

ASSESSING CANADA'S STUDENT AID NEED ASSESSMENT POLICIES

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EXECUTIVE SUMMARY

Over the past few years, an environment of fiscal restraint has led to restrictions on the amount of resources that governments are able to direct to the post-secondary system, and the cost to individuals of attending post-secondary study has increased as a consequence. Family incomes have remained relatively stable while tuitions have increased substantially. Student aid grants have been replaced with loans in many jurisdictions and debt has increased as a result.

There is some evidence to indicate that the participation gap between low socio-economic status (SES) and middle SES students in the university sector is increasing, and that rural students may be choosing college programs over university programs. While decisions to participate in post-secondary study are impacted by factors such as family background, motivation and academic preparation, financial considerations no doubt also play a part.

The Canada Millennium Scholarship Foundation (the Foundation) was created in 1998 to foster access to post-secondary study in part through the provision of bursary assistance. Need for bursary assistance is determined by the provinces and territories on the Foundation's behalf.

The Foundation believes that understanding students' financial needs is critical if it is to achieve its mandate, and has established an evaluation process to assess the effectiveness of its bursary program in meeting such needs. As part of that process, this project has examined the effectiveness of current student aid need assessment procedures, and has attempted to identify better ways of assessing student need in the future. In doing so, need assessment methodologies under a number of social programs in Canada and the United States were reviewed, including the United States student aid program. The Canada Student Loans Program assessment criteria were used for evaluation purposes, as they are representative of most criteria used for determining student financial awards in Canada (including provincial grants and loan remission in some cases). The views of selected student aid officials and financial aid administrators were solicited during the course of developing the recommendations contained in this report.

The Canada and United States student aid programs use similar criteria in measuring financial need. Both consider program benefits to be supplemental to family resources. Both use a needs-testing approach with a focus on both cost allowances and resources in determining benefits.¹ The United States program may be more flexible in terms of the setting of allowance levels, and in the funding options provided to students.

In general terms, current student aid programs in Canada do a reasonable job of measuring financial need and targeting assistance to those who need it most. While the system is not broken, a number of areas have been identified where improvements might be made:

1. Recognized student costs have exceeded assistance limits in some cases, resulting in unfunded need. This has occurred in a number of jurisdictions where assistance limits have not been adjusted for some time. A program bias against high need students (rural, mature students with dependents) has resulted. It may be appropriate to consider amending the policy basis for assistance limits, increasing the limits and indexing them on a yearly basis in the future.
2. Need assessment criteria that place limits on cost areas such as books and supplies, computer purchases, childcare, etc., result in unrecognized need for some students. It may be better practice to recognize all costs that are legitimate and unavoidable, regardless of whether or not they can be met under existing program assistance limits.

1. Many social programs use means-testing approaches that focus primarily on resource levels in determining award amounts.

3. The current tax exemption of \$600 on a student's income while in school may be too low and a disincentive to work for some. A policy that would increase the exemption to approximately twice its current level may result in a more favourable environment for students who wish to work part time in order to cover unfunded or unrecognized need.
4. A number of middle-income parents have difficulty in meeting parental contribution expectations calculated using assessment criteria that may not adequately recognize family living costs or ability to save. Consideration could be given to amending assessment criteria to reduce parental contributions to more realistic levels, or providing parents with unsubsidized parental loan options that would allow them to meet contribution expectations from future income.
5. The complexity of need assessment criteria is an issue for some. Aid applications are long and complex and require students to estimate both costs and resources before beginning classes. Detailed formulas are then applied to such estimates, leaving an impression of precision in the system that may not be justified. Communication with clients and client self-assessment are problematic as a result.

A number of social programs use a means-testing approach to determine program benefits. Under this approach benefits are defined in relation to individual or family resources, as opposed to needs-testing which focuses on cost allowances in addition to resource issues. It may be possible to convert student aid programs to such a means-testing environment if jurisdictions were prepared to sacrifice the micro-equity inherent in the current criteria for a more general approach to need determination.

Another approach that would result in simplification of the current process would be a move to multi-year assessments that would involve extending calculated need in the first year of a program over the length of the program, essentially establishing a line of credit for the student. The main obstacle to such an approach would be the degree to which a student's need typically changes over the course of a program because of changes in curriculum costs, living arrangements, marital or independent status, etc. The feasibility of such an approach should be examined, as it has the potential to simplify the system for students, promote long-term planning, and reduce the administrative overload on those delivering the program.

6. Existing government programs may not provide sufficient funding options for students in certain situations, such as those who lack expected savings, have unrecognized costs (like computer purchases), have recognized but unfunded costs in high cost programs, or who have parents with liquidity problems who cannot make their required contributions (see point #4). The only option for students who lack savings or parental support is to appeal for taxpayer subsidized assistance even though they may not have met their responsibilities inherent in the program design.

As some students may have difficulty in accessing private bank loans, an unsubsidized student loan option such as the one in use in the United States may result in access for students who may otherwise find attendance problematic. Such an option would allow students and parents to meet their contribution obligations from future earnings, at little cost to the taxpayer.

Of all concerns discussed in this report, those related to assistance limits were felt to be of greatest import. How governments arrive at decisions concerning the amount of assistance to provide was seen to be of lesser consequence than the issue of the amount approved on a student's behalf.

CHAPTER 1 — INTRODUCTION

The Canada Millennium Scholarship Foundation was created by the federal government in 1998 to foster access to post-secondary study in part through the issuance of bursaries to needy students. To avoid duplication, the Foundation relies on provinces and territories to assess the need of bursary recipients using procedures in place under the jurisdictions' student loan and grant programs.

Over the past few years, an environment of fiscal restraint has led to a decrease in government support for post-secondary education (on a full-time equivalent basis). Tuition has increased as a consequence but family incomes have remained relatively stable. Student assistance programs have experienced a shift in benefits from grants to loans in many Canadian jurisdictions and increased debt levels have resulted. An increasing percentage of family income is now required to fund post-secondary education. A widening socio-economic status (SES) gap in university participation between low-income and middle-income students has occurred which may be due in part to an increased sensitivity to the cost of post-secondary study.

The University of Alberta Senate (1993) observed that the characteristics of the student body have changed from the 1960s when the Canada Student Loans Program was introduced. The numbers of married students, single parents with dependent children and part-time students have all increased significantly. Human Resources Development Canada (1997) figures indicate that in 1989/90, 73% of borrowers were under 25. By 1995/96 this number had fallen to 69%.

In this environment of increasing costs and changing student needs, it is essential that the Foundation understand the needs of prospective students and the degree to which its programs are meeting such needs. It must be convinced that its resources are being disbursed in ways that maximize access for those students who are most qualified to attend.

The Foundation has established an evaluation process to measure the degree to which it is meeting its objective of enhancing access to post-secondary study. As part of this process, this project has attempted to determine the effectiveness of current need assessment procedures, and whether there are better ways and means of assessing student need in the future. Issues examined include the appropriateness of need assessment procedures, whether biases exist with respect to certain student groups, and the degree to which unmet need is a problem.

1.1 METHODOLOGY

Web searches and literature reviews were conducted to obtain detail regarding current methodologies in use in the area of social programs need assessment. Objectives and benefit levels of the various programs were also examined. Interviews were conducted with selected student aid officials and members of the Canadian Association of Student Financial Aid Administrators to obtain their views on the effectiveness of current student aid policies and procedures, and the degree to which opportunities for improvement may exist. The names of those interviewed are contained in Appendix 2.

Assessment methodologies under the United States student aid program and other social programs were reviewed to determine if alternate means of assessing need exist that would be more appropriate for certain student categories. Where similarity in programs existed across jurisdictions, a single program was used for comparative purposes. The Canada Student Loans Program (CSLP) was used for analysis purposes, as its criteria represent the standard for student aid need assessment in most provinces. Similarly, the social assistance program, daycare subsidy program and employment insurance skills training program of a selected province were used for comparative purposes.

In evaluating student aid need assessment criteria, the methodologies used in calculating the respective contributions of students and their families, and the degree to which they were able to meet such contribution expectations, were examined. Government contribution levels, as represented by allowance levels and assistance limits, were also reviewed for adequacy and effectiveness.

Information on the CSLP need assessment criteria was drawn from the HRDC Policy and Procedures Manual and Student Need Assessment Software available at www.canlearn.ca/nslc/snas/english. Unless otherwise indicated, the prime information source used for U.S. need assessment information was the Student Financial Assistance Handbook published by the United States Department of Education, available at www.ifap.ed.gov/IFAPWebApp/currentSPAHandbooksPag.jsp.

1.2 REPORT LIMITATIONS

This report contains brief descriptions of complex program eligibility criteria. The Canada Student Loans Program and other social programs contain many provisions for exceptional cases and assessment procedures to be followed in such cases. Given the high number of such cases, no attempt has been made in this report to document the treatment of such exceptions to assessment rules. Only general assessment rules have been addressed.

There is a problem in Canada with availability of research data in the student aid area. This report would have benefited from more up-to-date data in areas such as the incidence of unmet need under Canadian assistance programs, and more detail on the degree to which actual parental contributions measure up to the expectations under the program. A need continues to exist in Canada for more co-ordination of research efforts in student aid, including the development of common definitions and data sets in areas of interest to student aid professionals.

1.3 KEY QUESTIONS

An attempt has been made to address the following questions:

- How effective are current student aid need assessment procedures and allowance levels? Do they recognize actual costs?
- Do biases exist against certain student groups?
- Do major differences exist between need assessment procedures in Canadian and United States student assistance programs, and other social support programs?
- Are there better ways and means of assessing need for certain student categories?

FOR COMPARISON PURPOSES, SUMMARY PROFILES OF THE FOLLOWING SOCIAL PROGRAMS CAN BE FOUND IN APPENDIX 1.²

- Canada Student Loans Program
- United States Student Assistance Program
- Social Assistance — Province of Nova Scotia
- Social Assistance — United States (Welfare, Food Stamps and Medicaid)
- Canada Child Tax Benefit
- Childcare — Province of Saskatchewan
- Employment Insurance Skills Training — Province of Alberta
- Old Age Security
- Guaranteed Income Supplement

2. A mix of needs-testing and means-testing programs were selected for comparison purposes. Provincial programs selected were seen as generally representative of those in other provinces.

