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The 2025 Federal Budget

A Higher Education Strategy Associates Commentary

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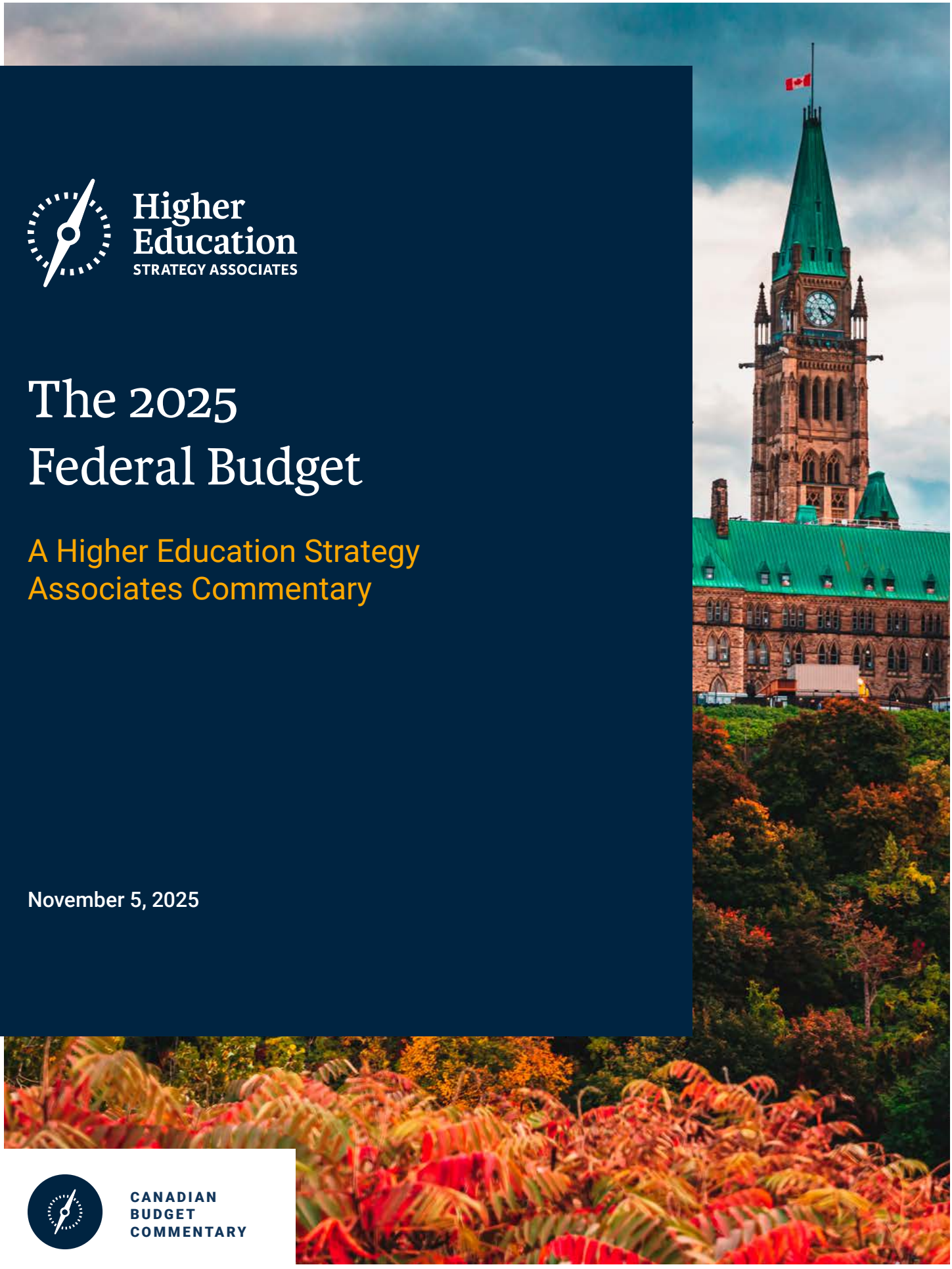

CANADIAN BUDGET COMMENTARY

Higher Education Strategy Associates (HESA) is a Toronto-based firm providing strategic insight and guidance to governments, postsecondary 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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Introduction

At 4pm Eastern Standard Time on November 4th, Finance Minister François-Philippe Champagne rose in the House of Commons to deliver his first budget and the ninth since the Liberal Party took power in 2015 (we skipped 2020, if you recall). This is also the first budget delivered under new Prime Minister Mark Carney's leadership, as well as the first budget delivered on the new, and apparently permanent, fall schedule.

