December 18, 2006

UNIVERSITY OF REGINA

Submission to the McCall Review of Post-Secondary Education Accessibility and Affordability Phase 1: Identification of Issues and Challenges

Introduction

The University of Regina welcomes the McCall Review of Post-Secondary Education Accessibility and Affordability in Saskatchewan. It is hoped that the review will result in policies and programs that effectively and efficiently address the needs of all potential post-secondary students in Saskatchewan for access to studies from which they can so greatly benefit.

Our submission reflects the following principles:

- All interested and eligible students in Saskatchewan should have access to university education and such access should not be curtailed for financial reasons.
- The universities' funding, from all sources, must be sufficient to allow the provision of quality education as understood in the Canadian context and the performance of the other elements of their missions.
- University education produces both private and public benefits and, therefore, students (and their families) and the public purse should share the cost of students' education.
- An efficient and fair loan and bursary system is an appropriate means of assisting students to fund their share of educational expenses.
- Tuition levels in Saskatchewan should be competitive with those in other provinces.
- Differential (higher) tuition fees are justifiable in professional and graduate programs that have significantly higher costs per student and where the prospective incomes of graduates are also higher.

Based on the discussion in this brief, the University proposes the following list of issues and challenges for examination by the McCall Review:

- Assuring that the universities have sufficient operating and capital funding to accomplish their full missions,
- Assuring that the contributions of various parties to the cost of post-secondary education are appropriately distributed,
- Efficiently, effectively and equitably providing student financial assistance where and when it is needed,

- Promoting the ability of the institutions to gather private funds to improve the accessibility and affordability and quality of post-secondary education,
- Providing prospective students and their families, especially those from low-income and disadvantaged groups, with timely information and other supports that promote the full development of their intellectual potential, and
- Addressing the particular circumstances for financial and other assistance of Aboriginal peoples.

The McCall Review can make a valuable contribution by providing the public and government of Saskatchewan with accurate and complete information about these and related issues.

The University of Regina

The University of Regina is a scholarly community that serves the larger community by advancing, sharing and applying knowledge, and by facilitating the development of thoughtful, creative, adaptable, contributing and humane citizens (Vision Statement). The University consists of nine faculties, 25 academic departments, and 16 research institutes and centres and includes three federated colleges located on its main campus: Campion College, Luther College and First Nations University.

The University's main campus and the historic College Avenue campus provide an attractive study and work environment for more than 12,000 full- and part-time students. About 90 per cent of the University's full-time undergraduate students originate in Saskatchewan with slightly more than half of these coming from outside Regina.

Beyond its Regina campuses, the University of Regina makes its programming accessible through the activities of its Centre for Continuing Education (off-campus, weekends, summer, etc.), courses offered through Saskatchewan's regional colleges and Campus Saskatchewan, and the social work programs at centres in Prince Albert and Saskatoon.

Aboriginal students make up over twelve and a half per cent of the University of Regina's enrolment, including students at the federated First Nations University. A variety of programs, offered jointly with First Nations University and with other institutions such the Gabriel Dumont Institute, NORTEP and Yukon College, are targeted exclusively or primarily to Aboriginal students. The University is expanding its services for Aboriginal students to improve their success during their university studies and in the transition to work and careers.

The *Institut français* is the vehicle by which the University provides access to French language programming for the francophone and francophile communities of Saskatchewan. These offerings also include, but are not limited to, the Baccalauréat en education programs and the courses offered by the department of French.

In 2005-06, the University and the federated colleges provided from their operating and endowment funds $5.86 million in scholarship and bursary funding to University of

Regina students and additionally administered $4.2 million of federally-funded bursaries for First Nations students, a total of $10.1 million in student assistance.

Purpose of this Submission

The overall objectives of the McCall Review are:

- determining the supports needed to ensure people have access to higher learning in our province;
- determining the most effective mix and type of financial interventions to improve post-secondary education outcomes;
- reviewing the design and delivery of provincial student financial assistance programs to maximize impact and improve post-secondary outcomes; and,
- studying the appropriate contribution to post-secondary education by individuals, families, institutions, employers and governments, and how that contribution should be made.