CHAPTER 2 — ANALYSIS: STUDENT LOANS NEED ASSESSMENT

The CSLP employs a need test under which both costs and resources are used in award determination. Most provinces use CSLP criteria as a basis for assessing need under provincial programs. Many social programs employ a means test under which only resources are examined to determine benefit levels.

The following analysis looks at how the concept of family responsibility to assist with post-secondary costs is used under the CSLP, the level of individual and family contributions expected, the ability of students and family to meet contribution expectations, and the adequacy of allowance and assistance limits used by government to calculate benefit levels. Program effectiveness is examined in the context of possible program bias against certain student groups, and unmet need. Comparisons to other programs are made where appropriate.

2.1 GENERAL FINDINGS

2.1.1 Living Allowances

Canada Student Loan living allowances are intended to cover expenses associated with shelter, food, miscellaneous personal expenses and local public transportation. They are intended to provide a modest

standard of living, and are adjusted annually to reflect changes in the Consumer Price Index. Living allowances are established for each jurisdiction, based on the cost of living in that region as reflected in national databases.

Allowances depend upon the student's marital status, number of dependants and location while studying. If single, the student may be living at home or away from home.³

If living away-from-home, single students are expected to share accommodation. If the student is married or a single parent, the living allowance is calculated based on the student's number of dependents.

Examples of student living allowances for 2001–2002 are seen in Table 1.

In attempting to measure the degree to which the allowances are adequate to cover the costs in question, a number of information sources were examined, including:

- Low-income Cutoffs (LICOs) — the income level at which a household will spend a share of its income that is 20% higher than what the average family spends on food, clothing and shelter.

Program effectiveness is examined in the context of possible program bias against certain student groups, and unmet need.

TABLE 1 — SELECTED MONTHLY LIVING ALLOWANCES — CSL — 2001–2002

STUDENT CATEGORY	NOVA SCOTIA	ONTARIO	BRITISH COLUMBIA
Single at home	\$360	\$386	\$386
Single away	\$773	\$914	\$935
Married (no dependents)	\$1,556	\$1,777	\$1,865
Single parent (no dependents)	\$1,022	\$1,181	\$1,192
Each dependent	\$400	\$492	\$498

3. Dependent students are expected to live at home, if possible.

- Low-income Measures (LIMs) — 50% of the median income, adjusted for family size.
- Market Basket Measures (MBMs) — a preliminary version of the MBM is described in the HRDC (1998) Applied Research Bulletin Vol. 4, No. 2. The MBM is intended to provide a “credible” standard of living by allowing a family sufficient funds to eat a nutritious diet, buy clothing for work and social occasions, house themselves in their community and pay for transportation and other necessary expenditures.

As the LIMs are a purely relative measure, they were set aside for purposes of this analysis.

Table 2 compares annualized 2001 CSL and Welfare allowances in Nova Scotia with LICO and MBM amounts.

The CSL rates appear to compare favourably with the MBMs that were constructed using a similar program objective. They are also very close to the LICO amounts for students with dependents.

Welfare rates in Nova Scotia are substantially lower than those of the CSL program. Most other social programs employ a means test in determining eligibility and thus do not become involved in setting living allowance rates.

Concerns

During the course of the 1997 CSL program evaluation, a number of mature single students indicated that they were unable or unwilling to accept the requirement that they share living accommodations. This issue was also mentioned by a number of financial aid administrators interviewed. This concern seems to speak more to a lifestyle issue than one of adequacy of support for what may be considered basic living arrangements.

Other concerns mentioned include:

- The use of one allowance for a province. Some areas of a province may have higher living costs than the one used as a basis for establishing allowances.
- The food allowance may be low for young adults.
- Residence costs in some cases may exceed the CSL allowance for accommodation. Allowing actual residence costs as a matter of policy however, may be an invitation to educational institutions to increase rental rates at student and/or taxpayer expense.

The identified concerns notwithstanding, there does not appear to be consensus that serious problems exist with living allowance rates at the present time.

TABLE 2 — COMPARISON OF ANNUALIZED STUDENT LIVING ALLOWANCES WITH LICO AND MBM AMOUNTS

2001	SINGLE	MARRIED — NO CHILDREN	MARRIED — TWO CHILDREN
CSL	\$12,264 ⁴	\$18,672	\$28,272
MBM⁵	\$11,700 ⁶	\$16,379 ⁷	\$23,399
LICO⁸	\$15,551	\$18,975	\$29,892
Welfare⁹	\$6,780	\$14,520	\$20,136 ¹⁰

4. Reflects non-shared accommodation (single parent – no dependents). The allowance for shared accommodation is \$9,276.

5. 1996 preliminary figures indexed to 2001.

6. Derived using Statistics Canada low-income measure equivalence scale.

7. Ibid.

8. 2000 after tax LICO indexed to 2001.

9. Includes shelter, personal and transportation allowances — from NS Income Assistance Manual.

10. Includes Nova Scotia Child Benefit, National Child Benefit Supplement and Child Tax Benefit.

TABLE 3 – MINIMUM MONTHLY SPOUSE CONTRIBUTIONS – 2001-2002

PROVINCE	N.S.	N.B.	ONT.	SASK.	B.C.
Min. monthly contribution	\$766	\$793	\$926	\$818	\$960

2.1.2 Spousal Contributions

Most social programs reviewed use 100% of the spouse net income when calculating benefits. Spouse contributions are not considered under the Old Age Security program. Spouse contributions are used under the skills training program in Alberta, but contributions are not forced if the spouse is not working.

Under the United States student aid program, the expected family contribution towards educational costs equals 50% of the (student and spouse) available income. Available income is total income, less allowances for taxes and living costs.

Contribution from income

Under the CSLP, spouse contributions are equal to 80% of the (student and spouse) discretionary income during the pre-study period. Discretionary income equals net income, less an allowance for living costs.

During the study period, the expected contribution¹¹ equals the greater of:

- The minimum student contribution for spouses, unless the spouse is also a student, or
- 80% of the student and spouse net income over \$600.

Selected examples of minimum monthly spouse contributions are seen in Table 3.

Contribution from assets

Spouses are also expected to contribute the full value of their financial assets towards educational costs, less exemptions for RRSPs equal to \$2,000 for each year the student has been out of secondary school, and a

\$5,000 vehicle exemption. In other words, both students and spouses must liquidate most assets before the student is considered eligible for support.

Given assistance limits in many jurisdictions, it would be necessary for a student's spouse to work in order to assist in meeting the total education and living costs of the family unit.

The majority of those interviewed did not identify spouse contributions as an area of concern at the present time.

2.1.3 Student Contributions

Contribution from pre-study period

Students are expected to work while not in school and to contribute towards post-secondary costs. Jurisdictions may assess the greater of a minimum contribution from savings, or an amount equal to 80% of the student's (and spouse's) discretionary income¹² from the pre-study period. Minimum savings contributions are based on regional minimum wage and average weekly hours worked, less allowances for living costs and taxes payable in the region.

Table 4 illustrates examples of monthly minimum savings.

Contribution from study period

Students are not required to work during the study period. If they do work, they are expected to contribute an amount equal to 80% of their net income¹³ that exceeds \$600 during the study period (see issue #3).

11. The expected contribution is waived if there are children under two years old in the family.

12. Net income less living costs.

13. Including earnings, scholarships and awards, training allowances, etc.

TABLE 4 – MINIMUM MONTHLY SAVINGS – CANADA STUDENT LOANS – 2001–2002

STUDENT CATEGORY	NOVA SCOTIA	ONTARIO	BRITISH COLUMBIA
Single student away from home	\$15	\$43	\$66
Single student at home	\$427	\$571	\$615
Married student (family size equals 2)	\$0	\$107	\$96

Contribution from assets

Students are expected to contribute the full value of their financial assets towards educational costs, less an exemption for RRSPs equal to \$2,000 for each year the student has been out of secondary school, and a \$5,000 vehicle exemption. In other words, students must liquidate most assets before being considered eligible for support.

2.1.4 Discussion

Pre-Study Contributions

The expectation that students shall work while not in school and contribute to their educational costs is consistent with principles of self-help in place under other social programs. The question to be addressed is, “are savings expectations reasonable?”

For students living away from home during the summer period, the practice of deducting away-from-home living expenses from income earned reduces minimum expected savings to a level that should not create hardship if the student fails to meet the minimum expectation. The shortfall would likely be no more than about \$1,000. Most of this amount can likely be made up from part-time earnings during the study period, as the first \$600 of earnings during study is exempt from assessment.

Students living at home may face greater difficulty. An evaluation of the Canada Student Loans Program by HRDC (1997) indicated that, in the view of some officials, minimum contributions may be based on unrealistic assumptions regarding earnings. This view is supported by *Making Ends Meet: The 2001–2003 Student Financial Survey*, conducted by Ekos Research Associates and released by the Canada Millennium Scholarship Foundation, which indicates that just over one in ten students do not report any earnings over the summer, and the level of summer earnings reported could be considered low. The mean net income of those who earned during the summer was \$4,000, and the mean net income of all students (including those who may not have worked) was \$3,500. Fifty-nine per cent of all students who participated in the study earned \$3,999 or less.

Making Ends Meet also found that a student's age influences the amount that he or she earns over the summer months, as indicated in Table 5.

TABLE 5 – STUDENT MEAN SUMMER INCOME, BY AGE

AGE OF STUDENT	MEAN INCOME OF ALL STUDENTS
18–19	\$1,900
20–21	\$2,900
22–23	\$3,800
24–25	\$4,100
26+	\$4,500

TABLE 6 – NET SUMMER INCOME REQUIRED TO MEET MINIMUM SAVINGS EXPECTATIONS OF AT-HOME STUDENTS

	NET INCOME REQ'D TO MEET MIN. SAVINGS EXPECTATION¹⁴	MEAN NET INCOME OF ALL STUDENTS	MEAN NET INCOME OF THOSE WITH SUMMER EARNINGS
British Columbia	\$4,619	\$3,200	\$3,800
Ontario	\$4,400	\$3,700	\$4,200
Nova Scotia	\$3,575	\$3,100 ¹⁵	\$3,700 ¹⁶

Expected contributions are equal to 80% of the net income less the living costs. Table 6 outlines the net income level required by students living at home to meet minimum savings expectations in selected provinces, and the income levels reported in each jurisdiction in the Foundation survey.