The background narrative to the budget was simple: the government's fiscal situation is much worse than expected just a year ago. Revenues are down spectacularly, partly due to the impacts of American tariffs and the general economic slowdown, and partly because the Liberals made a series of (arguably unnecessary) decisions to cut taxes. Add to that that costs are heading up due to commitments on domestic security that were deemed urgent in the wake of US annexationist talk early in 2025. With future spending commitments up and revenue down, the only way the circle could possibly be squared was via aggressive cuts to existing programs. Cue a "Comprehensive Expenditure Review" which swept through Ottawa in the late summer and fall.

And how did it all turn out? Read on…

Overall Direction of the Budget

This budget was advertised as a "generational investment". It promised significant cuts at rumoured levels that inspired a preemptive panic that now appears to have been disproportionate. In reality, this budget is a sovereignty budget, with the Minister of Finance today calling it "a blueprint to defend our sovereignty". A blueprint may be a generous descriptor; in reality, much of it is a rough sketch.

The cuts – at least as they apply to the post-secondary sector – are less painful than anticipated. The deficit, on the other hand, is higher than many expected, coming in at a whopping $78.3 billion dollars. In the short term, this budget offers a temporary reprieve to colleges and universities. In the long term, it won't get the sector out of trouble.

This budget ushered in a new fall budgeting cycle and the new Capital Budgeting Framework. The fall timing is said to promote more effective financial planning for federal departments and agencies, and to provide clarity on available funding for big projects ahead of construction season. The Capital Budgeting Framework introduces a new way of classifying spending, in which spending that contributes to capital formation is differentiated from day-to-day operational spending. Capital is broadly defined here and includes: capital transfer to other levels of government to invest in infrastructure, capital-focused corporate income tax incentives, amortization of federal capital, private sector research and development, support to "unlock large-scale private sector capital investment", and measures that accelerate adding new housing supply. Within this context, spending on post-secondary and research that is not classified as enabling "commercialization or scal[ing]-up [to] raise future productive capacity" is deemed operational spending. This distinction matters: remember, this government pledged to rein in *operating spending*. This budget clearly prioritizes capital spending – and chances are this government will continue to do so.

The budget's plan to "Build Canada" ultimately invests a lot of money in many sectors, but the role this government sees for universities and colleges in its plans to build is rather limited and potentially shortsighted. There is a great deal of talk about driving research in this document, but much of this research money is actually being directed to the private sector (note that private research and development is considered capital spending under the new budget model, whereas dollars to PSIs is not). Likewise, talk

about protecting intellectual property is entirely about private sector companies, particularly SMEs. There are some proposed funds for which universities and colleges may be eligible (more in the sections that follow). In all, there is much potential spending for the post-secondary sector in this budget, but very little potential spending.

Student Financial Aid

There were two big sets of cuts to the Canada Student Financial Assistance Program (CSFAP) in Budget 2025. One is a new eligibility restriction that targets students at private for-profit colleges. The other is a billion-dollar cut to student grants. There is some ambiguity to both decisions, however, and we should expect explanations and further policy developments in both areas.

To understand the billion-dollar cut, we need to go back to 2019, when the Liberals were re-elected in part on a manifesto promise to increase the maximum value of the Canada Student Grant by 40%, from $3,000/year to $4,200/year. Here's the timeline since then:

- **May 2020:** As a response to COVID, the government announces a temporary increase in the value of the maximum grant to $6,000 for two years (fun fact, this was the same press conference where the Kielburger fiasco first came to light).
- **Budget 2022:** The government extends the temporary increase for one more year.
- **Budget 2023:** The government announces it is pulling back the grant to $4,200 per year, the same value as in the manifesto. Politically, this sounds like it should be permanent, but in fact the (reduced) funding is only extended for one more year.
- **Budget 2024:** The government announces another one-year extension.
- **Early 2025:** Although there was no spring budget, the government provided another extension to cover the 2025-26 loan year.
- **Budget 2025:** According to the table on page 273 of the budget, the extension will not be renewed past 2025-26. In other words, funding is back at the level required to support a $3,000 per year grant rather than a $4,200 grant.

