



**Higher
Education**
STRATEGY ASSOCIATES

The 2023 Federal Budget

A Higher Education Strategy
Associates Commentary

March 28, 2023



**CANADIAN
BUDGET
COMMENTARY**



Higher Education Strategy Associates (HESA) is a Toronto-based firm providing strategic insight and guidance to governments, post-secondary institutions, and agencies through excellence and expertise in policy analysis, monitoring and evaluation, and strategic consulting services. Through these activities, HESA strives to improve the quality, efficacy, and fairness of higher education systems in Canada and worldwide.

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Table of Contents

INTRODUCTION	7
MEASURES AFFECTING STUDENTS.....	7
Canada Student Financial Assistance Program.....	7
MEASURES AFFECTING RESEARCH.....	9
Applied Research	9
Tri-Councils	9
REGISTERED EDUCATION SAVINGS PLANS	10
WORK INTEGRATED LEARNING AND YOUTH JOBS	11
VARIA	12
Indigenous Education.....	12
Labour Market Transfer Agreements	12
CONCLUSION.....	13

Introduction

On March 28, 2023, Finance Minister and Deputy Prime Minister Chrystia Freeland rose in the House to deliver her third – and the Trudeau government’s seventh – federal budget. The backdrop to the budget was a year in which COVID fell away as a political issue, but the inflation related to COVID-and post-COVID dislocations has caused some serious economic pain over the past twelve months. As interest rates rose, the issue of the size of government borrowing became more salient. That made a return to spending restraint the order of the day, potentially squeezing many programs along the way.

From the perspective of the post-secondary sector, expectations were relatively low. On the college side, there was anticipation that some more funding for applied research was in the offing; on the university side, expectations were low but there was some level of confidence that a boost in funding for graduate scholarships was on the way. Students (and, at least in theory, the Liberals’ coalition partners in the New Democratic Party) were hoping to avoid a cut to the “temporary” (but long-extended) COVID rise in student grant aid. It was, in short, a budget that was perhaps the least anticipated in recent Canadian history.

And yet, it managed to disappoint.

Measures Affecting Students

CANADA STUDENT FINANCIAL ASSISTANCE PROGRAM

Since the Liberal Government came into power in 2015, the Canada Student Grant has seen a variety of changes. In the 2016 Budget, the Liberal government raised the maximum Canada Student Grant for full-time students from \$2,000 to \$3,000, a move funded by cutting the Education and Textbook Tax Credit. The Liberals’ 2019 election manifesto promised to raise the CSG by 30%, from a maximum of \$3,000 to \$4,200. However, before this could come into effect, COVID hit and instead

the government decided to temporarily increase the maximum CSG to \$6,000. The Spring 2021 Budget extended this temporary relief measure for two more years leaving it set to expire in July 2023. In the 2023 Budget, the 2019 manifesto promise came into effect: as of next year, the maximum CSG will be reset to \$4200 for full-time students.

Whether one views this as an increase or decrease in CSG funding depends on one's baseline. The Liberal government will certainly pat itself on the back for increasing the amount of permanent non-repayable assistance accessible to students eligible for the CSG program. Indeed, relative to a "baseline" which never treated the \$6000 maximum as permanent, this budget's actions constitute an increase of somewhere between \$500 and 550 million. However, student advocacy groups and students themselves are not as likely to meet this change with enthusiasm for the simple, equally true reason that students will collectively be receiving \$800 million less in grant funding this year than they did last.

The 2023 Budget also announced increases to the Canada Student Loan (CSL) portion of the Canada Student Financial Assistance Program (CSFA Program) by increasing the weekly loan maximum from \$210/week to \$300/week. This has been a long time coming: the existing limits were set over 15 years ago. British Columbia matched this by upping its aid limits by \$100/week in its budget of a few weeks ago. Thus, while the CSG portion of the CSFA Program decreased, the amount of federal aid that students can access increased from 13,140 in an academic year (\$7,140 loan + \$6,000 grant) in the 2022-2023 to \$14,400 (\$10,200 loan + 4,200 grant) in the 2023-2024 academic year. Provinces provide aid on top of this: if all of them move up their loan maxima in line with British Columbia, students will now be able to access over \$20,000 per year. The upside of this policy is that students will have more money to meet immediate costs. The downside: student debt will inevitably rise. And if history is anything to go by, this debt rise will happen fairly quickly. The cost to government of this measure would appear to be in the range of \$275 million per year, mainly because these loans are now entirely interest-free and hence imply a significant real subsidy.

Additionally, the requirement that mature students undergo credit checks in order to be eligible for the CSFA Program, which dates back to the mid-1990s, has been repealed.

Finally, the Budget also announced \$45.9 million over four years (or \$11.5 million per year) to expand the reach of the loan forgiveness program for eligible doctors and nurses who choose to practice in rural and remote communities. This is the cost associated for ensuring that communities with populations under 30,000 are covered by the loan forgiveness program.

Measures Affecting Research

APPLIED RESEARCH

Budget 2023 committed \$108.6 million over three years (from 2023-24) to expand the College and Community Innovation Program, which is administered by NSERC. Currently, this program is funded to the tune of about \$70 million per year, meaning that the new level of funding will be in the region of \$100 million/year. Though small compared to the overall research budget, this is a substantial increase in relative terms, which will surely be well received by the college sector.