This submission recognizes that the initial phase of the McCall Review is focused "on the identification of issues and existing challenges related to access and affordability in post-secondary education in Saskatchewan." Discussion of options and recommendations for addressing these challenges is to be reserved for the second phase of the review at which time the University anticipates submitting a second submission.

Accordingly, this submission lays out a policy analytic framework for the Review and proposes a number of specific issues that the Review should consider.

Issues from The Rae Report

While the report of the Rae Review of Postsecondary Education in Ontario, released February 7, 2005, deals with a number of matters specific to the province of Ontario (e.g., funding formulae used in Ontario for funding the universities and the colleges), much of its content has great relevance for Saskatchewan. Of particular relevance, the Hon. Bob Rae recommended that:

- "Higher education must be a high priority." This is because it matters for society, the economy, and individuals. "People have a right to develop their full potential." As well, "education, research and innovation lie at the heart of our economy."
- Funding for higher education must be substantially increased. The additional funding should be devoted to ensuring access for every qualified student, to improving the quality of education and student services, expanding graduate enrolments, and renewing facilities and equipment.
- Governments, institutions and students must "each contribute in a responsible and predictable manner" to the funding of higher education. The Ontario levels of tuition fees (net of assistance) are, on average, "not unreasonable". Students and their families who are financially able should pay a share of the costs of their

education in recognition of the benefits obtained. The tuition freeze in Ontario should not be extended. The locus of tuition decisions should be at the institutional level within an enhanced student assistance policy framework.

- The focus of student assistance should be on those who need it (not on across-the-board tuition controls, for example). There should be increased government-funded bursaries for students in the greatest financial need and increased loan access for others. Loan repayment schedules should be income-contingent and loan interest rates should be reduced.
- The Ontario government's matching program for institutional fund-raising for student assistance should be re-instituted and those institutions with low endowments for student assistance should receive enhanced matching.
- The provincial government should provide multi-year funding commitments to the institutions to allow the universities and colleges to present multi-year plans for mission, access targets, quality enhancements and outcomes. The institutions must accept the need for transparency and accountability.
- The province should create a provincial research granting council to support research at the universities and colleges.
- Access for under-represented groups (Aboriginal, disabled, francophone, and "first generation") students must be improved. Targets should be set by institutions, and early outreach to students in elementary and secondary schools to stimulate education and career planning should be initiated.

The issues identified by these recommendations can form the basis of an agenda for action in Saskatchewan and, therefore, for the McCall review. These issues include the need to place a higher priority on postsecondary education in this province, with improved institutional funding and enhanced financial assistance (more bursaries for those in need, expanded loan eligibility, better assurance of student capacity for debt repayment).

Tuition fees in Saskatchewan are marginally lower than those in Ontario (at the time of the Rae review, 2004-05, averages were $4894 in this province vs. $4960 in Ontario) If, in Rae's view, Ontario's fee levels were reasonable, then so too are Saskatchewan's.

The inefficiency and ineffectiveness of tuition freezes in promoting accessibility is an issue for Saskatchewan, as it was for Ontario. The freeze in Ontario has been discontinued.

The universities in Saskatchewan do not have large endowments to support student access and graduate education. A government program to assist in building such endowments has been proposed for some time by Saskatchewan's universities and is still under consideration. Even when First Nations bursaries are included in its total student assistance, the University of Regina ranks only seventh of the eleven comprehensive universities in Maclean's ranking of scholarships and bursaries funding and at just over 60 per cent of the commitment of the top university in its category.

Challenges with respect to the lack of multi-year government funding commitments, the need for increased provincial research funding, support for graduate studies expansion, early outreach programs into the schools, and increased capital renewal funding are all relevant to Saskatchewan as well.

Tuition Fees

a. Economic Efficiency

Given the significant amount of resources that governments and other public institutions employ in producing the goods and services that they provide to society, it is important that these resources are employed in an economically efficient manner.

Economic efficiency concerns the way in which resources are allocated among, and used in, the production of the various goods and services produced in an economy. Resources are said to be allocated efficiently when it is not possible to re-allocate resources, producing more of some products and less of others, without making some consumer in the economy worse off than before. There can be many possible allocatively efficient production combinations but each of them is productively efficient, i.e. for each, it is impossible to produce more of one product without producing less of one or more others.

