The June Election (P1)
With a federal election looming, the candidates are rolling out their election platforms. What's in store for education? Our lead story.

I Love You Brad, But... (P5)
EPI takes a look at the marriage penalty in Canada’s student loan industry.

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Research Report

EPICentre Election Special

With a Federal election looming for June 28th, all major political parties have now released their platforms. In this special edition of EPICentre, we look at what the parties are promising with respect to education.

Early Childhood Education, not Post-Secondary Education (PSE), the Main Program Spending Focus in this Election

The Conservative Party has not made any specific platform commitments on childcare, preferring instead to help families though a $2,000 per child tax deduction (a commitment which will only take full effect in the 2007-08 fiscal year). The Liberals and New Democrats have made major commitments to childcare, but there are major differences in the costing of their platforms that are worth examining.

The New Democrats are promising $5.2 Billion over 4 years for childcare, with spending going up immediately by $1 billion and ramping up slowly thereafter to $1.6 billion by the 08-09 fiscal year. This, they claim will result in 200,000 new spaces by the end of the four year period (with lesser amounts in earlier years). The Liberals, on the other hand, are promising $5 billion over 5 years on a new national childcare program (no year-by-year costing forecasts are available from the Liberal platform) but have not made any specific commitments as to the number of spaces to be created. This appears to be due to a belief that implementation will vary across the country and is in any event heavily dependent on provincial co-operation. The NDP, on the other hand appear to take provincial co-operation for granted.

Also of note is the fact that the two parties are using slightly different numbers to validate their claims. In a 1998 study on the costs and benefits of public childcare in Canada, pro-childcare University of Toronto economists Gordon Cleveland and Michael Krashinsky have estimated the cost of a public childcare spot at $8,500/year; with inflation, this figure would now be over $9,000. In a detailed press release made available on June 3rd (replaced by a more ambiguous one on June 4th), the Liberals imply that the basis of their plan is that each quality daycare space costs between $8,000 and $9,000 per child per year. The New Democrats, on the other hand appear to be working under the assumption that a childcare spot costs $8,000. So while the NDP plan is superficially more generous in creating

Prime Minister Paul Martin and his fellow Liberal Party members hope to keep control of the House of Commons on June 28th.

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Election (continued from Page 1)

spaces, it is based on assumptions that appear to lightly underestimate the cost of quality child-care.

In Post-Secondary, Parties Are Focusing on Students, Not Institutions

Serious money for institutions – either directly or through provincial transfer payments - are conspicuously absent from Tory and Liberal platforms. Even the NDP proposal on increased funding for institutions appears to be tied to lower tuition fees for students, suggesting that institutions will not come out much further ahead, if at all. All parties, on the other hand, are making promises regarding loan and grant programs and two of them are also making promises regarding savings programs – anything that puts money in the hands of individuals. The only exception to this rule, curiously enough, comes from the Bloc Quebecois which has adopted the position of the Association of Universities and Colleges of Canada (AUCC) in calling for the waiving the GST for all post-secondary institutions.

This leads to the somewhat bizarre situation where of all the major federal parties, it is the decentralist Bloc Quebecois that appears to be offering the most to post-secondary education institutions.

Research Spending Largely Absent from Party Platforms

The NDP has a vague and uncosted statement about increasing research funding, but the phrasing is such that it is unclear whether the party will require universities to renounce certain types of corporate funding, so this money may not increase institutional funding significantly. The Liberals, despite a commitment in the 2000 budget to make Canada among the top five in the world in spending on Research and Development, have only committed to putting additional funds into a very small program, announced in the 2004 federal budget, to improve the commercialization of university research. The Tories are effectively silent on research. Given the general consensus about the importance of research in a knowledge-based economy, this general silence is puzzling to say the least.