TRI-COUNCILS

Turning to the tri-councils, the budget provides...nothing. Absolutely nothing. Given high inflation over the past eighteen months, what this means is that the “historic” increase in granting council funding provided after the Naylor Report in 2018 has now entirely vanished due to inflation. The best it can manage is the following statement:

In order to maintain Canada’s research strength—and the knowledge, innovations, and talent it fosters—our systems to support science and research must evolve. The government has been consulting with stakeholders, including through the independent Advisory Panel on the Federal Research Support System, to seek advice from research

leaders on how to further strengthen Canada's research support system. The government is carefully considering the Advisory Panel's advice, with more detail to follow in the coming months on further efforts to modernize the system.

In other words, “don't call us, we'll call you”.

Then there is the issue of scholarships and other supports to graduate students and post-docs. This has been an issue of increasing importance on campuses across the country. Many of the scholarships have not seen an increase in value in 20 years: the erosion of purchasing power has made it increasingly difficult for graduate students to act as full-time researchers, and has seriously impeded the ability of Canadian universities to make competitive offers to graduate students who are also attractive to universities in other countries. There was a general belief that this issue would be tackled in this budget; last month ISED Minister François-Philippe Champagne made some public comments which were widely interpreted as a commitment to do so (“students should stay tuned” to the 2023 Budget, he told CBC News in December).

Despite this, the government did...nothing. Zero. Bupkis. Words that also clearly reflect the government's interest in talent development.

Registered Education Savings Plans

The budget announced a change in the increasing the withdrawal limits on Educational Assistance Payments from RESPs.

There are three ways money gets into an RESP:

- ▶ A sponsor (often a parent) pays money in
- ▶ The Government of Canada (and sometimes the province/territory) adds a percentage of the sponsor's contribution through the Canada Education Savings Grant
- ▶ Funds from the first two sources appreciate via interest and capital gains, tax-free

The last two of these are considered “Educational Assistance Payments” (EAP). When it comes time for a student to withdraw money from a RESP, there is a cap on how much EAP can be withdrawn within the first 13 weeks (i.e. one semester) of a program. This cap was \$5,000 for a full-time student and \$2500 for a part-time student. This budget raises those limits to \$8,000 and \$4,000, respectively.

The practical impact of this is likely to be minimal in most situations for a number of reasons: the limits only apply within the first 13 weeks of the program and financial institutions who hold RESPs can already ask the ministry to remove the limit in individual cases, although this does involve some paperwork.

Work Integrated Learning and Youth Jobs

The main new funds for youth jobs are found in a boost in funds to the Student Work Placement (SWP) Program. The program, run by ESDC, provides work placements for both STEM and non-STEM students by providing wage subsidies to employers for hiring current post-secondary students at universities, colleges, and polytechnics. Unlike the Canada Summer Jobs wage subsidy, there are no restrictions in corporation size, and the placements can take place throughout the year. Potential program placements include (but are not limited to) mentorship programs, coops, practicums, and internships. The SWP Program has been expanding rapidly in size over the past few years, from \$76 million in 2019-20 to the current level of \$148m (and this is on top of another \$140 million per year or so being given to MITACS for similar purposes at the graduate student level.) Budget 2023 does not promise an immediate increase in funding for SWP, but rather proposes an increase in funding of \$49 million for 2024-25, bringing the total to \$197.7 million.

Varia

INDIGENOUS EDUCATION

There are no specific measures in Budget 2023 related to Indigenous education. In terms of support for individual Indigenous learners, this is not a surprise given the large and long-term funding commitments to programs like the Post-Secondary Student Support Program which were made in Budgets 2019 and 2021. However, there are a couple of obvious absences in this budget. The Indigenous Skills and Employment Training Strategy, which is meant to sunset in the next 12 months, was not indicated for renewal in this budget. That does not mean it is being cancelled – continued funding could always appear on an off-budget basis – but it does suggest that this file is not quite as high a priority as it might be. Similarly, we have yet to see much in the way of progress on a permanent formula for assisting Indigenous post-secondary institutions; a \$26.4 one-time payment for this was made in the 2021 Budget as a kind of good-faith down payment on a permanent system, but there appears to have been no progress since then.

LABOUR MARKET TRANSFER AGREEMENTS

The federal government transfers nearly \$3 billion in Canada's Labour Market Development Agreement and Workforce Development Agreements with provinces and territories for career training, skills upgrades, and job search support. The 2023 Budget includes an additional one-year investment of additional \$625 million in 2023-24 to these transfers. Absolutely no details are provided about the intended disposition of these funds.

Conclusion

While there is the odd good news story in here – like more money for applied research in colleges – in the main, this is probably the worst budget for the higher education sector in years. An \$800 million year-on-year reduction in money for student grants – long foreshadowed, not by any means a breach of promise (the injection of extra money was never promised to last beyond this July) but a big hit nonetheless. No movement whatsoever on the long-frozen value of graduate/postdoc scholarships, which places Canadian universities at enormous disadvantage when competing for international talent. No change to the granting councils, which means that by next academic year the entirety of the “historic boost” to research funding will have been eroded by inflation. In short, the amount of money leaving the post-secondary sector is significantly higher than the amount going in. By that measure, you would have to go back to 1995 or 1996 to find a budget in which the higher education sector fared worse.

The Liberals are very lucky indeed that their main opposition seems to view higher education simply as a source of culture war memes: absent that, they might have to act like a pro-higher-education party in order to win the higher education vote.

Regardless, the whole higher education sector, particularly Universities Canada and the U-15, probably need a deep re-think of how to lobby this government. What the sector is doing now clearly isn't working. That work needs to start immediately.



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