If markets are perfectively competitive, then production will be allocatively efficient if, and only if, the price of every product equals its marginal cost of production. The *marginal cost of production* is the cost of the resources employed to produce the last unit of the product that is produced or one additional unit.

Prices represent the relative values that an economy places on resources given their various potential uses. If the price of a product is less than its marginal cost of production, then the value that consumers of that product place on the last unit consumed of the product is less than the value of the resources employed in the production of that unit of the product. This means that if these resources were re-deployed to produce some alternative product, the total value to consumers of all production could be increased. Efficiency could be increased by raising the price of the first product, inducing consumers to consume less of it, and reallocating the freed-up resources to the production of other, more valued, goods and services.

The following table illustrates the comparison between price (tuition and course fees) and marginal cost in the Faculty of Arts at the University of Regina. The “price” is significantly below the marginal cost: each new student contributes fewer resources to the university’s revenues than he or she generates in additional costs.

Estimating the Marginal Cost of Production of Instruction at the University of Regina, Faculty of Arts

The student-faculty ratio at the University of Regina is approximately 12.

Suppose that 12 additional students enrolled in the Faculty of Arts.

If the Faculty added 1 new faculty member to teach this increased instructional load, the associated annual costs can be conservatively estimated:

Faculty member's salary	**$65,000**
Benefits (14%)	**9,140**
Utilities, Materials and Supplies	**5,000**
	$79,140
per student:	**$6,592**
Compare with Arts tuition (full load of Art courses)	**$4,413**
	(67%)

This is not to suggest that fees should be raised so that less university education will be "consumed" in Saskatchewan, but rather that it is **not** the case that in Saskatchewan that too little education is being consumed primarily because the price (tuition fees) are too high.

b. Market Failure: Externalities

The foregoing discussion assumes perfectly competitive markets, the ideal situation. Policy analysts use this ideal as a starting point to begin the consideration of the impact of market failure. *Market failure* means the failure of the unregulated economy to achieve allocative efficiency or social goals because of market imperfections, market impediments or externalities. Market failure on any of these grounds provides a situation where government should consider intervention in the market to increase efficiency or address social goals.

Externalities are an important issue in the economics of higher education. *Externalities in consumption* exist when the level of consumption of some good or

service by one consumer or group of consumers has a direct effect on the welfare of another consumer, other than indirectly through the price mechanism. There is evidence, albeit disputed, that the overall rate of growth and the welfare of an economy is positively correlated to the level of educational attainment of the population, or at least the labour force, beyond the effect that increased education has directly on individual incomes. If this effect is significant, then government might want to encourage individuals to consume more education than they would in an unregulated market situation, since without some intervention externalities are not reflected in market prices and, therefore, are not taken into account in the consumption decisions of market participants.

Similarly, there might be *externalities in production* if, for example, the universities' certification of the skills and abilities of its graduates results in cost savings to business who, as a result, need not undertake substantial screening, testing, training, and evaluation/termination of new employees. Or if higher levels of education lead to decreased health care costs or justice system expenses or welfare costs for society, all of which appear from the research to be true.

One possible response to such positive externalities is to reduce the price of higher education (i.e., tuition fees) below marginal cost and stimulate its consumption.

c. Market Failure: Imperfect Information

Another possible source of market failure with respect to higher education is lack of information on the part of prospective consumers. To the extent that potential students underestimate the economic returns to university study they will under-consume. This will be economically inefficient, in addition to its negative economic and social effects for the individual.

There is strong evidence that students from lower income families have much too high estimates of university fees (almost triple the actual amount) and substantial under-estimates of the financial benefits of a university degree. More likely to be risk averse, they are also deterred by student union campaigns that grossly over-state the level of debt incurred by the typical university graduate.

The direct means of addressing this form of market failure are preferred: information provision, publicity, counselling, etc. A variety of programs in the United States aimed at low income and disadvantaged elementary and high school students and their parents, such as Minnesota's early awareness program Get Ready! and the GEAR UP program in New Jersey (both operating with funding support from the federal GEAR UP program, Gaining Early Awareness and Readiness for Undergraduate Programs) have reported substantial success in school persistence and performance, educational aspirations and subsequent participation in university studies. The University of Maryland at College Park has a similar program for adults who have dropped out of or withdrawn from school.