Liberals Stand Pat on Post-Secondary Education

The Liberal party platform promises almost no new spending on post-secondary education; the one exception being increased funding to a tiny program addressing the commercializing university research. The platform is therefore restricted, essentially, to implementing this winter’s budget measures (not all of which took force of law prior to the dissolution of Parliament) which include:

- Raising loan limits and relaxing parental contribution criteria on the Canada Student Loans Program
- Implementing a grant for low-income students
- Introducing the Canada Learning Bond
- Increasing the Matching Savings rate on the Canada Education Savings Grant
- A series of adjustments to Canada Student Loans Program elements dealing with debt reduction and students with dependents
- A series of measures dealing with commercialization of research

This is not to say that a Liberal government would not invest in post-secondary education. Among its major initiatives in education in the past seven years, only the very small Canada Study Grant for Students with Dependents was a manifesto commitment. The Canada Millennium Scholarship Foundation, The Canada Foundation for
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Innovation, the Research Chairs, the Canada Education Savings Grant, the Canada Learning Bond, and the many improvements to the Canada Student Loans Program were all created without manifesto commitments. It is therefore unlikely that the lack of detail on PSE in the platform means that a Liberal government will be miserly towards PSE; more likely it means they have no specific ideas for any targeted programs on PSE at the moment and are unwilling to commit themselves to increased transfer payments. In effect, the Liberals, who continue to talk a good game on post-secondary education on the campaign trail, are saying: “trust us, we’ve done well in the past”.

Conservative Platform Outsourced to Liberals

In one of the campaign’s more interesting cases of wholesale theft, the Conservative platform is essentially to implement the Liberal budget of March 2004. Out have gone a whole raft of ideas about income-contingent loan repayment and eliminating parental contributions from student loans. In has come a platform that allows the Conservatives to claim that they are as generous and specific on education policy as the Liberals. The Liberal decision not to make any promises on PSE has thus afforded the Conservatives an opportunity to eliminate any daylight between the two platforms on an important social policy issue.

There are two noteworthy differences between the Liberal and the Conservative platforms. First, the Conservatives have not matched the Liberal promise on the commercialization of university research. Second, as part of their tax reduction platform the Conservatives are creating a “Registered Lifetime Savings Plan”, which they describe as a “mirror-image” of an RRSP to help people save for homes, education, etc. This proposal appears reminiscent of Individual Savings Accounts ‘seen in the USA’. However, since no deduction is planned for contributions and no subsidy has been allocated for the program within the party spending plan, it is hard to see how these will differ from an ordinary bank account.

Finally it should be noted that there is a “phantom” difference between the Liberal and Conservative platforms: the Conservatives include costs associated with the implementation of the 2004 budget in their spending plans while the Liberals do not. This is simply a reflection of different accounting methods.

New Democratic Party Platform: Ambitious but Vague

The NDP has made an ambitious set of promises regarding post-secondary education, including:

- A 10% across-the-Board reduction on tuition fees and a freeze thereafter
- Increased public funding of research to “halt the privatization of research on campus”
- A new needs-based grants program to replace the Canada Millennium Scholarship Foundation
- Crediting all interest accrued on the Canada Student Loans program against graduates’ income taxes
- Establishing a national training strategy and support for lifelong learning for workers to address current and anticipated skills shortages
- Create a Canada Post-Secondary Education Act that, in return for stable, long-term funding, would prevent the creation of private, for-profit colleges and universities

The NDP is the only major party to offer specific new directions in post-secondary education. However, while the NDP has made a number of bold promises, it seems unable to provide specific costing details with respect to these promises and at times betrays a lack of knowledge of the existing PSE system.

The NDP platform criticizes the Millennium Scholarship Foundation for “not helping students” and proposes a national system of need-based grants instead. Yet the reason the Foundation’s bursaries do not help students to the extent originally intended is precisely because the Foundation gives out need-based grants. The problem – known as displacement – arises because the Foundation is required to give money to students with the highest need, many of whom are frequently already receiving assistance from provinces. Foundation money therefore often ends up simply replacing provincial money. Any Government-run need-based grant program proposed by the NDP would run into exactly the same problem as has the Millennium Foundation. (as indeed is the case with the Canada Study Grants for Students With Dependants, which also created significant displacement when it was created)

On student loans, the NDP promise to credit interest accrued on student loans is curious because such a provision has been in the tax code since 1998. There is some confusion regarding the NDP platform on student loans because one of the party’s “issue sheets” goes well beyond the platform text and promises to make student loans interest-free throughout the life of the loan. If this is true, the cost of implementation is roughly $300 million/year.