As the mean net income levels are for the most part less than the discretionary income levels required to meet savings expectations, it may be that a number of students living at home may have some difficulty in saving sufficient amounts. While student aid officials and financial aid administrators did not indicate that summer savings were a significant problem at present, it would seem appropriate to maintain some degree of flexibility in the review process as it relates to minimum savings.

2.1.5 A Word About Unrecognized and Unfunded Need

A discussion of the effectiveness or adequacy of assessment criteria would not be complete without an examination of the degree to which an individual's need is met after it has been determined. Need assessment criteria set the standard that should be met if access to further study is to be ensured. The degree to which need is funded is an important measurement of how well the program is working.

Most conversations on this topic use references to unmet need, but it is important to recognize that there are two ways in which

assistance provided may fall short of what is needed to ensure access for some students. Assessment criteria may not recognize some legitimate costs in the calculation of total need due to establishment of maximums on certain types of educational expenses. Alternatively, costs may be recognized for purposes of need calculation, but remain unfunded because of assistance limits.

Frequency of unfunded/ unrecognized need

The degree of frequency of unmet need and resulting appeals varies from province to province due to differentials in assistance limits and provincial need assessment policies. HRDC (1998) indicates the following:

Because of the rising costs of post-secondary education, federal and provincial student assistance programs have not been meeting the full financial needs of program recipients. Over 130,000 students in 1996–97 had assessed financial need over and above what their federal and provincial aid could provide. Included in this 130,000 were 50,000 students with dependents who had assessed financial need over and above \$275 per week. The average amount of need above \$275 per week for students with dependents was \$4,500 per year.

14. It is assumed that 20% of net income, less living costs, is needed to offset work related expenses.

15. Atlantic region.

16. Ibid.

Information on the frequency of unmet need has not been updated since 1998. While the introduction of the Canada Study Grant for students with dependents in 1998 and the Foundation's millennium bursaries in 2000 may have reduced these amounts somewhat, costs do continue to increase and recent studies in Canada indicate that unmet need remains a significant problem.

Consequences of unmet need could include decreased participation of low SES students, higher than advisable use of credit cards by students resulting in higher debt loads, or long hours of part-time work by students that could impact grades or persistence in their course of study.

ISSUE #1 – UNFUNDED NEED

The CSLP covers 60% of need to a maximum of \$165 per week¹⁷ of study. This formula implies a total recognized need of \$275 per week or \$9,350 for a 34-week period of study. This CSL maximum was established in 1994 and has not been increased since that time. Some provinces have established \$9,350 as the maximum level of assistance; others have set higher limits.

Recent studies on the effectiveness of student aid programs have cited assistance limits as a major concern. The HRDC (1997) evaluation of the CSLP concluded that “identified need cannot always be met due to the loan limits.” The Council of Ontario Universities Task Force on Student Assistance (2001) concluded that “not all need is met” by the Ontario program. The Working Group on Accessibility to Post-secondary Education in New Brunswick (2001) stated that “current loan limits are too low and do not reflect the full cost of post-secondary education.” Financial aid administrators interviewed confirm the message that unmet need is increasing. Such conclusions are not surprising, especially as they relate to single students who must move to study, and mature students with dependents.

Students who must move away from home to study

Single students who must move away from home to attend post-secondary courses can now face costs in the \$14,000–\$15,000 range,

about \$5,000 above existing yearly limits in some jurisdictions. This represents a \$20,000 shortfall over a four-year degree program. If they are from poor families and have difficulty meeting savings expectations, attendance in certain post-secondary institutions, especially universities, can be in doubt. Table 7 outlines the additional yearly cost involved when one must move away to study.

A two-year college program can cost in the range of \$25,000. A four-year university program has a higher yearly cost and could exceed \$58,000 in cost by graduation. A “sticker shock” reaction could be at work, in addition to the difficulties some may have in balancing their yearly budgets with available student aid funds.

Recent statistics indicate that rural students are choosing college programs over university programs, perhaps because of the cost. The Alberta Advanced Education and Career Development 1995 High School Survey found that 58% of rural students chose college programs while only 32% of Edmonton and 27% of Calgary students did so. College enrollees were more likely to say that cost was a factor in their decision. Butlin (1999) reports that on a national basis, 45% of post-secondary students choose university study, compared to 34% of rural students. Similar findings have been documented in Newfoundland.

Recent studies on the effectiveness of student aid programs have cited assistance limits as a major concern.

TABLE 7 – COST OF UNIVERSITY ATTENDANCE – AT HOME AND AWAY – ONTARIO

EXPENSE	AT HOME	AWAY FROM HOME
Tuition and fees	\$4,500	\$4,500
Books and supplies	\$1,500	\$1,500
Living costs	\$3,088	\$7,312
Transportation home (max)	n/a	\$1,200
Total	\$9,088	\$14,512

17. Plus Canada Study Grants of up to \$60 per week if the student has dependents.

Mature students

The CSLP was introduced in 1964 and the program design has not changed significantly since that time. The composition of the client base has changed however, as older students now make up a greater percentage of the student population.

An often-heard criticism of the CSLP and provincial programs is that they do not adequately recognize the needs or situation of mature students. Such students often have higher expenses than younger ones, such as support for dependents, a mortgage or consumer loans. While expenses associated with their dependents are recognized in the assessment process, they may remain unfunded due to assistance limits.

As lifelong learning becomes an increasing feature of today's workplace, the needs of mature students will continue to be an issue for the program. To say that the program is biased against mature students, however, may be stating the obvious if the primary program intent was and is to first ensure access for young single individuals as opposed to providing support for the families of mature students. The program assistance limits indicate that support of a client's family members is not a prime focus, as it is in the case of welfare programs.

It is clear that current CSL assistance limits are not sufficient to recognize all costs associated with a married student's family under the CSL program, even when Canada Study Grant assistance is considered. The costs of maintaining dependents would therefore seem to be considered outside the primary program

mandate. While some jurisdictions have chosen to provide additional student aid support to students with dependents, others have not. A challenge for policy makers will continue to be the degree to which access to post-secondary study for students with dependents will be promoted, either through student aid programs themselves or in partnership with other programs such as those that provide social assistance or labour market training.

Summary

As tuition and fee amounts have increased significantly since 1994, a decreasing amount of the CSL award that students receive under the program is now available for living and other costs. Unfunded need is increasing as a result. If loan limits were appropriate in 1994, they may be considered less than adequate now.

OPTION

If the prime objective of the program is to ensure post-secondary access for those single individuals who are qualified to attend, then consideration might be given to establishing a revised policy basis for assistance limits, and indexing them each year to recognize increases in costs faced by such students. Such a policy basis for limits might be an amount that equals the expenses incurred by an away-from-home single student in an undergraduate arts program, less expected savings. This would result in an assistance limit in the area of \$12,000, with the CSL limit at 60% of this amount, or about \$210 per week of study.

ISSUE #2 – UNRECOGNIZED NEED

CSL criteria provide for recognition of books and supplies costs to a maximum of \$3,000, childcare costs to maximums set by provinces, and discretionary costs to a maximum of \$2,000. Return transportation of up to \$600 for students living away from home is also allowed twice in an academic year. Established living allowances¹⁸ also set limits on student expenditure levels. In certain instances, students may face costs that exceed these limits.

It was the feeling of the CASFAA members interviewed that it is not appropriate to ration available aid by setting funding limits on expense categories. Such a practice could result in understating true unmet need information, and impair future policy reviews.

During the recent period of fiscal restraint, a number of institutions have responded to adjustments in government funding levels by increasing fee levels that students are expected to pay, or by requiring students to purchase equipment or supplies that may have been provided by the institution in the past. The requirement to purchase computers is an example of transference of costs by institutions on to students' shoulders. The requirement that students purchase computers has been cited by a number of recent studies as a factor that is contributing to unrecognized

need in the student aid area. Financial aid administrators echoed this view. An important policy consideration in this area is the degree to which student aid programs should be expected to offset what in the past have been considered institutional costs of instruction. More dialogue is needed between governments and institutions as to who should bear what portion of the costs in this area in the future.

Summary

Legitimate costs that exceed CSL limits may be incurred by some students (e.g., books, childcare and computer purchases). The practice of setting limits on costs that students cannot avoid may result in some students not attending certain programs.

The practice of setting limits on costs that students cannot avoid may result in some students not attending certain programs.

OPTION

If costs are legitimate and unavoidable, then they should be recognized in the need assessment. The guideline in the United States is that actual and reasonable study costs are recognized in the need assessment. The issue of how costs are met after establishment of need, if they are to be met, is a separate issue to be resolved between the funding partners.

18. Mature single students are concerned about the requirement to share accommodation.

ISSUE #3 – EXEMPTION ON IN-STUDY INCOME

Eighty per cent of student net income over \$600 during the study period is used as a resource to reduce need and award amounts. Net income includes earnings, scholarships, bursaries and awards.

Some students must work to supplement their student aid award, either to meet costs not recognized by the program or costs not covered by the criteria or award limit amounts. The need to work part-time has increased in the recent past as loan limits have been frozen. A significant percentage of students work part-time while studying (46% in Ontario in 1998–99).

Net income includes earnings, scholarships, bursaries and awards.

In addition, some dependent students feel an obligation to help in supporting their family in instances of low family income. HRDC (1997) indicates in its evaluation of the CSLP that a number of students in focus groups stated that they were required to help support their parents due to circumstances not considered in the need assessment. This circumstance is dealt with in the United States Federal Methodology by allowing a negative parental income figure in the calculation of the expected family contribution. As a consequence, the student's expected contribution from income is reduced.

It is the opinion of both program administrators and financial aid administrators that the exempted amount of income is too low and may be a disincentive to work for some students, as they see most of the benefit accruing to government(s) and not to

themselves. The formula for assessing resources from study period income impacts students differently, depending on the level of income earned:

- Earnings under \$601 for the academic year accrue to the student and do not impact the aid award.
- If student earnings are greater than \$600, need is reduced by 80% of the amount by which such earnings exceed \$600. If need is equal to or less than the assistance limit in a province, benefits from earnings in excess of \$600 accrue mostly to the government(s). Need reduction could translate directly to remission or grant reduction if total need is not reduced below debt limits for non-repayable assistance.
- Earnings that reduce need but not to a level that is less than the assistance limit result in total benefit to the student as they assist the student in balancing his/her budget while not impacting the award amount.