The applicability of such programs in Saskatchewan, recommended on a number of past occasions by University of Regina officials, is a significant issue that merits attention in the McCall Review.

Human Capital Theory and Investment in University Education

a. The Private Rate of Return on University Education

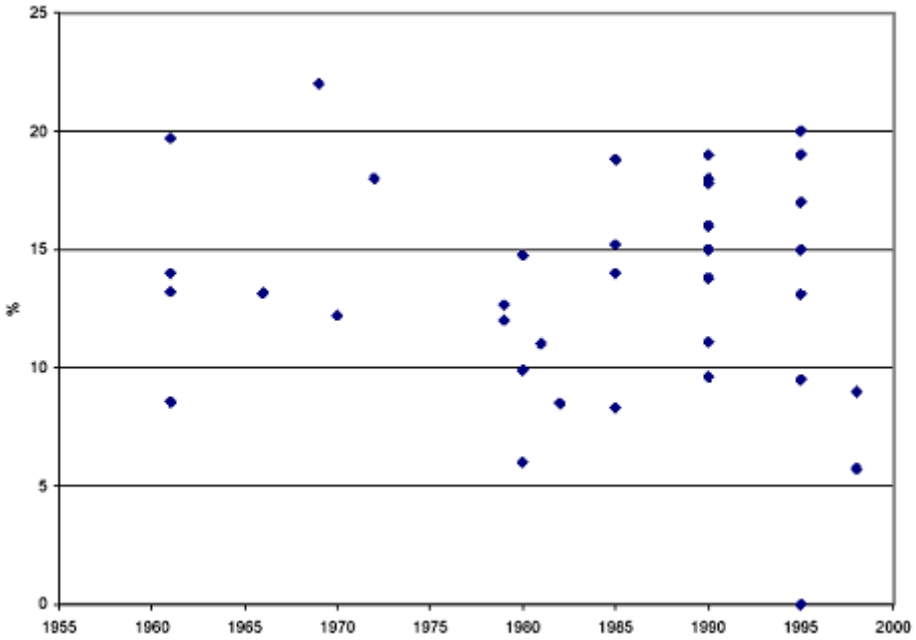
Attendance at university may be partially a consumption good, undertaken for the enjoyment of learning and the lifestyle of being a student. Primarily, however, it can be viewed as an investment by the individual student, the creation of *human capital* through the expenditure of time, energy and money to obtain increased knowledge and skills that are marketable and produce a higher income than would otherwise be achieved.

Many studies have been undertaken to estimate the rate of return on human capital investment at the university level. A full approach takes into account costs such as tuition, book expenses, other fees, any increased living costs, and foregone after-tax earnings that reflect the extent to which earnings are reduced during the period of university study. It examines the after-tax income differential between those with university education and those with only high school completion. This difference combines both higher salary and wage levels (or earnings from self-employment and business ownership) and higher employment rates (less unemployment). The "university premium" in Canada is about 40%, i.e. the age-adjusted average weekly earnings of full-time workers who are university graduates is 1.4 times the average weekly earnings of their counterparts with no university degree (Morissette et al.). This premium has changed little in the last thirty years.

More importantly, the expected private rate of return[1] on investment in an undergraduate university education in Canada is substantially higher than can be expected on virtually any form of financial investment generally available in the marketplace. Studies from 1960 to the most recent time typically show annual rates of return ranging from 10 per cent to 20 per cent. Chart 1 presents a compilation of the results from various such studies. An analysis of these results, using regression techniques, finds that the rates of return peaked in 1990 at about 12 per cent for males and 17 per cent for females and have declined by less than two percentage points since then, despite rising tuition costs (Emery). Compared to typical real (i.e., inflation discounted) rates of return available historically in the financial marketplace, say 4.5 to 5.5 per cent, an investment in university education is an extremely attractive proposition for those to whom it is available.

[1] The "private" rate of return means the return to the individual student.