Finally, there is the NDP promise on tuition. It appears as though the party is assuming that it can create a new, tied grant to provinces and make funding conditional on reductions in tuition fees. Based on recent data, the cost of this promise would start at $400M/year and rise, due to inflation and increasing student numbers, to $490M/year by the end of the mandate. However, the promise assumes that provinces would agree to conditionality on an education
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transfers. Quite apart from any ideologi-
cal views on tuition levels, it seems
unlikely that either Quebec or Alberta
would accept such conditionality, on a
transfer payment though others might.

The Bloc Quebecois: A Distinct
Platform

No surprises here: the Bloc Quebe-
cois says education is a provincial rather
than a federal matter. Yet the Bloc
makes two very specific promises, one
small and one large. The smaller of the
two is a commitment to eliminate the
current provisions of the Bankruptcy
Act that prevent student loan debtors
from clearing a student loan via bank-
ruptcy for ten years (the NDP made a
similar promise). The larger promise
involves exempting PSE institutions
from the GST, a promise estimated to
cost somewhere in the region of
$250 million/year.

Impact Analysis: Lib/Cons have
small, progressive promises while the
NDP has large, less progressive
promises

While the NDP stands head and
shoulders above the other parties in
terms of the size of their financial
commitments, it does not fare so well
in terms of ensuring that money goes
to those who need it the most. Both the
Liberal platform and its Conservative
cloned promise targeted funding to low-
income parents through the Canada
Learning Bond and changes to the
Education Savings Grant Program, and
a smaller amount of money to middle
and upper-income parents. The NDP
policies on the other hand, while
ostensibly designed to help low-income
students, in fact tend to end up distri-
buting more money to wealthier families.

Using the analytical framework de-
veloped by EPI for assessing the distri-
bution of student assistance money by
income quartile\(^5\), we find that nearly
60% of the money distributed through
a tuition freeze will end up in the hands
of student from families with above-
average incomes. In the case of the
need-based grants proposed by the
NDP, nearly 40% of whatever goes out
in a need-based grant will assist students
from families with above-average
incomes (and this in addition to what-
ever money will be lost to the provinces
through displacement as the new grants
interact with existing provincial pro-
grams). This is in stark contrast to the
income-based approach taken by both
the Conservatives and the Liberals
which concentrates grant assistance
more effectively on students from low-
income backgrounds.

This is not to say that the NDP is
“less progressive” than other parties.
Through its initiative and broad state-
ments it is clear that the party is very
concerned about accessibility and in
particular the financial aspects of
accessibility. However, the NDP
platform appears to rely on a particu-
larly inefficient set of policies to achieve
this goal.

1 The June 3rd press release is still available at http://www.liberal.ca/news_e.aspx?site=news&news=596, but
is not accessible through any links on the Liberal site; it has instead been replaced by http://www.liberal.ca/
news_e.aspx?site=news&news=601
2 Evidence for this comes from Prime Minister Martin’s off-the-cuff remarks at CBC’s “Great Canadian Job
Interview” on June 4th. The Prime Minister suggested
that he thought it was time to separate the $14.9 billion
Canada Social Transfer into two separate transfers for
welfare and post-secondary education and that the latter
should get to “about $7-8 billion dollars”. Such a policy
is not even vaguely hinted at in the Liberal Platform;
most likely he simply meant that splitting the CST in two
would give one a dedicated transfer of about $7.5
billion. The Prime Minister’s remark suggests that the
Liberals are clearly thinking about future initiatives on
post-secondary education but are not, at present, making
any specific promises.
3 Based on 6% interest on an outstanding loan portfolio
of approximately $5 Billion,(EPI calculations)
4 Based on tuition fee data from Statistics Canada, EPI
estimates the cost at $400 million/year, which will need
to rise by at least 3% annually in order to compensate for
institutional cost increases associated with inflation and
another 4%/year to accommodate student population
growth.
5 Available in the two EPI publications: Who Gets What?
The Distribution of Government Subsidies for Post-
Secondary Education in Canada, and Are the Poor Needy?
Are the Needy Poor?, both by Alex Usher and available at:

Coming Soon...