Now, note here that the government did not announce a cut: rather, it just published a table from which no other conclusion could be drawn. It is conceivable – barely – that this is just a really sloppily put-together document, and no one understood the implications of the table. Maybe. We'll see. But as it stands, it sure looks like the government is shrinking the grant and grabbing $1 billion or so from low-income students.

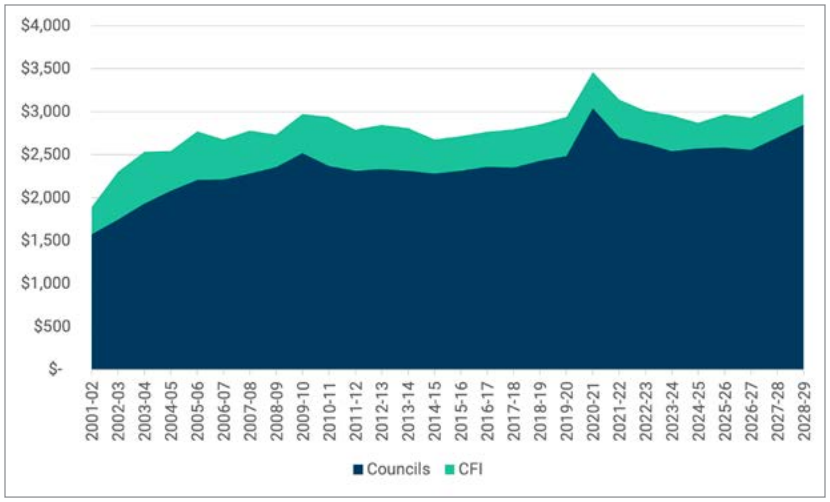
The other change has to do with students at private, for-profit institutions. Until now, students enrolled in programs of at least two years in length at these institutions were eligible for grant funding. Budget 2025 removes eligibility for this income-based grant funding for students at Canadian for-profit institutions (though they will remain eligible for loans and for grants for students with disabilities or dependants). Estimated changes from this measure amount to about $200 million/year.

The ambiguity comes with respect to students studying in other countries. The text of the budget suggests that no Canadian student would be able to take either loans or grants to any private institution abroad, for profit or no. HESA has been told this was a mistake in drafting (again?), and that in fact it was meant only to apply to foreign *for-profits*. Again, we'll see. This isn't a huge deal financially, but for that small group of Canadians who go to, say, Harvard or Stanford, the difference will be huge.

Research Funding

In 2024, as a response to the *Report of the Advisory Panel on the Federal Research Support System*, the tri-council received a back-ended commitment of $1.8 billion in additional funding over 5 years. It appears that this funding commitment will mostly remain in place despite the Comprehensive Expenditure Review. The councils will have to trim their (still expanded) budget by 2% in total, or about $83 million/year. This is, however, smaller than the typical reduction under the Comprehensive Expenditure Review so research can – to a certain extent – be seen to have received special and favourable treatment in the budget. The government also reiterated its commitment to a capstone body over the tri-councils, but we are apparently no closer on details of what this might look like than we were eighteen months ago.

Real Federal Transfers to Institutions by Program, 2001-02 to 2028-9 (projected), in $2024



The budget also includes reductions to some public research institutions that sit outside universities and colleges. The government projects savings of $2.1 billion over four years by eliminating the Net Zero Accelerator Initiative and instead funding the Strategic Response Fund. The National Research Council's existing budget will be reduced by 15% by "divesting from some research capabilities, including exploring options to best position the Canadian Photonics Fabrication Centre to attract private capital". By 2028-29, NRC is to be spending $191 million less per year relative to its allocation in the previous budget. It will, however, receive a new $40 million over four years for a Clean Tech fund.