Chart 1: Private Returns to Bachelor's Degrees Results from Various Studies, Canada, 1960-1998



Source: Herb Emery, "Total and Private Returns to University Education in Canada: 1960 to 2030 and in Comparison to other Post-Secondary Training", John Deutsch Institute for the Study of Economic Policy, Queen's University, Feb 2004, 25

One study in 2002 estimated that it would take an increase of over $10,000 in annual tuition fees for social science programs to reduce the private rate of return to 4.25 per cent.

b. <u>The Market Response</u>

Normally when one form of investment opportunity offers a substantially higher expected rate of return than do others the market response is that investors sell off the low return investments and flock to the high return investment, bid up its price and exhaust the best opportunities so that its rate of return falls while conversely the rates of return of other types of investment increase. This process continues until the rates are equalized, subject to appropriate risk premiums.

The market for university education is obviously different. An individual investor can normally only buy one undergraduate degree to any benefit. There are capacity limitations, with respect to numbers of available places in university in some parts of the country and generally in terms of the number of potential investors, i.e. most typically recent high school graduates with suitable ability. Immigration policies and practices with respect to the recognition of foreign degrees limit the ability of those

educated elsewhere to move to Canada and capture the benefits of their investment in university education, thereby reducing the education premium for all.

Still, the response to the high rates of return in university education has been phenomenal. Total full-time university undergraduate enrolment in Canada has grown from 69,000 students in 1956 to over 690,000 students in 2006. In the most recent three years for which reliable data are available full-time university enrolment has increased by 130,000 (20%). The ratio of full-time university enrolment to the Canadian population aged 20 to 24 rose from 0.04 to 0.29 over the same period.

Since 1980, enrolment growth has exceeded university revenue growth so that the real level of resources per student has fallen. In economic terms, the universities have increased their productivity in order to accommodate expanded demand.

c. Market Failure: Financing Human Capital Investment

These rates of enrolment growth have been possible in large part because governments and others have addressed the principal market failure concerning human capital investment, described variously as the cash, liquidity, credit or financing constraint. Many students would, unaided, face barriers in obtaining sufficient funds to pay for the cash flow requirements of attending university. Banks may lend some funds but then there are immediate debt servicing cash requirements. The amounts available to borrow at affordable rates of interest are small, except for students preparing for professions such as medicine or dentistry where prospective incomes are high and graduation and employment are almost certain.

A wide variety of student assistance programs address this cash constraint problem and have substantially expanded the potential population of university education investors (students). These support programs provide the means for students to meet their cash requirements while in university either through non-repayable or repayable means.

A second, related barrier that can produce market failure with respect to human capital formation is debt aversion. Potential students, particularly from low-income families, may be unwilling to go into debt to finance their education fearing that they will be unable post-graduation to pay off their loans. More recently, some research suggests that this is more a middle-class phenomenon and includes a concern that education debt servicing costs will reduce the ability to undertake other expenditures (related to family formation, for instance) after graduation. A recent pilot study by the Iowa College Student Aid Commission suggests that $30,000 in total educational debt is the sensitivity point at which university persistence begins to decline due to concerns about the repayment burden.

While the data suggest that debt aversion concerns are exaggerated, government programs such as debt remission and interest reduction have been created for those graduates who have the most difficulty in loan repayment. Unfortunately, these

programs are surprisingly under-utilized by those graduates who are eligible to use them. It appears that they should be more widely publicized, to increase their use by graduates who need them and to reduce the fears of prospective students regarding the consequences of borrowing for their education, leading to increased participation.

Is University Education a Debt Sentence? It Appears Not

A report released in April 2004 by Statistics Canada (Allen and Vaillancourt) provides recent data on the student debt situation in Canada. This study examines the experience of post-secondary graduates of the year 2000 as reported two years after graduation. Of particular interest, it reports on graduates of university bachelor degrees who did not pursue further education. Unfortunately, it includes in this group graduates of programs in Medicine and Dentistry who have much longer and more expensive programs and very much larger debt burdens that they can normally repay without difficulty. As a result, the study's findings overstate the debt situation of bachelors degree graduates to some extent.