Latino Youth and the Pathway to
College (June 23)

Produced by EPI for the Pew
Hispanic Center in Washington, DC,
this report documents the educa-
tional pipeline of Latino students
using a major national survey
sponsored by the US Department
of Education. The publication will
be available at educationalpolicy.org
on June 23.

Changes in Tuition Policy: Natural
Policy Experiments in Five
Countries

This study explores the relation-
ship of various tuition policy shifts
in 10 jurisdictions within 5 countries
on university enrolment patterns.
Conducted by EPI for the Canada
Millennium Scholarship Foundation,
this publication will be released in
mid-June. A second publication
sponsored by the Foundation, A
Comparison of Four-Year Tuition and
Fees and Relative University Affordability
in the United States and Canada, will be
released later this summer.

The Price of Knowledge 2004

EPI is assisting the Millennium
Scholarship Foundation in the
development of the second edition of
The Price of Knowledge. Due out in
September, this edition will provide
detailed information regarding post-
secondary education in Canada.
I Love You, Brad, But You Ruin My Student Loan Eligibility

Roughly one in ten students in Canada is married. Married students, on average, are older than their non-married counterparts; roughly two-thirds of all married students are over the age of 25, compared to less than one in five students overall.

Married students receive very little attention as a student subgroup. If they have children, they become “students with dependents” and suddenly become eligible not only for a special set of grants but also – in many provinces – higher assistance limits as well. And yet married students deserve some further inquiry because student assistance programs treat them very differently than they do non-married students. In a few cases, this separate treatment is to the benefit of the student. In most cases, however, getting married is just about the worst financial decision one could ever make. This is because there is a significant “marriage penalty” built into most of the Canadian student assistance system.

The report is an intensive policy analysis of rules surrounding expected spousal and parental contributions in Canadian student aid programs. In order to understand the financial implications of marriage for Canadian students, the paper takes a hard look at the effective tax rates (that is, taxes plus contributions) that married couples face when one spouse decides to attend post-secondary education.

Being married as a student has a number of possible effects on eligibility for student assistance depending on one’s age and the employment status of one’s partner, as shown in Table 1.

Outside Quebec, outdated student assistance regulations effectively assume that all married students are married to other students. When this is true, current rules concerning spousal contributions make perfect sense. In those cases where it is not true, and the spouse is in the labour force, expected spousal contribution rules are so punitive that it is virtually impossible for married couples with combined incomes over $40,000 to obtain a student loan. In effect, governments have set up rules that require the spouses of married students to pay close to 90% of any marginal income over $20,000 in taxes or contributions to their spouse. If the spouse does contribute this amount, the student will be left with a funding shortfall that governments refuse to make up.

More striking that the raw levels of expected contribution is the fact that these levels are far in excess of what is demanded of parents in contributions. In fact, at any given level of income, spouses are required to contribute $15,000 more than parents to a family member in post-secondary education. The net effect is to exclude married students with working spouses from student loans, as shown in Figure 1.

As part of the package of measures announced in the 2004 Budget, the Government of Canada is currently looking at contribution rules, especially as they apply to parental contribution. It should therefore take this opportunity to extend its review to spousal contributions as well. The current policies – presumably unintentionally – are unjustified and discriminatory to married students. The model used by Quebec is simple, easy and fair, and deserves to be adopted by other governments at the earliest opportunity.