International Talent Recruitment

With the release of its International Talent Attraction Strategy in this budget, Canada is joining a growing number of countries looking to profit from the Trump administration's relentless attacks on higher education institutions and cuts to research. Canada joins Australia, the Czech Republic, France, Germany, Japan, the Netherlands, Norway, and the United Kingdom, which have all either established funds to recruit scientists from American universities or signaled plans to do so in the near future.

Like many other countries, Canada does not specifically say it aims to recruit American researchers looking to leave the unwelcoming conditions of the US. However, one line in that section of the budget indicates that the government will also launch an accelerated pathway for H1-B visa holders, which suggests that the opportunity to poach American talent is a strong motivator for this initiative. It is not yet clear how successful these schemes will be, but there has been some initial enthusiasm. France's program, for instance, attracted nearly 300 applications in the first weeks of its announcement.

The Canadian program is geared not only at providing universities funds to pay for researchers to come here, but also the conditions for researchers to complete their work. Starting in 2025-26, $1 billion will be provided over 13 years for an accelerated chairs program, as well as $400 million over seven years to the CFI to establish a complementary stream of research infrastructure support to ensure these recruited Chairs have the equipment they need to conduct research in Canada.

Starting in 2026-2027, as part of its suite of initiatives to attract international talent, the government also plans to provide $133.6 million over three years to the tri-council agencies to enable doctoral and post-doctoral researchers to relocate to Canada, and $120 million over 12 years, starting in 2026-27, to the granting councils to support universities' recruitment of international assistant professors.

This is not the first time Canada has developed an international talent acquisition scheme. For instance, in the 2017 budget, the Canada 150 Research Chairs Program invested $117.6 million over 8 years to attract top-tier, internationally based scholars and researchers to Canada. Looking at current CRCs and their institutional affiliation, the benefits of the program are not evenly distributed across institutions. Currently the main beneficiaries are large-research intensive universities. Of the 2,285 chairs currently listed on the CRC website, 69% list a U15 institution as their home institution. Of the fifteen institutions that host the largest numbers of CRCs, fourteen are members of the U15. If this pattern is replicated, recruiting elite international researchers is likely to disproportionately benefit the nation's largest research institutions.

FOREIGN CREDENTIAL RECOGNITION

The government announced that it plans to continue efforts to "stabilize" immigration levels. However, it also recognizes that immigration can help address labour shortages. It is introducing a Foreign Credential Recognition Action Fund, which is to be funded to the tune of $97 million from Economic and Social Development Canada's existing resources (there is no indication on what will be cut to make room for this Fund). The government estimates that the Canadian economy loses billions every year because highly skilled professionals educated abroad are excluded from their professions in Canada because of regulatory hurdles and high costs to obtain Canadian licensure. Without much detail, the announcement indicates that health and construction sectors will be priority sectors for the fund.

Again, this is not unprecedented. Budget 2022 had a $115 million investment (over 5 years) in the Foreign Credential Recognition Program, and Budget 2024 proposed to provide an additional $50 million over two years, starting in 2024-25. Previous announcements in foreign credential recognition also indicated a focus on health and construction sectors.

Immigration Caps

One eye-catching part of the budget was the section on the relationship between housing and immigration, which included the immortal sentence:

> *"New international student arrivals have also declined by approximately 60 per cent compared to 2024. This is a start, but we recognise there is more work to do."*

Beneath that, there was a promise to reduce the target number of total new temporary residents (a category that includes both Temporary Foreign Workers and visa students) from 670,000 last year (2024) to 370,000 next year (2026). Combined with the quote above, it certainly looked as if the government was preparing to slash numbers. But, as the table below illustrates, the number of new visas issued by the government collapsed so greatly that the total number of new temporary residents projected to have arrived during the 2025 calendar year (approximately 320,000) is well below the 2026 target.