Here are the key findings of the study respecting university graduates of the year 2000:

- On graduation, 53 per cent of graduates had student debt from some source; 47 per cent had none.
- 45 per cent had debt to a government student loan program, virtually unchanged from the graduates of 1990 and 1995.
- Those with only government student loans had average debt of $19,300; those with only non-government debt owed $9,500; those with debt from both sources, primarily medical and dental students, owed $32,200 on average.
- In constant dollars, the average debt owed by those who owed government loan debt had increased by 30 per cent from the graduates of 1995 and 76 per cent from the graduates of 1990. This is an average annual rate of increase of between 5 and 6 per cent.
- Two years after graduation, 45 per cent of those who owed money only to non-government sources had paid off their full debt, while 22 per cent of those who owed government student loan program had paid off their debt completely.
- Those graduates who still owed money to government student loan programs had paid off, on average, 24 per cent of their debt within two years.
- 28 per cent of those with debt remaining reported difficulties repaying their debt while 9 per cent of those who had fully repaid their debt reported difficulties.
- Not surprising, those with large debts (over $25,000) were more likely to report difficulties repaying their debt (38%), although even among these 12 per cent had fully repaid their debt and the remainder had paid off 23 per cent of their debt on average, virtually the same percentage as those with smaller debt.

From these results, several conclusions can be drawn:

- For the majority of university undergraduates student debt is not an unsupportable burden. Only about half have any debt at all on graduation and most of

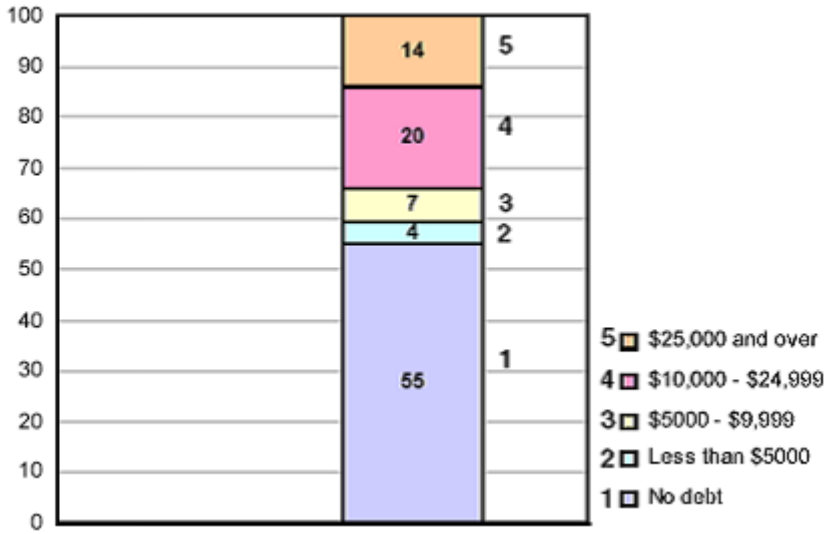
these will pay off their debts within a reasonable period through increased employability and higher incomes.

- A small percentage (less than 10 per cent) of graduates will experience some difficulties in dealing with their debt and may require assistance in terms of either debt remission or interest payment relief for a period of time.

Unfortunately, data from this study is not available at the provincial level so that the Saskatchewan situation cannot be comparatively reported. However, the Canada student loans program reports that only a small minority of University of Regina graduates fail to meet a very strict standard for servicing of their government student aid debt.

In the spring of 2006 the University of Regina conducted a survey of undergraduate students who were expected to graduate this year. Of the 500 respondents to this survey 44 per cent reported no education-related debt; the average debt of all respondents was $12, 936, and the median debt was $6,000. For comparison purposes, figures are available for 25 Canadian universities that participated in this 2006 survey, a total of 10,464 graduating students: 41 per cent had no debt, the average debt was $13,763, and the median debt was $5,500. Nationally, about 58 per cent of student debt is due to government student loans, 18 per cent has been borrowed from family members, and 21 per cent from financial institutions.

Chart 2: Percentage of graduates with varying sizes of government student debt at time of graduation, Canada, Class of 2000 Bachelor & First Professional Degrees



Note: Graduates who pursued further education after their 2000 graduation are excluded.