Table 1. The Effects of Marriage on Student Aid Eligibility

<table>
<thead>
<tr>
<th>Spouse does not work</th>
<th>Spouse works</th>
</tr>
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<tbody>
<tr>
<td>Student is Dependent</td>
<td>No change if parents are low-income; otherwise eligibility increases.</td>
</tr>
<tr>
<td>Student is Independent</td>
<td>No Change</td>
</tr>
</tbody>
</table>
The study’s main findings are:

- Families with one spouse in school are required to devote close to 90% of every dollar earned over $10,000 to taxes or educational contributions or face funding shortfalls from student loan programs.
- Families with one spouse in school with incomes over $40,000 are effectively ineligible for student loans, even if only one spouse works.
- At any given level of income, spouses are expected to contribute thousands of dollars more to a student’s education than are parents.

Improving Educational Outcomes for Students with Disabilities

This new publication, written by EPI with the American Youth Policy Forum, explores how attitudes and expectations for students with disabilities are changing as a result of No Child Left Behind (NCLB). The paper finds that there is strong support for increasing expectations for students with disabilities and helping them to improve their academic outcomes. However, there is concern about how states and schools will manage this process, largely as a function of lack of knowledge of effective interventions and strategies. In addition, the paper looks at the impact of the Individuals with Disabilities Education Act (IDEA), the federal law supporting educational access to students with disabilities, on student outcomes and how well IDEA and NCLB are aligned. The paper concludes with a series of recommendations on how to direct support so that the United States can “stay the course” on high expectations for students with disabilities. Download the report from www.educationalpolicy.org/publications.

CMEC-OECD-Canada Seminar on Student Financial Assistance

EPI helped stage an international seminar in Quebec on May 3-4. The seminar, sponsored by the Council of Ministers of Education Canada (CMEC) and the Organisation for Economic Cooperation and Development (OECD), brought together researchers from across the globe to discuss current and future trends in financial assistance.

EPI Vice-President Alex Usher presented a paper at the seminar, entitled Encouraging Savings for Education: An Overview of an Emerging Policy Field. The paper is currently available at www.cmec.ca/stats/quebec2004/Usher.en.pdf.

EPI Hosts Reception at Student Aid Research Conference

EPI hosted a cocktail reception at the 21st Annual Student Aid Conference this June in San Francisco. Supported in part through generous contributions by EdFund, Occidental College, and NASSGAP/NCHelp, the reception provided a pre-conference networking opportunity for attendees.

EPI Develops Outreach Manual for NCAN

The National College Access Network (www.collegeaccess.org) contracted EPI to develop a manual for pre-PSE outreach professionals. The manual will be disseminated by NCAN to its member programs to ensure that they offer quality programming to needy students.

Visit www.educationalpolicy.org for more EPI news and publications
The Educational Policy Institute (EPI), in association with the New England Association of Schools and Colleges (NEASC), conducted a report on work-based learning and university-level education in the United States. The findings of a national survey administered to first-year students at eight (8) four-year institutions in the U.S. regarding their work-based learning experiences during high school were combined with a subsequent transcript analysis that included university grade point average, credits earned, and student persistence.

Following are the findings in brief:

- Two-thirds (68.6 percent) of the sample participated in at least one work-based learning activity.
- Females were more likely than males to participate in at least one work-based learning activity (73.3 vs. 62.7 percent, respectively). However, the gender gap dissipated as the number of activities increased.
- 57.3 percent of the cohort expected to pursue academic studies beyond the four-year bachelor’s degree.
- 71 percent of respondents indicated that they learn better through hands-on projects and real-world application than through classroom or textbook instruction.
- Almost half (44.5 percent) of the participants said that high school work-based learning activities furthered their interest in higher education.
- 60.5 percent of students who participated in at least one high school work-based learning activity and 64.1 percent of those who participated in two or more activities earned a college GPA above 3.0, compared to 58.3 percent of the entire cohort.

The authors conclude that students who participate in a high school work-based learning activities achieve at the four-year postsecondary level as well or better than students who do not participate in these activities. Given that vocationally-oriented students are less likely to enroll in a four-year institution of higher education, the findings that this group enrolls at the postsecondary level and does as well as other students has implications for admissions and recruitment practices.

To read more about this study, visit www.educationalpolicy.org and download the pdf on our publications page.