New Temporary Resident Arrivals by Month, 2024 and 2025 (Sep-December 2025 is Projected)

	2024				2025			
	Visa Students	TFWs			Visa Students	TFWs	
24-Jan	27,570	33,170			25-Jan	11,230	14,900	
24-Feb	9,245	42,945			25-Feb	4,080	14,390	
24-Mar	16,875	63,690			25-Mar	3,815	18,545	
24-Apr	45,800	34,730			25-Apr	8,535	23,640	
24-May	14,240	34,690			25-May	4,550	23,675	
24-Jun	11,285	36,020			25-Jun	4,180	24,025	
24-Jul	17,130	29,600			25-Jul	7,660	18,450	
24-Aug	79,795	26,075			25-Aug	45,380	16,890	
24-Sep	28,915	29,620			*25-Sep*	*10,699*	*15,995*	
24-Oct	6,525	25,265			*25-Oct*	*2,414*	*13,643*	
24-Nov	5,990	21,330			*25-Nov*	*2,216*	*11,518*	
24-Dec	29,850	16,580			*25-Dec*	*11,045*	*8,953*	
Total	293,220	393,715	686,935		Total	115,804	204,624	320,428

In other words, while there is some emotionally charged language in here that suggests utter indifference to higher education finances, the proposed targets are more reflective of the current number of visas being issued. The good news is there is probably no big new revenue cut coming, but the bad news is only because the current-year economic loss is worse than anyone imagined.

Defence Spending and Post-Secondary Institutions

New defence spending is one of the big stories of this budget. The part that is interesting for post-secondary is what is – and what isn't – in the Defence Industrial Strategy. The budget plans to allocate $4.6 billion over five years starting in 2025-26 (this is noted as an initial investment) to, among other things, drive research and innovation in defence. Initial investments include:

- $68.2 million (over three years starting in 2025-26) to establish the previously announced Bureau of Research, Engineering and Advanced Leadership in Innovation and Science (BOREALIS). This money is split across DND, ISED, the NRC, and the Communications Security Establishment. How exactly BOREALIS will work remains a mystery – all we know is what the Prime Minister previously announced on June 9.
- $656.9 million (over five years starting in 2025-26) to ISED to develop and commercialize dual-use technologies in a wide range of industries related to defence. This is notable insofar as dual-use research – that is, research with civilian and military applications – has been controversial with some academics and excluded from some funding schemes at home and abroad over the years. Canada has historically not been a powerhouse in this area – the University of Alberta is the home to Canada's only research centre dedicated to dual-use technologies.
- $334.3 million (also over five years starting in 2025-26) to ISED, the NRC, and NSERC for measures to support quantum technology companies anchoring in Canada, and to provide "pathways to technology adoption in defence-related applications and industries". The latter piece implies some investment in supporting technology transfer, but this may or may not be money for institutions.

Do these investments mean research dollars flowing to institutions? Possibly, but it would require the adoption of specific types of distributions mechanisms that are in place in other countries. Examples of what that could look like include the United Kingdom's model of multi-institutional research consortiums funded by their Ministry of Defence, and the Australian model of using national and state innovation networks to disburse funding from the Department of Defence Science and Technology group.

Artificial Intelligence Investments

This budget dedicates over $1 billion to accelerate Canadian AI and quantum computing. Key investments include $925.6 million over five years, starting in 2025-26, to expand sovereign AI infrastructure and develop a Sovereign Canadian Cloud, strengthening secure data capacity, research accessibility, and academia–industry collaboration. $800 million of this will come from previously committed funds within the $2 billion AI compute investment announced last year, rolling out over five years beginning in 2024-25.

Other measures include:

- A new national AI strategy by end of 2025,
- $25 million over six years, with $4.5 million ongoing for Statistics Canada to implement the Artificial Intelligence and Technology Measurement Program (TechStat) to measure the economic and labour impacts of AI,
- Creation of an Office of Digital Transformation to scale technology solutions across government, and
- Canada Infrastructure Bank authorization to support AI infrastructure.

While the budget does not explicitly reference post-secondary education in the context of its investments in artificial intelligence, there are indirect benefits for the sector – particularly at the graduate research level. Canada's focus on expanding artificial intelligence, quantum innovation, and advanced technology capacity may create additional opportunities for graduate education, research collaboration, and talent development. Colleges, polytechnics, universities, and training providers are well positioned to support emerging skills needs, facilitate commercialization, and collaborate with government and industry on applied research and innovation initiatives.

As the budget notes, these measures will primarily benefit highly educated men in regions of British Columbia, Alberta, Ontario and Quebec, where the majority of the AI ecosystem is concentrated. The budget notes that approximately 70% of AI workers are men with tertiary/advanced degrees, and 50% of AI jobs are classified as 'well-paying' with annual salaries of $82K+.