Source: Allen & Vaillancourt, Class of 2000: Profile of Postsecondary graduates and student debt, Statistics Canada, April 2004, 21

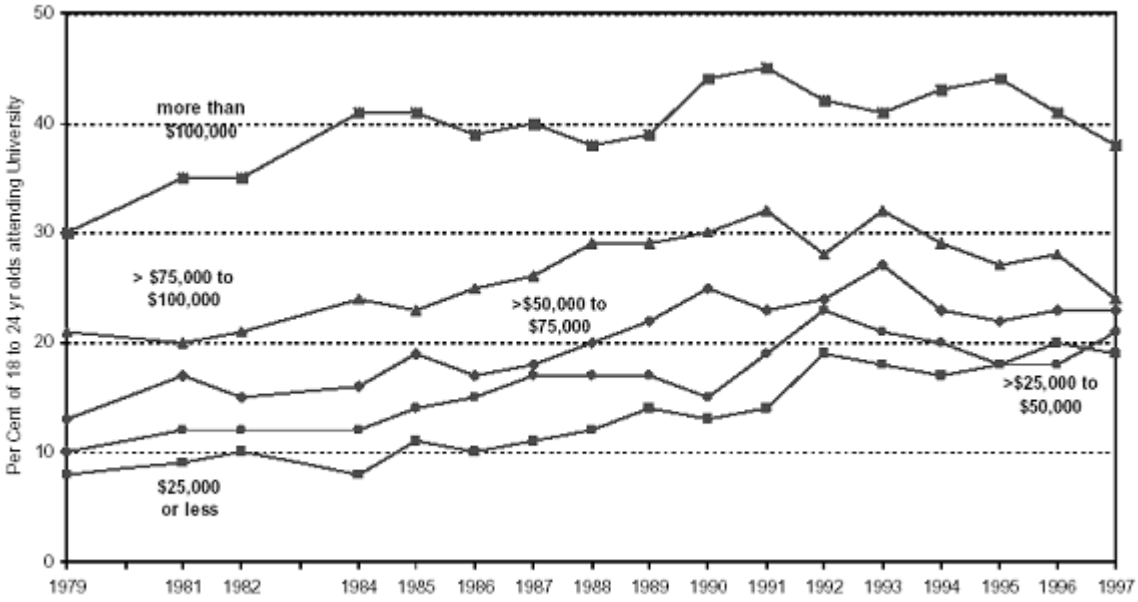
It is noteworthy that the average student debt is substantially lower than figures cited by student groups such as the Canadian Federation of Students who exclude students with no debt when publicizing average debt figures.

Student Access by Family Income Level

The claim is frequently made that rising tuition fees make university education unaffordable. Certainly the continuing increases in participation rates and overall university enrolments suggest otherwise. A 2004 Statistics Canada release announced that 80 per cent of the 18 to 24 year population who had graduated from high school with an average of 80 per cent or better had subsequently enrolled in post-secondary studies.

But are there differential effects by family income class? Another recent Statistics Canada study (Corak et al.) looked at the relationship between family income and participation in post-secondary education. This study found "that individuals from higher income families are much more likely to attend university, but this is a long-standing tendency and the participation gap between students from the highest and lowest income families has in fact narrowed." The study's authors attribute this narrowing to increases in student loan limits and in other forms of student support.

Chart 3: University Participation Rates of 18 to 24 year olds by Parental Income, Canada.



Source: Corak, Lipps and Zhao, Family income and participation in post-secondary education, Statistics Canada, October 2003, 33

Chart 3 depicts one surprising result from this study that shows a convergence in recent years of the participation rates among students from families in all but the highest income levels. (This result is surprising because other studies have suggested that factors other than family income, but related to family income, also affect participation rates: parental education, family membership, distance from university, etc.)

A second Statistics Canada study (Finnie et al.) also found that overall participation rates increased during the 1990's, the period of rapid fee increases. It found that the pattern of participation rate increases varied by province in a manner not related to the level of tuition: Quebec experienced relatively small participation increases despite its low tuition levels while some of the higher tuition provinces (e.g., Nova Scotia) had the greatest enrolment increases.

This study also found that parents' education levels had strong and growing effects on university attendance during the 1990's. In contrast the participation gap between two parent and mother-only families actually narrowed.

A variety of other recent studies have examined the impact of various factors on post-secondary and university attendance. While a number have found that family income and factors affecting or related to family income have an influence, the majority have concluded that tuition fee increases by themselves have had little or no negative influence on university participation rates or access to university. Indeed, one study (Foley) sponsored by the Millenium Scholarship Foundation found that only 26 per cent of 18 to 20 year old high school graduates in Canada who had never attended post-secondary education said that "not having enough money" was the reason (i.e., 74 per cent cited other reasons) while only 9 per cent of those who had attended but not persisted cited affordability as the cause.