It is the middle ground that is of concern.

Summary

It can be argued that the percentage of study period income that accrues to the student is not as generous as it should be, and may be a disincentive to part-time work. In some cases such income may be needed to offset legitimate costs not covered by the assessment criteria (computers, daycare), or costs that are over criteria limits. Opportunities for program improvement exist in this area.

OPTIONS

1. Establish a policy basis for the income exemption that increases the amount of the exemption above the \$600 level. A suggested policy basis for the exemption is 10% of an away-from-home university undergraduate budget after savings are deducted, or about \$1,300. As a percentage of student costs, this exemption would then be indexed to future increases. Such an increase would introduce more flexibility to the system and may provide students with a more effective option to cover unfunded or unrecognized need.
2. As in the United States, allow a low-income family's negative discretionary income amount to reduce a student's expected contribution from income, thus allowing the student to assist with family expenses if required. From a policy perspective this practice would treat the family as a distinct financial unit. Some may argue that such a practice would be outside the current program policy parameters in that it would allow the diversion of student resources to his or her parents. The question of, "do numbers warrant?" would also have to be addressed.

ISSUE #4 – AMOUNT OF EXPECTED PARENTAL CONTRIBUTION

Parents of single dependent students are expected to contribute towards the cost of their children's education if they are able to do so. Dependent students are those who have never been married or are a single parent, have not been out of secondary school for four years, or have not been in the labour force full-time for two years.

Contributions are assessed based on the family's discretionary income and size. Discretionary income equals total income, less an allowance for taxes and a moderate standard of living¹⁹ in the region in which they reside. If the calculation results in a negative parental contribution number, it is set to zero.

Jurisdictions may also assess a parental contribution from assets, at their discretion.

The total parental contribution per student equals total contribution divided by the number of children attending post-secondary study.

Figure 1 illustrates the expected parental contribution based on pre-tax income for a family of four in Manitoba with one and two wage earners and one child attending post-secondary education (for 34 weeks of study).

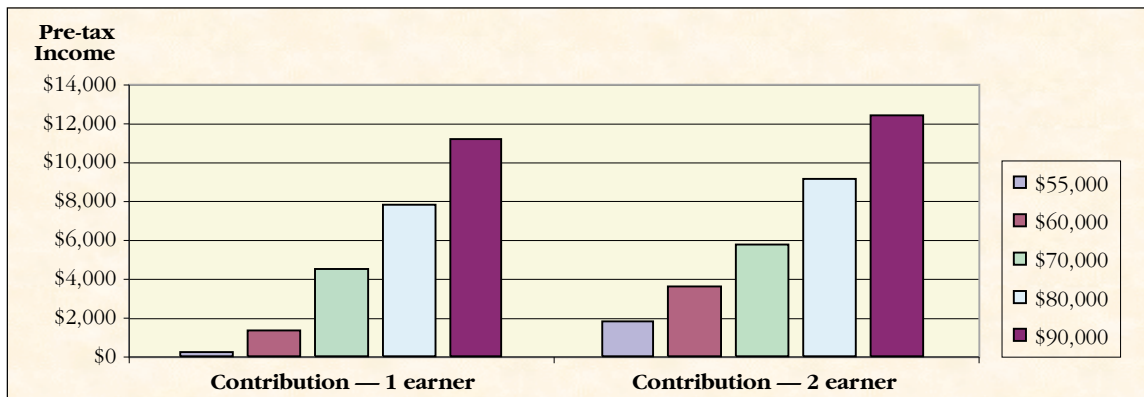
Discussion

The principle that parents should contribute to their children's educational costs is likely to remain for the foreseeable future. The challenge for program administrators is to find a level of contribution that is reasonable but does not result in undue hardship for the family. In establishing parental contribution levels, it should be recognized that families have obligations in addition to paying for post-secondary expenses, including ongoing family support, saving for retirement and providing assistance if required to other children who may choose to begin careers without attending a post-secondary institution.

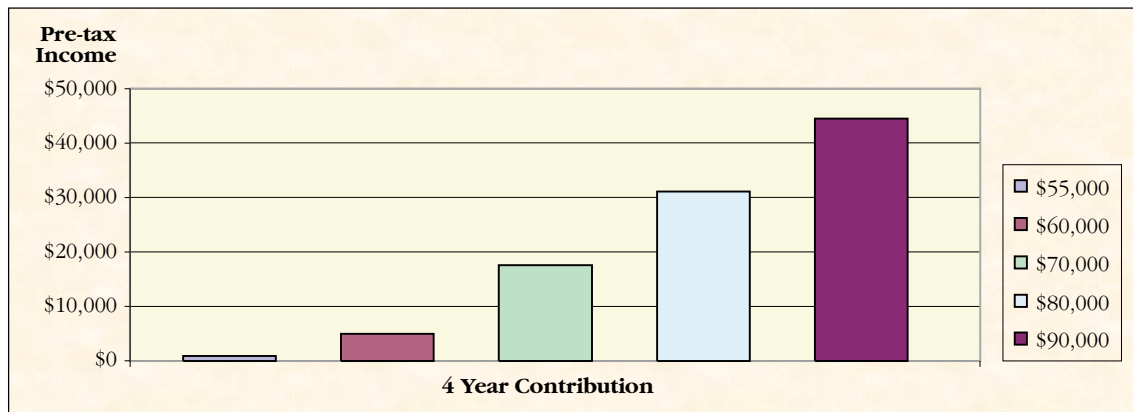
This issue is made more complex as families no doubt make spending and saving decisions based on different priorities over their lifetime, and find themselves having varying degrees of ability to meet government expectations for contributions at the time they are required. The requirement to contribute primarily impacts the middle class as costs are easily met for those from high-income families (provided they have done some advanced planning), and low-income families have most costs met under student aid programs. The middle class is caught "in the middle."

Parents of single dependent students are expected to contribute towards the cost of their children's education if they are able to do so.

FIGURE 1 – CANADA STUDENT LOAN PARENTAL CONTRIBUTION LEVELS – MANITOBA – 2001-2002



19. Based on Statistics Canada Family Expenditure Survey.

FIGURE 2 – TOTAL PARENTAL CONTRIBUTION OVER FOUR YEARS – FAMILY OF FOUR – MANITOBA – 2001–2002***Are parents prepared?***

According to Reichert (1999), student aid administrators report that there are still many complaints and requests for assessment reviews from parents with middle and upper middle incomes. Often they argue that their finances are fully committed. Statistics Canada, in *The Daily*, April 10, 2001, indicates that a 1999 survey shows only 41% of parents have savings devoted to support for college or university. Sixty-three percent of families earning \$80,000 or more had such savings, while less than 20% of families earning under \$30,000 had such savings. The lack of savings at the lower income level is understandable as it is likely that the majority of income is needed for immediate family needs. For those with educational savings, the median savings amount was \$5,000 for each child aged 14 to 18. This amount is somewhat under the cost of one year of post-secondary study. Parents of 50% of children expected they would need student loans to pay for their education, regardless of their educational savings accumulated. Studies in the United States have shown similar results.

How many parents are currently contributing?

Making Ends Meet demonstrates that approximately 85% of all students under 22 receive support from their parents. Of these, 70% receive less than \$2,000 annually, and 86% receive less than \$4,000. Those students not receiving any support (likely because parental income is such that no support is possible) are most likely to apply for student assistance.

Reichert (1999) indicates that in 1996–97 43% of CSL applicants were dependent. In 1997–98 an estimated 34% of parents of dependent students (14.6% of all CSL recipients) who applied for Canada Student Loans were expected to contribute towards educational costs because of their income level. Eleven per cent of parents of dependent students with loans were expected to contribute more than \$3,000.

Are program expectations for parental contribution too high?

Figure 2 illustrates the total contribution expected from a family of four in Manitoba with one wage earner and one child attending a 34-week program each year for four years.

The evaluation of the Canada Student Loans Program conducted by HRDC (1997) indicated that:

“Participants in borrower focus groups and provincial government representatives have stated that the assumed contribution²⁰ does not take place for many individuals.”

Financial aid administrators interviewed indicated that some parents save, and some do not. The lack of parental contribution can be especially difficult in the case of family breakdown. They stressed that flexibility is required when dealing with students in difficulty because of parental contribution issues.

The following factors may contribute to an inability to meet parental contribution expectations:

1. The allowance for a moderate standard of living

In calculating ability to contribute, taxes and a moderate standard of living (MSOL) based on family size are subtracted from parents' income before the contribution amount is determined. A high percentage of remaining funds are then assessed as a contribution.

The items included in the MSOL basket include shelter, food, household operation, childcare, clothing, furnishings, transportation,

healthcare, personal care, reading materials, insurance and retirement payments.

Items not included in the MSOL are things such as restaurant food, personal loan principal or interest payments, gifts and charitable donations, and recreation expenses. Expenditures on these items are likely in the range of \$10,000 per year for many families.

Selected provincial MSOLs for a family of four are as seen in Table 8.

The inclusion or exclusion of items in the MSOL reflects a policy position regarding the lifestyle that families should lead and the sacrifices they should make if their children desire a post-secondary education. Some may argue that items such as gifts, charitable donations and recreation are reasonable family expenditures and should be included in any calculation of a MSOL. Others would argue that it is inevitable that family expenditures will rise as income rises and the current methodology does not recognize this fact.

To the degree that the MSOL is increased, parental contributions would be decreased under the current formula.

