actually be spent this year, despite the expansion being well-behind schedule. Nearly three quarters of the funding will be allocated in 2009, right before the next BC election.

Furthermore, with Budget 2007, the government has quietly extended the deadline for delivery of the seat expansion to 2011.

Training and Apprenticeships

The government's \$33 million commitment to fund 7,000 apprenticeship spaces will be spent over three years, with \$7 million to be spent this year. Once again, the bulk of the spending (\$15 million) will not be allocated until 2009, despite the current skills shortage. Instead of rebuilding BC's public training system today, the provincial government resorted to the stop-gap measure of individual training tax-credits awarded directly to businesses and individuals.

Conclusion

Public opinion polling by Ipsos-Reid on the public's priorities for post-secondary education shows that 80% of British Columbians support reducing tuition fees, and 87% support increasing grants to students. The Mustel Group Omnibus Poll, published in January 2007, illustrates that funding for post-secondary is a significantly higher priority for British Columbians than tax cuts.

Nevertheless, over the last five years, the BC government has doubled tuition fees in the province while at the same time averaging surpluses of \$2 billion per year.

Individuals making \$100,000 a year in BC now pay the lowest taxes in the country, while low and middle-income individuals will see their tax cuts eaten up by higher user fees and an escalated cost of living. Yet again, Budget 2007 ignores the clearly voiced concerns of British Columbians in favour of an ideological and reckless choice to slash taxes.

Sources

1. Statistics Canada. University Tuition Fees. *The Daily* Friday September 1, 2006. Retrieved February 21, 2007 www.statcan.ca/Daily/English/060901/d060901a.htm
2. British Columbia. Office of the Auditor General. Government's post-secondary expansion — 25,000 seats by 2010. December 2006.