Pre-Budget Consultation

Submission to the Select Standing Committee on Finance and Government Services

September 2016
The AMS of the University of British Columbia-Vancouver is the student union for over 50,000 constituents at UBC’s Point Grey Campus in Vancouver, including both undergraduate and graduate students.

The AMS is a non-profit society incorporated under the BC Society Act with the mission “to improve the quality of the educational, social, and personal lives of the students of UBC.” In support of this mission, the AMS advocates to the university and all levels of government for issues that are in the interest of students. The AMS also administers a health and dental plan for its students, owns and operates businesses that fund its seven services, runs a Sexual Assault Support Centre and organizes high-quality social events.
Operating Grants

Over the last ten years, per-student operating grants to post-secondary institutions in BC have not kept pace with inflation or with the rate at which the provincial government allowed domestic student tuition to increase. Per-student operating grants are not sufficient to when compared to the ever-increasing cost pressures facing post-secondary institutions and, consequently, this burden is being shouldered by students through increases to tuition. The most up-to-date data available from Statistics Canada shows that, in BC, the proportion of post-secondary funding from the government has decreased from 69% in 1990 to 55% in 2009, while the proportion funded by students has increased from 24% to 35% in the same time period.1 This is an alarming trend which indicates clearly that core funding is not keeping pace with the true costs of education.

In the face of stagnant government support, post-secondary institutions are left with no choice but to find alternative sources of revenue to support the cost of education. Domestic tuition increases annually by 2%, the maximum allowable amount under the province’s domestic tuition cap, and international tuition, which is not restricted by the tuition cap, is subject to even larger increases. At UBC in particular, the 2016/17 budget demonstrates that tuition incrementally represents an increased proportion of the university’s total revenue while the share that the government grant represents is decreasing over the same timeframe.2

According to the Ministry of Advanced Education’s 2016/17 – 2018/19 Service Plan, targets for total student spaces at public post-secondary institutions over the next three years remain stagnant at 200,153.3 However, “the Ministry anticipates the actual results of 2016/17 onwards will be higher than the targets as public post-secondary institutions are expected to continue to deliver more student spaces due to current economic and enrolment trends.”4 In spite of this projection for high enrolment, the Ministry has not supported institutions with an increase to the operating grant to assist them in providing these spaces.

Budget 2016 added $34 million over three years to the Ministry of Advanced Education; however this funding was intended to fund wage increases under the Economic Stability Dividend5 rather than contributing to the rising operating costs that post-secondary institutions are facing. This comes on the heels of Budget 2013, and its corresponding three-year service plan, that cut the budget of the Ministry of Advanced Education by $46 million while directing post-secondary institutions to find savings in their current budgets. The AMS continues to be of the view that while efficiencies may be used to mitigate these cuts to the operating grant, they will eventually lead to decreased support for and services to students.

Recommendation: Ensure that per-student operating grants increase annually by the same amount as the domestic tuition cap, in order to more equitably share the burden of funding post-secondary institutions between the government and students.

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1 Erika Shaker and David Macdonald (with Nigel Wodrich), Degrees of Uncertainty: Navigating the Changing Terrain of University Finance, Ottawa, Canadian Centre for Policy Alternatives, September 2013, p. 15.
4 Ibid., p. 9.
Student Loans

At prime plus 2.5%, BC is tied only with New Brunswick as the province that charges the highest student loan interest rate in the country. Students are graduating with immense debt loads that are being paid back at the highest interest rate in the country, preventing them from getting ahead once they enter the job market by making it more difficult for them to save and invest, as well as making it more difficult to enter the housing market.

Students and families with the least financial resources are forced to borrow the most to pay for a post-secondary education. Consequently, these students end up paying more for their education than those who can afford the up-front cost. It has been repeatedly demonstrated that university education results in higher lifetime earnings; however, as income inequality continues to rise, university education is easily accessible to only some Canadians.

With a large portion of students relying on student loans (as well as other sources of debt) to finance their education, increasing numbers of students report that financial stress is impacting their studies. Across Canada, surveys show that approximately half of all students graduate with debt incurred in order to pay for their education, with approximately 40% relying on government student loans. At UBC, 12% of students reported that the reason they will not complete their program in 4 years is due to a reduced course load for financial reasons. Strikingly, one-in-six students reported that they might need to abandon their studies due to financial reasons, which is a significant increase over the past year’s survey.