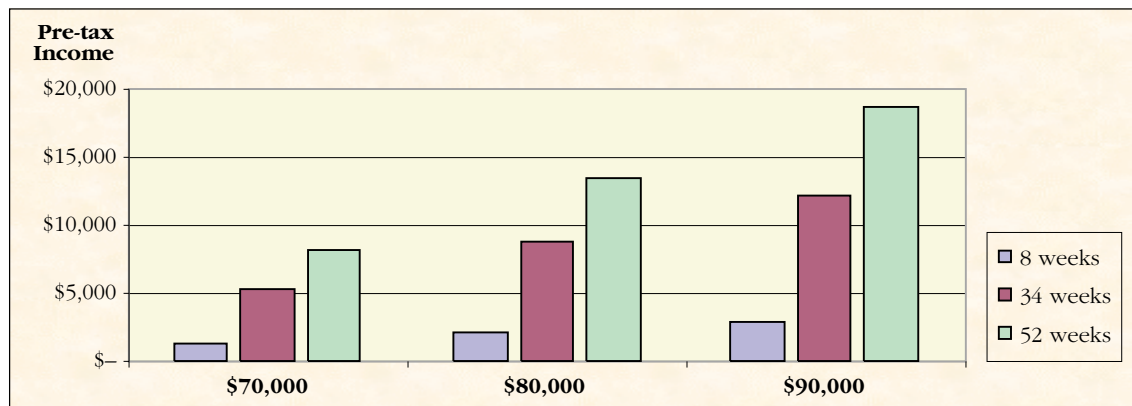
2.1 Contributions based on current weekly income

The methodology used in calculating parental contributions implies that contributions are derived from current weekly income. While it is true that contributions are made over a relatively short time period, it is realistic to assume that the amount contributed by parents has or will come from past earnings (savings) and future earnings (loans), in addition to current earnings. A methodology for calculating contributions based on the family's income over a longer time period may be more relevant to a family's actual experience. Most other social programs base eligibility on annual income.

TABLE 8 – MODERATE STANDARD OF LIVING LEVELS – FAMILY OF FOUR – SELECTED PROVINCES

PROVINCE	MSOL
Nova Scotia	\$36,400
New Brunswick	\$35,600
Ontario	\$41,627
Saskatchewan	\$37,109
Alberta	\$38,086
British Columbia	\$46,361

20. It may be more accurate to refer to expected rather than assumed parental contributions, as parents are required to contribute calculated amounts based on income.

FIGURE 3 – PARENTAL CONTRIBUTIONS BY PRE-TAX FAMILY INCOME AND LENGTH OF PROGRAM

2.2. Contributions increase with the length of the program

If a student attends for 34 weeks, a certain contribution is required. If he or she attends for a greater or lesser time period, the contribution is increased or decreased as indicated in figure 3.

If it is the case that a significant percentage of parental contribution comes from prior savings as opposed to current year income, then it may be argued that ability to contribute does not increase as the length of program increases within a given year. At the \$80,000 income level, contributions can range from \$2,000 at eight weeks to \$13,000 over 52 weeks. If \$13,000 is available, could it not be assessed during an eight or 34-week program? It is most likely that the expected contribution is too onerous for longer programs, and perhaps too generous for short programs.

3. Tax rate on discretionary income

Discretionary income (DI) as used in the parental contribution calculation equals total income, less taxes and the MSOL. The tax rate

on discretionary income increases from 45% to 75% over a \$6,000 range as seen in Figure 9.

In the final analysis, according to Hansen (1991), how much more to assess the wealthy than the poor (that is, what marginal tax rates should be and how progressive they should be) is a matter of judgment, not fact. The rapid rise in the marginal tax rate and the 75% upper tax rate on DI suggests a policy position that parents are expected to divert the majority of DI to the post-secondary student family member. There is little room for the family to assist others who may not be attending school but may want to start a business, for example.

4. Number of family members attending post-secondary study

A family's ability to contribute depends on both its financial resources and the number of children it is required to educate. If two children attend college or university at the same time, the expected parental contribution is divided by two, i.e., it is not increased because more than one is in attendance. If two children are of such an age that they attend separately, then the full parental

TABLE 9 – CANADA STUDENT LOAN CONTRIBUTION TAX RATE ON PARENTAL DISCRETIONARY INCOME

DISCRETIONARY INCOME LEVEL	WEEKLY PARENTAL CONTRIBUTION EQUALS
\$0–2,999	(45% of DI)/52
\$3,000–5,999	(\$1,350 plus 60% of (DI- \$2,999))/52
\$6,000 and over	(\$3,150 plus 75% of (DI- \$5,999))/52

contribution applies for each year that each child is in attendance. In the second scenario, the lifetime contribution of the family is double that of the first scenario, even though its resources remain the same. A family of four earning \$90,000 before tax in Nova Scotia would contribute \$48,500 if two children attend university at the same time over four years. If they attend separately, the required contribution would be \$97,000 over eight years. This may represent an inequity in the program. It may be the case that a methodology that considers the expected lifetime income and expenses of the family in calculating a lifetime contribution amount would be a more accurate and equitable assessment of ability to pay. More research is needed in this area.

The above factors, taken together, may result in parental contribution amounts that are unattainable for some families, and post-secondary access for their children may be in jeopardy.

Summary

It is the general consensus that parental contribution levels (as outlined in figures 2 and 3) are too high for some families.

OPTIONS

1. Reduce required parental contributions to more realistic levels by increasing the moderate standard of living, decreasing the tax rate on discretionary income, capping the annual contribution at the 34-week level, or a combination of all of these factors. It is recognized that "realistic contribution levels" involve lifestyle considerations as well as financial considerations, and are a matter of policy, not fact.
2. Establish unsubsidized parental loans, as in the United States, to assist parents who may have liquidity problems associated with meeting contribution expectations (see issue #6).
3. Over the longer term, examine the implications of establishing an annual and/or lifetime parental contribution amount based on reasonable assumptions of lifetime savings and investment practices at different income levels.

More research may be needed to determine the amount of parental contribution that students receive as compared to the amount expected, and what the appropriate levels of expectation might be in relation to other obligations of the family unit.

Parental contributions must be kept at attainable levels to be sustained over the long term. At the end of the day, the more important consideration is the amount of contribution expected, not the method used to calculate it.

ISSUE #5 – COMPLEXITY OF NEED ASSESSMENT CRITERIA

Student aid applications are long and often complex. While estimates are used by students in the application process (e.g., summer earnings, savings) and program assumptions are made (e.g., parents can contribute required amounts, living allowances are adequate), detailed formulas which imply a high degree of precision are then applied to the data to arrive at an award amount. This process is repeated each year that a student attends, even though his/her financial situation may not have changed.

Program information is not always presented in an easily understood manner. It is difficult for many clients to read the material available and do a quick self-assessment of their eligibility. For example, as it is essential that parents plan for financing their children's education they should be given the tools with which to do so. Parents should have access to easily understood information that outlines the program expectations that will be placed upon them once their child enters school.

While this situation is typical of needs-tested programs, it can result in confusion and uncertainty for clients and administrative complexity for program administrators. Other social programs use a means-testing approach in communicating information and determining award amounts. Such an approach considers family size and income levels but does not focus on issues such as living allowances. For example, the Canada Child Tax Benefit Program (see Appendix 1) publishes benefit levels using family net income and the number of children in the family. The Saskatchewan Child Care program (see Appendix 1) publishes maximum benefit levels in terms of gross monthly family

income and childcare costs. The Old Age Security and Guaranteed Income Supplement programs use similar means of defining benefits in relation to income levels.

Can student aid programs be simplified by moving to a means-testing approach from a needs-testing environment? The use of standard living expense allowances in student aid lends itself to this approach. A number of challenges exist in the current policy environment however, as current methodology results in highly individualized assessments due to the number of variables involved in determining need, such as:

- Curriculum costs;
- Length of program;
- Living arrangements while in school — at home or away;
- Expected summer savings, based on individual income and living arrangements;
- Student income while in school;
- Spousal income;
- Parental income in relation to length of program, size of family, number of children in school.

If consideration were to be given to moving towards a means-tested approach to student aid under the CSLP, the provinces would have to be involved as means-testing would be meaningless without reference to the provincial programs which determine the total award package in each jurisdiction.

Parents should have access to easily understood information that outlines the program expectations that will be placed upon them once their child enters school.

OPTION

1. MEANS-TESTING OF ELIGIBILITY

Consideration could be given to simplifying the program's determination of benefits by moving, at least in part, to a means-tested model. Such a model could be cost neutral as benefits in relation to annual income could be set at levels that would not involve additional expenditures. The task would be made somewhat easier if jurisdictions were prepared to sacrifice micro-equity for more general criteria that would continue to support program goals. Examples of criteria changes that would support a means-testing model include:

- Conversion of parental contribution to an annual amount, regardless of the length of the student's program. Contribution expectations could be published as a percentage of gross family income-by-income ranges, for ease of communication.
- Combine a student's pre-study and in-study income to derive an annual contribution based on an at-home living arrangement over the summer. Exceptions to the "at-home over the summer" rule could be considered on a review basis.
- Combine parental and dependent student annual income for purposes of calculating an annual family contribution.
- Combine student and spouse annual income for purposes of calculating an annual family contribution for married students.

TABLE 9A – SINGLE INDEPENDENT STUDENT – AWAY-FROM-HOME

ANNUAL STUDENT INCOME	ELIGIBILITY			
	Program costs	Program costs	Program costs	Program costs
	\$3,000	\$4,000	\$5,000	\$6,000
\$0-\$9,000	xxx	xxx	xxx	xxx
\$10,000	xxx	xxx	xxx	xxx
\$11,000	xxx	xxx	xxx	xxx

TABLE 9B – DEPENDENT STUDENT – AT HOME

ANNUAL FAMILY INCOME	ELIGIBILITY			
	Program costs	Program costs	Program costs	Program costs
	\$3,000	\$4,000	\$5,000	\$6,000
\$0-\$55,000	xxx	xxx	xxx	xxx
\$65,000	xxx	xxx	xxx	xxx
\$75,000	xxx	xxx	xxx	xxx

TABLE 9C – MARRIED STUDENT – NO CHILDREN

ANNUAL FAMILY INCOME	ELIGIBILITY			
	Program costs	Program costs	Program costs	Program costs
	\$3,000	\$4,000	\$5,000	\$6,000
\$0–\$10,000	xxx	xxx	xxx	xxx
\$12,000	xxx	xxx	xxx	xxx
\$15,000	xxx	xxx	xxx	xxx

Program eligibility for 34-week programs could then be more easily communicated as a function of an income range and curriculum costs in Tables A, B and C.

Dependent students from low-income families could immediately see that they would qualify for substantial assistance, an important message to convey.