Skills, Training, and Workforce Development

Despite the government's rhetoric about a "future-ready workforce," Budget 2025 offers, at best, a modest skills package that leans more toward signaling reskilling and youth development than delivery on them. Its emphasis lies in attracting previously-developed talent from abroad, rather than building internal capacity through upskilling, reskilling, and post-secondary education. The measures that do target Canadian workers, primarily those displaced by automation, trade shifts, and sectoral downturns, are limited in scope and heavily back-loaded. While the government sketches the outlines of a more coordinated national approach to training, the reality is that Canada's skills strategy remains more about recruitment than development.

RESKILLING AND WORKFORCE TRANSITIONS

The government's headline announcement is a national reskilling initiative intended to reach up to 50,000 workers through a mix of new training programs, and digital jobs and learning platform. Funding flows through a patchwork of existing vehicles, including: $570 million over three years in additional Labour Market Development Agreement transfers (which fund training and employment assistance) to provinces and territories, $382.9 million over five years (plus $56.1 million ongoing) for new Workforce Alliances, a Workforce Innovation Fund aimed at bolstering public-private training initiatives, and $50 million over five years (with $8 million ongoing) to build an online tool to facilitate job search, training, and development.

These are sensible enough initiatives, but they are small relative to the challenge. The proposal to retrain 50,000 workers represents a fraction of the workforce affected by automation and restructuring over the past year alone. Moreover, most funding does not begin until 2026-27, meaning that results will be distant. Complementary Employment Insurance flexibilities including $370 million for expanded Work-Sharing (allowing employees to work reduced hours with their employer instead of being laid off) and $3.7 billion for enhanced income supports, do help to cushion job loss but offer limited support for meaningful re-entry.

APPRENTICESHIPS AND THE SKILLED TRADES

Budget 2025 also expands the Union Training and Innovation Program (UTIP), with a continued focus on the Red Seal trades and a stronger equity lens. Projects that support women, Indigenous people, newcomers, 2SLGBTQI+ Canadians, and persons with disabilities will receive preference for further funding. The measure is costed at $75 million over three years, starting in 2026-27, to Employment and Social Development Canada to expand union-based apprenticeship training.

While the investment is welcome, it falls well short of the scale and ambition outlined in the government's 2025 manifesto, which proposed a broader reform of apprenticeship training to match the coming construction and housing boom. Instead, this funding channels most of its resources to existing union training centers, with limited new supports for employers, public colleges, or the expansion of actual apprenticeship places.

This follows a familiar pattern: governments across political lines have been eager to talk up apprenticeships as a symbol of "Building Canada" while avoiding the structural fixes that would actually expand the apprenticeship pipeline such as adjusting supervision ratios, reducing completion times, or creating wage subsidies for employers to hire apprentices during economic downturns. Ottawa's renewed attention to the trades is politically useful, but the money on offer will do little to increase the number of Canadians who can enter or complete an apprenticeship.

YOUTH EMPLOYMENT AND ENTRY-LEVEL PATHWAYS

The budget's youth measures are more visible, though familiar. It commits $635 million over three years to continue the Student Work Placement Program (roughly 55,000 positions), $594.7 million for Canada Summer Jobs (100,000 placements), as well as $307.9 million over two years for the development of a Youth Employment and Skills Strategy, aimed at providing mentorship, mental-health, and transportation supports for 20,000 youth annually. A smaller $40 million Youth Climate Corps will pilot paid placements tied to community-level climate adaptation projects.

IMPLICATIONS FOR CANADA'S TALENT STRATEGY

Taken together, Budget 2025's skills measures amount to incremental adjustments rather than a national strategy. The government's focus on importing skilled labour and supporting existing training infrastructure continues to outweigh a comprehensive plan to expand domestic talent pipelines. For all the talk of "Building Canada," the budget leaves unanswered the central question of who will be trained to do the building, and when.

Building Canada

On the infrastructure file, the newly announced Build Communities Strong Fund proposes $51 billion over 10 years, starting in 2026-27. This fund will support infrastructure projects, which appears to span from health infrastructure to roads to retrofits.