In 2015/16, a student with no loans in BC paid an average of $17,360 in tuition for a four-year undergraduate degree. In BC, the median amount of government student loans borrowed by students is $20,000. A student with a median debt load, completing repayment in ten years, would pay $5,691 in interest on their loans. Students who can afford to pay for their tuition up front end up paying considerably less than their peers who have to take out loans to pay for the same education, creating a fundamentally inequitable situation.

After accounting for interest, a student with a government student loan would be paying $23,051 for tuition that would have only cost $17,360 if they could afford the up-front cost. This means that those who are not reliant on student loans will pay 24% less for their education. The provincial government could reduce this disparity dramatically by moving in line with other provinces across the country and charging the prime interest rate on student loans.

Recommendation: Reduce interest charged on student loans to the prime interest rate, as a first step towards eliminating interest on student loans altogether.

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6 Using provincial weighted average tuition taken from The Ministry of Advanced Education.
10 According to StudentAid BC’s loan repayment calculator.
U-Pass BC

Since 2010, the Government of BC, in partnership with Translink, student associations and public post-secondary institutions, has been offering a Universal transit pass to post-secondary students in Metro Vancouver allowing them access to public transportation across all three zones of travel. Six years later, U-Pass BC is undoubtedly considered an essential service by post-secondary students who have shown their strong support for the program by consistently voting overwhelmingly in favour of continuing the U-Pass program, even as the rates increase year over year. The most recent U-Pass referendum held at UBC received a 97% vote in favour of continuing the U-Pass.

The U-Pass is used by thousands of students at ten institutions in Metro Vancouver and has been a successful program in increasing affordability for students, reinforcing transit culture and reducing the frequency of driving to campus. Transit usage increased significantly to the UBC campus after the introduction of the U-Pass and annual Transportation Status Reports conducted by Campus and Community Planning indicate that transit usage rates have remained high while the use of single occupant vehicles continues to decrease. From Fall 1997 to Fall 2015, person trips in single occupant vehicles to UBC have decreased by 12.8% while person trips on transit have increased by 278.9%.

With the cost of living continually on the rise in the Lower Mainland, students face affordability issues in all aspects of their lives. A student who uses the U-Pass for 12 months saves over $1500 on public transit every year in comparison to a full-priced three-zone pass that would allow them comparable transit access. Even students who would only require a one-zone transit pass for the year benefit from the U-Pass, saving over $600 compared to what they would pay without the U-Pass and benefiting from increased access to transit across the region.

Students must be able to rely on the long-term existence of the U-Pass in order to effectively budget for the cost of their education. In the 2015-2016 loan year, the student loan program’s calculated student living allowance for public transportation in BC was $93. While this allowance would be just enough for a student to purchase a one-zone transit pass, at a cost of $91, it would certainly not allow for students to purchase either 2- or 3-zone passes, which cost $124 and $170 respectively. With housing costs skyrocketing in Metro Vancouver and students being forced to move further away from campus in order to find affordable housing options, continuing to ensure affordable transportation is a key accessibility issue for students.

The 2016 Academic Experience Survey, administered annually by the AMS, showed that 17% of respondents may need to abandon their studies at UBC due to financial reasons. This was a 5 point increase from last year’s survey and demonstrates concretely that affordability is a key component of access to post-secondary education. Losing the U-Pass may tip the scales for a student in such a financially precarious situation.

In July 2015, the Government advised that funding had been made available to extend support to the U-Pass BC program for an additional two years. Subsequently, a contract was signed ensuring that the U-Pass program would continue until April 2018. U-Pass BC provides a critical service to post-secondary students in the Metro Vancouver region and it is vital that the provincial government commits to continuing this program.

**Recommendation:** Demonstrate that funding for U-Pass BC has been allocated beyond April 2018 as a long-term priority for increasing student affordability. End cyclical contract expiry and develop a long-term, standardized and affordable U-Pass BC program indexed to inflation.

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Summary of AMS Recommendations

1. Ensure that per-student operating grants increase annually by the same amount as the domestic tuition cap, in order to more equitably share the burden of funding post-secondary institutions between the government and students.

2. Reduce interest charged on student loans to the prime interest rate, as a first step towards eliminating interest on student loans altogether.

3. Demonstrate that funding for U-Pass BC has been allocated beyond April 2018 as a long-term priority for increasing student affordability. End cyclical contract expiry and develop a long-term, standardized and affordable U-Pass BC program indexed to inflation.