Most students would use charts that reflect 34 weeks of study. Other charts would have to be constructed for those who study for periods that are longer or shorter than 34 weeks because of differences in living costs. Unless parental contribution methodology was further simplified, additional charts for dependent students would be needed to reflect differing family sizes and more than one student attending post-secondary study. Assets in the student's possession would also reduce eligibility amounts.

OPTION

2. MULTI-YEAR ASSESSMENTS

Options other than means-testing may be worth considering. The concept of multi-year assessments is raised occasionally by some involved in the student aid profession. Such a concept would involve an initial need assessment that would then be projected over the length of a student's program, essentially establishing what could be called a line of credit for the student.

Once means-tested eligibility charts were developed, communication with clients and self-assessment of eligibility would become more effective than at present. Students from low-income families would see immediately that they qualify for substantial amounts of funding.

This concept may merit further study.

If a student qualifies for \$7,000 in year one of a university program, he or she could be advised that \$28,000 would be available over the course of the next four years. The initial approved amount could be indexed by a modest amount to accommodate increases in costs during the length of the program. Disbursements could be in equal amounts over the program length, or they could be allowed to increase or decrease by some modest amount (up to 10%) to accommodate a student's changing circumstances. The onus would be on the student to report any significant change in financial circumstances over the length of the program, and the income of the student (and the family) would of course be subject to audit.

The main obstacle to such a system would be the degree to which students' need typically changes over the course of their programs. Items subject to change include curriculum costs, dependency status, marital status or living arrangements (e.g., moving away from home). Parental income may change, though not usually by a significant amount.

No studies were found that document the degree to which eligibility amounts change over the course of a student's program. If eligibility generally increases for those who experience change (perhaps the most likely scenario), this would not be a barrier to this type of approach as applications for supplemental aid could be accepted. This would likely be the case for most independent students and students from low-income

families. If eligibility generally decreases, this approach would prove to be more difficult as over-awards would occur if the changes were not reported.

A feasibility study should be undertaken to determine if this approach is workable. If it is, it would simplify the system, promote long term planning by creating funding certainty for students, and reduce the administrative overload on those delivering the program.

ISSUE #6 – LACK OF FUNDING MECHANISMS

Students may find themselves in circumstances such that the existing student aid program is unable to meet all of their needs, and access to post-secondary study could be at risk as a result. Such circumstances could include:

- Lack of expected student savings due to difficulty in finding suitable summer employment;
- Middle income parents who are unable to make the required contribution due to cash flow/liquidity problems;
- Costs not recognized in the assessment process (e.g., a computer purchase);
- Enrolment in high cost programs.

There is a lack of flexibility in the system. In circumstances involving lack of parental or student contributions, the only option is to appeal for additional taxpayer subsidized funds, even though the student and his or her family may not have met their responsibilities inherent in the program design. There may be a reluctance to issue subsidized appeal funding if student or parental obligations have not been met, as it may be seen as unacceptable to allow parents or students to transfer their responsibilities to taxpayers by replacing such contributions with grants or subsidized loans.

For issues involving the purchase of capital assets such as computers or high cost photography equipment, it may not be considered appropriate for taxpayers to pay the cost of such acquisitions through provision of interest-free loans, grants or loan remission.

While student loan programs offered in the private sector may address some of these issues, they are not designed to cover all such situations. Students need co-signers to obtain funding under private programs; this requirement may be difficult for some students to meet. Some private sector loan programs limit eligibility to those who are not in receipt of government assistance. While most banks have loan programs for students in professional programs, students in other program areas may be unable to access such funding.

Students may find themselves in circumstances such that the existing student aid program is unable to meet all of their needs.

OPTION

Establish an unsubsidized loan option, as is the case in the United States, which would allow students or their parents to make required contributions through the assumption of debt. Such an option could be limited to those demonstrating some level of eligibility under the current program so as not to expand student aid to high-income families. Such families can no doubt qualify for private bank assistance. In this way, access would be assured for the program target group but at little cost to the taxpayer. The principles of the program dealing with student and family contributions would be maintained as the student or the parents would retain responsibility for contributing the expected amounts, but would do so from future earnings.

The use of unsubsidized loans to purchase capital items may also be judged to be more appropriate than the use of grants or subsidized loans.

2.2 SUMMARY

Four questions were posed at the beginning of this document.

Question #1: How effective are current need assessment procedures, and allowance levels? Do they recognize actual costs?

As a result of government restraint, post-secondary costs have increased substantially over the last ten years and have placed pressure on student assistance programs to maintain access for all students wishing to attend. In spite of rising costs, the consensus view is that current student aid programs do a reasonable job of measuring need and targeting assistance to those who need it most. While the system is generally not broken, a number of areas have been identified where improvements could be made, as follows:

- Recognized student costs have exceeded assistance limits in some cases. A number of those interviewed expressed the view that assistance limits were more of a problem than the assessment detail.
- Current allowance rates may not recognize certain legitimate student costs, such as computer purchases.
- Expected student contributions from study period income may be too high, and a disincentive to work.
- Some parents are unable to meet parental contribution expectations.
- The overall complexity of the need assessment criteria is an issue that makes the program difficult to understand and hard to communicate to students and parents.
- There is a lack of appropriate funding mechanisms for some students.

Question #2: Do biases exist against certain student groups?

The most significant program bias does not arise from assessment criteria but from assistance limits that may not be adequate to address all areas of legitimate need. The most frequent client categories affected by assistance limits include rural students who must move away from home, and mature students with dependents.

The bias against mature students with dependents may be intended however. If the prime program objective is to help individuals to obtain a post-secondary credential, then the fact that not all expenses of mature students with dependents are covered may be a natural consequence of program design matching program intent.

Question #3: Do major differences exist between need assessment procedures in Canadian and United States student assistance programs, and other social support programs?

In general terms, the Canadian and United States student aid programs are similar, both in terms of application procedures used and needs-tested assessment criteria. This is understandable, given the similarity in program objectives. The United States program may provide more flexibility with respect to the setting of allowance levels (on a local basis), and additional options (e.g., unsubsidized loans) for those who cannot otherwise meet program expectations in the area of student or parental contributions.

Student assistance programs are somewhat different than a number of other social programs in that a significant focus is placed on family support, most assistance granted is repayable, and the age of the client base can vary from young adults to older individuals with family obligations.

The approach to determining benefit levels is also different. Student aid programs use needs testing assessment methodology with a focus on both cost allowances and resources in determining award amounts. Many of the other social programs reviewed use a means-testing approach with a focus on income levels to determine awards.

Question #4: Are there better ways and means of assessing need for certain student categories?

A summary of recommended options for change:

- It may be appropriate to consider establishing a policy basis for assistance limits that would increase such limits to a level that would cover most single student costs, and indexing them on a yearly basis in the future.
- It may be better practice to remove expense category limits and recognize all costs, which are legitimate in the assessment process, whether or not they can be met under existing program assistance limits.
- A policy which would increase the in-study income exemption to approximately twice its current level may result in a more favourable environment for students who wish to work part-time in order to cover unfunded or unrecognized need.
- Consideration could be given to reducing parental contributions to more realistic levels, converting contributions to annual amounts, and providing parents with unsubsidized parental loan options that would allow them to meet contribution expectations from future income.
- To reduce program complexity, it may be possible to convert student aid to a means-testing environment if jurisdictions are prepared to sacrifice the micro-equity inherent in the current criteria for a more general approach to need determination. Another approach that would result in

simplification of the current process would be a move to multi-year assessments, which would involve extending calculated need in the first year of a program over the length of the program, essentially establishing a line of credit for the student. The feasibility of such approaches should be examined, as they have the potential to simplify the system for students, promote long-term planning, and reduce the administrative overload on those delivering the program.

- Funding options other than subsidized assistance may be needed in the system. As some students may have difficulty in accessing private bank loans to replace expected savings or meet unfunded costs, an unsubsidized loan option such as the one in use in the United States may result in assured access for such students who may otherwise find attendance problematic. Such an option would allow students and parents with liquidity problems to meet their contribution obligations from future earnings, at little cost to the taxpayer.

Closing comments

Student aid need assessment methods in Canada have not changed much in the last 35 years. Perhaps the time has come to consider improvements to the process.

Of all concerns discussed in this report, those related to assistance limits were felt to be of greatest import. How governments arrive at decisions concerning the amount of assistance to award is seen to be of lesser consequence than the issue of the final amount approved on a student's behalf.

In developing options for change to the CSLP and provincial programs, the writer has not been constrained by a requirement to stay within budget parameters when considering program modifications. It is recognized that options for change that may be considered of benefit to students may not be affordable in the immediate future.

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APPENDIX 1 — SUMMARY PROFILES — SOCIAL PROGRAMS

STUDENT AID COMPARED TO OTHER SOCIAL PROGRAMS

Table 10 and 11 provide a high level summary of program features.