Universities and colleges will be eligible to access some of this money. The "Provincial and Territorial Stream" of the program will provide $17.2 billion to support "provincial and territorial infrastructure projects and priorities". This could include, as per the budget, "infrastructure at colleges and universities". What is included in infrastructure at colleges and universities is undefined. There are no details as to whether infrastructure in this context refers to any of student housing, research infrastructure, repairs to crumbling buildings, or retrofitting inaccessible buildings, for example. Access to the funds is predicated on meeting two criteria: i) alignment with provincial/territorial priorities piece, and ii) agreement from the province/territory to cost match the federal funds. There are some other hoops the province/territory will need to jump to access the fund as well (reducing development charges and taxes), so institutions in some provinces might find themselves out of luck.

The other interesting piece of infrastructure spending is the Health Infrastructure Fund, which proposes $5 billion over three years (also starting in 2026-27). As the name suggests, these funds will be provided to provinces and territories to support their health infrastructure, which explicitly includes medical schools. Notably, those requirements around development charges and taxes do not apply.

This section of the budget also announces support for projects that are being touted as examples of building strong communities with improved local infrastructure. This list includes the Toronto Metropolitan University Medical School (Brampton, ON) and the new Arctic-based Inuit Nunangat University.

Conclusion

What can we say about this budget? Five things seem important to point out.

First, although large spending cuts were previewed, the cuts that occurred could not prevent the government from racking up a budget which in real terms was similar to the one that followed the disastrous financial crash of 2008. So, we have in a sense the worst of both worlds: big program cuts leaving specific groups unhappy while at the same time leaving the government in a parlous fiscal condition and any further deterioration in our economy will probably lead to larger cuts down the road. Not all of this is the Liberals' fault – they didn't ask for a trade war with the US. But it's not as though any other party could be held responsible for the situation, either.

Second, in a very real way, students lost in this budget in a way they have never lost before. The government appears to be yanking $1 billion in funding from grants in the Canada Student Financial Assistance Program (CSFAP) and in the process reducing maximum grant funding from $4,200/year to $3,000/year. That's huge. That said, the fact that the budget did not spell out the cut suggest either that it was too cowardly to admit this was what it was doing or – possibly worse – that the whole thing was an inadvertent mistake. It's not as though there weren't places to cut in the CSFAP: the 2023 decision to eliminate interest on student loans so that new graduates could get "help with the rent" (seriously, that is how it was described in the budget) would have been a much more obvious place to reduce expenditures. Keeping that subsidy while dropping assistance to student trying just to get a foot in the door at university/college is actually pretty grotesque.

Third, universities came out of this whole thing not too badly. The increases to the tri-councils in the 2024 budget came out relatively unscathed, which should be considered a huge victory under the circumstances. The internal talent acquisition

piece, while politically a little gauche (why does this government keep describing talent as something that needs to be imported rather than grown? Yeesh.) is a nice chunk of change – roughly $131 million/year for 13 years. It's better than a kick in the teeth, even if most of the money is likely to end up at just a handful of big research universities. But it's probably worth remembering, too, that more than half is effectively being paid for out of a claw back from the granting councils' budgets.

Fourth, as we've pointed out before, the economy the Liberals seem to want to build is a deeply twentieth-century one. The idea that we might build a new service-oriented, science-powered economy, a notion that was at the heart of the late Chretien-Martin period, seems like a very distant memory. Tens of billions being spent to "build" Canada, and precious little of it is aimed at knowledge institutions. It's deeply disturbing and represents the central problem that the post-secondary community must confront over the years to come.

But, that said, there is still a lot to play for. Universities and colleges are seemingly eligible for large amounts of infrastructure funding even if they aren't guaranteed any of it. The budget sets out large piles of spending on defence and security but there's little sense of how it will be spent. Experience from the UK, Australia, and Sweden all suggest that there are lots of ways that universities, government, and industry can work together effectively on security files – what we need are policy entrepreneurs who can push the government to spend it the right way.

Ultimately, given how little this government seems to value the knowledge economy, it wasn't a bad night for universities and colleges (students are another story). It could have been a lot worse. And it could be better still if the sector gets active and creative to capitalize on new opportunities.

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