Equity in Student Support Provisions

If tuition increases over the last decade have had little influence on university participation, it is because the education premium for an undergraduate degree has changed little so that the return on investment in university studies remains very attractive and because various forms of student assistance have addressed the cash constraint issue with reasonable success. However, there is considerable evidence that student support mechanisms could be significantly improved. The Millennium Scholarship Foundation (MSF) has documented that government loan programs have maxima that are set too low to meet all of the reasonable costs of university attendance and that they also assume a level of parental support that is frequently not realized, particularly in middle-income families.

A study by Alex Usher, formerly with the MSF and now with the private Educational Policy Institute, has examined the equity of distribution of the full range of government subsidies for post-secondary education (university and college) in Canada. While the data are lacking to make exact calculations, Usher has made an excellent first attempt at

identifying all forms of support funding and their distributional effects by family income class.

Usher has found that governments in Canada devote close to $5 billion per year in transfers to individuals for higher education financing. These include the following:

- The cost of loan programs ($943 million): this includes in-school interest subsidies, interest relief programs and loan defaults, but not the value of loans themselves which are repayable (about $3 billion per year).
- Grants and remissions ($1,070 million): all need-based non-repayable assistance, including Canada Savings Grants, provincial grant and remission programs, and the Canada Millennium Scholarship Bursary Program.
- Tax expenditures ($1,989 million): income tax deductions for educational expenditures, including those deferred or transferred, and the tax shelter for Registered Education Savings Plan (RESP) use.
- Canada Education Savings Grants ($360 million): the "top-up" provided for contributions to RESPs.
- Student Employment ($392 million): wage subsidies, funded positions, subsidized loans for student business start-up, etc.

The first two items in this list can be termed "needs-based" while the remainder are "universal", the latter group being larger in total. Usher finds that the needs-based assistance is mildly progressive, with an estimated 60 per cent of funding going to students from families with below median incomes. On the other hand, universal assistance is regressive, with over 62 per cent going to students from families with above median incomes. As a result, the total effect is regressive and "inconsistent with a strategy to help low-income families."

The implication of Usher's analysis is that less government assistance should be channelled through education savings plans and tax deductions and more should take the form of needs-based assistance, with a package of loans and remission programs providing the most effective use of resources.

Usher also examines the implicit subsidy to university education from provincial government grants to institutions. He estimates that the full elimination of tuition would provide upper income families with a $2.2 billion windfall. Top income quartile families would receive, on aggregate, over $2 for every dollar going to families in the lowest income quartile.

This same conclusion applies to government funding to hold tuition fees constant, rather than allowing fees to rise annually to reflect annual cost increases. Virtually all of the benefit of a tuition freeze accrues to students who would be attending university regardless; the impact on accessibility, i.e., enabling students who could not otherwise afford to attend post-secondary education, is negligible.

Usher also finds that the subsidy to students "hidden" in government grants to institutions is highly regressive. This is an artefact of the family income distribution of university students. He ignores, however, that a significant portion of university funding from the provinces supports the research enterprise, rather than teaching and learning. As well, some of the funding can be attributed to the externalities of consumption and production that universities generate, as well as their service activities. Thus Usher substantially overestimates the regressive effect of the government funding of universities.

Aboriginal Access

Aboriginal participation in post-secondary education, while growing, lags behind that of the general population. According to the Assembly of First Nations, cited in the Rae Report, "over 10,000 Aboriginal students across Canada are not able to access sufficient federal funding to allow them to go on to postsecondary education." (p.65) Many potential First Nations students and their advisors, conscious of their treaty rights, are unwilling to look to other sources of financial support beyond federal government funding through their First Nations organizations. The amount of federal funding has not grown in many years despite growing populations of First Nations youth and their increasing success in completing high school and interest in further education. This is a particular challenge for Saskatchewan given its demographics.

Conclusion

In this submission, the University of Regina has identified a number of issues and challenges that bear upon the mandate of the McCall Review. The Interim Report of the review, expected in January 2007, will be carefully examined so that the University can respond with constructive options and recommendations.

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