TABLE 10 – SOCIAL PROGRAMS – OBJECTIVES, CLIENTS AND BASIS FOR NEED ASSESSMENT

PROGRAM	PROGRAM OBJECTIVE	CLIENT BASE	NEED BASED ON
Canada Student Loans	Removal of financial barriers to post-secondary education	Full-time post-secondary students	Moderate level standard cost allowances, less student contribution from income and assets, and family contributions from income (and assets in some cases).
USA Student Loans	Same as above	Same as above	Same as above
Welfare – Nova Scotia	Assist persons in need and facilitate their movement to independence and self-sufficiency	Needy individuals	Basic level standard cost allowances, less client contributions from income and assets
USA – Food Stamps	Reduce poverty, end hunger, and improve nutrition and health	Welfare clients and working poor	Number in household, and basic level of gross/net income.
USA – Medicaid South Dakota	Provide health care to certain low-income families	Elderly, and low-income families with children	Family size, and basic level of gross income.
USA – Welfare – California (Temporary assistance for Needy Families)	Promote personal responsibility towards work, marriage, etc., for needy persons	Poor families with minor children	Basic net income level, less family contribution from net income and assets
National Child Benefit	Prevent/reduce child poverty	Children in low-income families	Family size, and moderate net income level
Child Care – Saskatchewan	Help low-income families access quality childcare	Low-income parents	Moderate gross income level, number of children attending day care, and cost of care
Employment Insurance Skills Training – Alberta	Assist people who require upgrading of skills to get employment	Those eligible for employment insurance and who need training	Moderate level standard cost allowances, less student/spouse contribution from income
Old Age Security (OAS)	Provision of modest monthly pensions	65 + year-old Canadian residents	High level of net income. Benefits may be taxed back, based on net income level of pensioner
Guaranteed Income Supplement	Provide minimum level of income support to low-income OAS recipients	Low-income seniors	Marital status, and moderate annual income level

TABLE 11 – SOCIAL PROGRAMS – TYPES OF ASSISTANCE, MAXIMUM AID AND EVIDENCE OF UNMET NEED – CONTINUED

PROGRAM	TYPE OF ASSISTANCE	ASSISTANCE MAXIMUMS	EVIDENCE OF UNMET NEED
Canada Student Loans	Interest-free loans	\$165/week of study (\$5,610 for a 34-week academic year; lifetime maximum of \$56,100 for 340 weeks)	Increasing participation rate gap between low and high SES students Unmet need of students attending PSE
USA Student Loans	Pell Grants Subsidized loans Unsubsidized loans	Pell Grants – up to US \$3,750 Loans – up to US \$10,500 if Independent in 3rd+ year	Participation gap based on SES High percentage of unmet need among students
Welfare – Nova Scotia	Grants	Governed by allowances, size of family	Level of poverty not declining
Food Stamps – USA	Food coupons Direct deposits	US\$329/mo. – family of 3 US\$434/mo. – family of 4	Some evidence of hardship for childless adults
Medicaid – USA	Direct payment for health care services	Governed by services required	1 in 3 low-income parents lack health insurance
Welfare – USA – California (Temporary Assistance for Needy Families)	Cash benefits to cover basic needs	Lifetime limit of 60 mos. support US\$728/mo – family of 4	Most single people ineligible High homelessness rate
National Child Benefit	Tax free monthly payment	\$378.66 mo. – two children	Evaluation underway
Child Care – Saskatchewan	Subsidies paid to daycare centers	\$325 for infants	
Employment Insurance Skills Training – Alberta	Grants Loans to replace savings	Up to \$16,700 for 9 mos. programs, plus up to \$5,000 in loans for high tuition or lack of savings	Performance indicators will be tested in 2001/02. ²¹
Old Age Security	Monthly cash payments	\$442.66/mo.	Number of seniors living in poverty is in decline. ²²
Guaranteed Income Supplement	Monthly cash payments (non-taxable)	\$526.08/mo.	Same as above.

21. According to the HRDC performance report for the period ending March 31, 2001.

22. Ibid.

The family assistance concept

Both the Canadian and United States student assistance programs reflect the policy position that a student's family (parents or spouse) will assist in meeting educational costs where they are capable of doing so.

Of all social programs reviewed, only the Canadian and USA student assistance programs require assistance from an individual's parents if they are in a position to contribute. Under the CSLP, parents are expected to contribute for four years after secondary school, unless the student has spent two years in the workforce. Parents in the United States are generally expected to contribute towards educational costs until the student reaches 24 years of age.

In contrast to student assistance policy, welfare programs generally cut all financial ties or responsibility between parents and children once the child reaches 18 years of age. The employment insurance skills training program in Alberta does not require parental contributions for young single individuals in skills training programs.

Under both the Canadian and United States student assistance programs, spouses are expected to contribute the majority of their income each year the student is in school. Spousal income is also considered when calculating benefits under the Alberta Skills Training, Canada Child Tax Benefit, Saskatchewan Child Care, and the

Guaranteed Income Supplement programs. Of the programs examined, only the Old Age Security Program does not consider spouse income when calculating benefit levels.

It is likely that this family contribution policy reflects a public belief that a responsibility to contribute exists, and that the benefits of a post-secondary education will also accrue to a greater or lesser degree to the family unit.

Client contributions in programs other than student aid

The expectation that clients will help themselves to the degree possible is found in most social programs. For example:

- Clients of Social Services in Nova Scotia are expected to work and contribute to their economic security if able, or participate in training if required. Client assets are considered when calculating benefits;
- Single individuals in the United States are not generally eligible for welfare benefits as they are expected to support themselves. Food stamp and Medicaid benefits are based on the individual's income;
- Skills training clients in Alberta are expected to contribute \$1,350 in savings, but any shortfall in this amount may be offset by a loan;
- The Saskatchewan Child Care Program requires that a client must be working, seeking employment or attending classes to be eligible for support.

CANADA STUDENT LOANS PROGRAM

1) Program Objectives

Established in 1964, the Canada Student Loans Program is the federal mechanism for ensuring access to post-secondary education for Canadian students who might not otherwise be able to attend. Loans (and grants in some cases), which are interest free during the period of attendance, are provided on a needs-tested basis to remove financial barriers to post-secondary study for people from lower income circumstances. The program operates on three basic principles:

- The cost of education is a shared responsibility between students, parents or spouses, and the government. Students and their families are expected to contribute based on their ability to pay;
- Assistance is supplemental to student and family resources;
- Assistance is based on need.

2) Client Base

In 2000–01, about 350,000 full-time students negotiated loans amounting to \$1.6 billion, according to the HRDC Performance Report for the period ending March 31, 2001.

3) Assessment Methodology

According to HRDC's CSLP Policy and Procedures Manual, need is determined by subtracting the student's available resources from the cost of attendance, as follows:

Costs

The standard allowable costs in need assessment include:

- Actual tuition and compulsory fees;
- Books and supplies (actual or allowance to a maximum of \$3,000);
- Student living allowance;
- Return transportation;
- Childcare (if applicable — to a maximum per child);
- Other allowable costs;
- Discretionary costs.

Resources

Resources included in the calculation of need are:

- Savings from summer employment;
- Contributions from part-time income while studying;
- Spouse income, if applicable;
- Student and spouse assets;
- Parental contributions from income (and assets in some provinces);
- Other resources.

Other student resources are normally assessed at 100% of their value in calculating need.

Need

Need equals allowable costs minus total resources.

4) Type of Assistance Provided

Once need has been determined, loans (and grants in some cases) are issued to the student to help defray the costs of attending post-secondary study. The loans are interest free during the period of time that the student remains in school.

5) Assistance Maximums

Students may receive loans to a maximum of \$165 per week of study (usually \$5610 for an academic year). Lifetime eligibility is 340 weeks or \$56,100. If the student proceeds to the doctoral level, the lifetime limit is 400 weeks, or \$66,000.

6) Evidence of Unmet Need

The HRDC (1998) report, *Ensuring Opportunities: Access to Post-Secondary Education*, indicates that federal and provincial aid programs have not been meeting the full needs of some students because of rising costs. In 1996–97 over 130,000 students, including 50,000 students with dependents, had assessed need over and above what aid programs could provide. The introduction of Canada Study Grants for students with dependents in 1998 may have helped somewhat, although costs have continued to rise since 1996–97 and loan limits under the CSLP (and a number of provinces) have not been adjusted.

USA STUDENT LOANS

Federal Methodology

1) Program Objectives

Student loans and grants in the United States are intended to reduce price barriers to post-secondary study. Need based programs are based on the following principles:

- To the extent they are able, parents have the primary responsibility to pay for the education of their dependent children;
- Students, as well as parents, have a responsibility to help pay for their education;
- A needs analysis system must treat all families in an equitable and consistent manner, while recognizing that special circumstances can and do alter a family's ability to pay.

2) Client Base

According to the US Department of Education (Oct. 5, 2001), nearly 4 million students received US\$9 billion in need based federal Pell Grants in FY 2001. In addition, approximately 5.31 million students borrowed US\$34.8 billion in federal student loans during the same period.

3) Assessment Methodology

The Educational Testing Service Network (1999) defines financial need as the difference between total educational expenses (called cost of attendance) and the total amount a student and his or her family are expected to pay (expected family contribution). The need analysis uses a set of standardized federal

formulas that look at each student's (and his or her family's) income, assets, expenses, family size and other relevant factors.

Costs [as outlined by the United States Department of Education (2001)]

The standard allowable costs in need assessment include:

- Actual tuition and fees;
- Allowance for books and supplies, transportation, and miscellaneous personal expenses. Rental or purchase of a personal computer may be included;
- Allowance for room and board (must be based on reasonable expenses);
- Allowance for dependent care (must be reasonable — based on number of dependents, and age).

Living allowances are established by each school, based on reasonable costs in the area and the student's marital status and living arrangements. Sample costs for single students are as seen in Table 12.

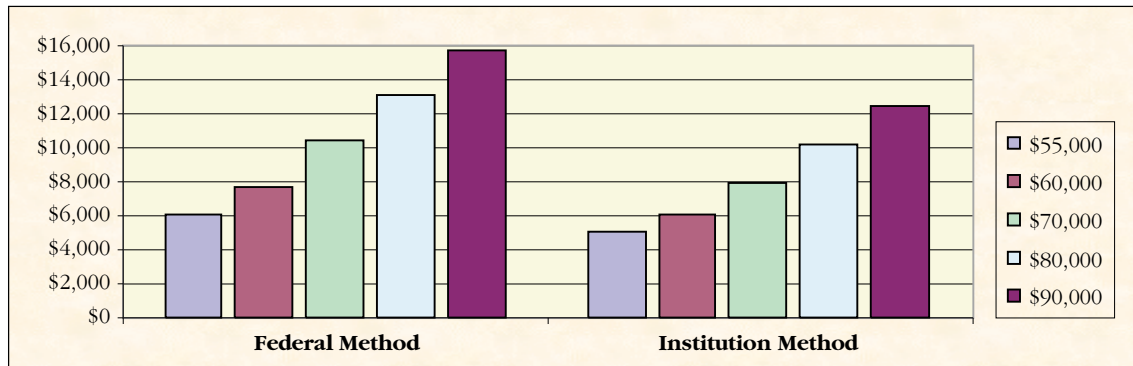
Resources

In calculating eligibility for subsidized loans and campus based aid, resources include the expected family contribution (EFC), and any other financial assistance (scholarships/awards) that the student may receive.

The total EFC for dependent students equals total parental contribution plus total student contribution. The expected EFC is automatically set to zero if the parents' combined income is less than US\$13,000.

TABLE 12 – SELECTED LIVING ALLOWANCES – U.S. STUDENT LOANS – 2001-2002

UNIVERSITY	STUDENT AT HOME	STUDENT AWAY FROM HOME
Texas A and M	US\$575/mo.	US\$995/mo.
Oregon State	not available	US\$949/mo.
Penn State	not available	US\$963/mo.

FIGURE 4 – U.S. PARENTAL CONTRIBUTION LEVELS – IN US\$ – BASED ON INCOME ONLY

Parental assets are not considered if their combined income from work is less than US \$50,000.

Parental contributions

Parents are expected to contribute if students are considered dependent on parental support. Students are considered dependent in 2001/02 if none of the following conditions apply:

- They were at least 24 years old by December 31, 2001;
- They are an orphan or ward of the court;
- They are veterans of the U.S. Armed Forces;
- They are married;
- They will be working on a degree beyond a bachelor's degree;
- They have dependents (other than a spouse) that they support.

The parent income contribution equals a percentage of the parent's available income. Available income equals total income less allowances for non-discretionary expenses such as taxes and basic living costs. The allowance for basic living costs is dependent on family size. Available income can be a negative number, which could result in a portion of the student's contribution from income to be used to help support the family.

The parent contribution from assets equals 12% of the parent's discretionary net worth.

Discretionary net worth equals the parent's net worth, less allowances for education savings and asset protection (for retirement). Discretionary net worth may be less than zero. If the contribution from assets is less than zero, it is set to zero.

Adjusted available income equals available income plus the contribution from assets.

Total parental contribution equals adjusted available income times the assessment rate (from 22% to 47% as adjusted available income increases).

Total parental contribution per student equals total parental contribution divided by the number of children attending post-secondary study.

Examples of parental contributions based on income in the USA are illustrated in Figure 4. Contributions reflect a California family with two children (one in post-secondary study) and one wage earner (age 45). (Source: the College Board estimator, available at www.collegeboard.com).

Student contributions

Under the **Federal methodology**, student contributions are calculated as follows:

- Student's contribution from income²³ equals available income multiplied by 50%. The student's available income equals total annual income minus allowances for taxes and living costs. To recognize that a student

23. Students from low-income families are not required to make a contribution from income.

may have to support his or her family, the parent's negative available income may reduce the student's contribution from income.

- Student's contribution from assets equals net worth multiplied by 35%.

The student's total contribution equals contribution from income plus contribution from assets.

The EFC for independent students without dependents other than a spouse is calculated using the same methodology as dependent students, except that allowances for living costs and total income are adjusted to reflect the spouse, and parental contributions are not considered.

For independent students with dependents other than a spouse, the formula for calculating the EFC is almost the same as the formula for the parents of a dependent student.

In calculating eligibility for Pell Grants, only the EFC is used as a resource.

In calculating eligibility for unsubsidized loans, other financial assistance (scholarships/awards) is considered a resource, but the EFC is not.

Need

Need equals allowable costs minus total resources

4) Type of Assistance Provided

As a result of needs testing under the federal methodology, Pell Grants and subsidized student loans are issued to offset the costs of post-secondary education. In the event that a student or his/her family is unable to finance the expected family contribution, s/he may request an unsubsidized education loan to replace the expected family contribution.

5) Assistance Maximums

The maximum Pell Grant in 2001/02 is US\$3,750.

Dependent undergraduates may borrow up to US\$2,625 in the first year, US\$3,500 in the second year and US\$5,500 in the third and subsequent years. Independent students may borrow an additional US\$4,000 in unsubsidized loans in the first two years and US\$5,000 in the remaining years.

Graduate students can borrow US\$18,500 per year, US \$8,500 of which is subsidized.

6) Evidence of Unmet Need

According to the National Center for Education Statistics (2001), in 1995/96 middle income dependent undergraduates had 31% of their cost of attendance covered by financial aid, and 58% had unmet need after student aid and expected family contributions were taken into account.

The National Center for Education Statistics (1999) also indicates that the enrolment rates of low socio-economic status (SES), high-achieving high school students are lower than the enrolment rates for middle and high SES, high-achieving groups.

The Advisory Committee on Student Financial Assistance (2001) references a steep rise in unmet need of low-income students. The lowest income students have unmet need of US\$3,200 at two-year public institutions and US\$3,800 at four-year public institutions.

A WORD ABOUT THE USA

INSTITUTIONAL METHODOLOGY

The federal methodology is used in the USA to calculate need for all federal loan and grant programs. Many post-secondary educational institutions, in calculating need under campus-based programs, often use the institutional methodology of the College Scholarship Service. Institutional aid in the USA represents about 19.5% of total aid received by students.

The web site of Tulane University (2000) explains the differences between the two methodologies for 2000/01 as follows:

- The federal methodology does not consider home equity in calculating the EFC — the institutional methodology does;
- The federal formula allows inclusion of independent siblings who are 24 years of age or older in the number attending college for purposes of determining parental contribution for each student — Tulane University does not;
- A greater minimum savings or “self-help” is expected under the institutional methodology. At Tulane, the expectation is US\$1,300 for freshmen and US\$1,500 for continuing undergraduates;
- Business losses are added back to income under the institutional methodology in calculating parental contributions — not so under federal methodology.

SOCIAL ASSISTANCE – PROVINCE OF NOVA SCOTIA

The following information has been condensed from the Government of Nova Scotia (2001) Employment Support and Income Assistance Manual.

1) Program Objectives

The program objective is to provide for the assistance of persons in need and to facilitate their movement toward independence and self-sufficiency (within their capacity to do so).

Policy guidelines indicate in part that:

- Independence and self-sufficiency, including economic security through opportunities for employment, are fundamental to an acceptable quality of life in Nova Scotia;
- Individuals, government and the private sector share responsibility for economic security;
- Assistance to develop skills and abilities will be required for some Nova Scotians to enable them to participate as fully in the economy and in their communities as is reasonably possible;
- Income assistance must be combined with other forms of assistance to provide effectively for Nova Scotians in need.

2) Client Base

As of May 2001, 34,648 clients (single or families) were on the caseload. This represents 65,484 individuals.

TABLE 13 – SOCIAL ASSISTANCE SHELTER ALLOWANCES – NOVA SCOTIA

FAMILY SIZE	RENT/OWN	
	HOME	BOARD
1	\$235	\$197
2	\$550	\$242
3+	\$600	\$282

3) Assessment Methodology

The principle of need is paramount in determining eligibility for financial assistance. The program is intended to provide a level of assistance that is adequate to meet basic needs for shelter, food, clothing and personal care.

To be eligible, clients must generally:

- Be 19 years old or older;
- Reside in the province;
- Be a person in need;
- Pursue all other sources of income; and
- Participate in an employability assessment.

Costs

In calculating need, the following standard allowances are used in Table 13.

The personal allowance for food, clothing, etc., is \$180 per adult per month.

The allowance for childcare is up to \$400 per month (to support employment).

The transportation allowance is \$150 per month (to support employment).

Personal allowances for children are not part of the social assistance benefits budget. Children's allowances are provided from the Nova Scotia Child Benefit, the National Child Benefit Supplement, and the basic Child Tax Benefit as follows:

Basic Child Tax Benefit	\$ 1,117	per year
National Child Benefit Supplement	\$ 1,255	per year
Nova Scotia Child Benefit	\$ 445	per year
Total	\$ 2,817	or approximately \$235/mo

Resources

All sources of income are used in calculating need, unless they are specifically exempt. Exemptions include the National Child Benefit, the Child Tax Benefit, the Nova Scotia Child Benefit and the Goods and Services Tax Credit.

As incentives towards self-sufficiency, clients may retain 30% of net wages earned from non-supported employment, and \$150 per month of any training allowances received.

All assets are considered in calculating need unless specifically exempted. Assets include cash, bank accounts, stocks, bonds and real property. A primary residence, motor vehicle used for basic transportation, or RESPs are among items excluded. The maximum allowance for assets is \$500 if single and \$1,000 for a family size of more than one.

Need equals allowable costs minus resources.

4) Type of Assistance Provided

Grant assistance.

5) Assistance Maximums

Governed by allowance maximums — dependent on family size and resources.

6) Evidence of Unmet Need

The program has recently been redesigned (as of Aug. 1, 2001). Welfare rolls are in decline, although the level of poverty is not (according to questions and answers released regarding the newly designed program).

WELFARE PROGRAMS – UNITED STATES

Three major components of the social assistance support system in the USA are the food stamp program, the Medicaid program and the Temporary Assistance for Needy Families (TANF) Program.

1) Program Objectives

The food stamp program, an entitlement program, is intended to bring families out of poverty, support work effort, end hunger and improve nutrition and health.

The Medicaid program, an entitlement program, provides health care to low-income American families. Eligibility criteria are set by each state.

The TANF program may or may not be an entitlement program, depending on the approach taken by the state in question. According to the *State Policy Documentation Project*, the majority of states (33) have opted to include explicit language in their state policies stating that cash assistance benefits will be provided to all who meet the eligibility criteria.

The aim of the TANF Program is to promote greater personal responsibility regarding work, marriage, etc., in addition to the provision of temporary assistance. In most cases, assistance is contingent upon recipients participating in employment seeking activities pursuant to personal responsibility agreements which are signed as a condition of support.

2) Client Base

Just under 90% of food stamp households have gross incomes below the poverty line and receive 96% of the benefits. 37% of families are on welfare. 23% are elderly or persons with disabilities. Over half of all recipients are children.

Medicaid benefits are provided to the elderly, low-income families with children and other categorically needy groups.

TANF benefits are provided primarily to poor families with minor children (< 18 years old) and pregnant women.

3) Assessment Methodology

FOOD STAMPS

Food stamp eligibility is based on the size of the household and the family income, less certain deductions for expenses. Benefits are generally limited to families whose income is under the federal poverty line. The following information in Table 14 has been extracted from the U.S. Department of Agriculture food stamp web site.

Costs

Households must meet income tests unless all members are receiving TANF or Supplemental Security Income benefits. Households with income over the amounts below cannot get food stamps.

TABLE 14 – MAXIMUM INCOME FOR FOOD STAMP QUALIFICATION – USA – US\$

PEOPLE IN HOUSEHOLD	GROSS MONTHLY INCOME	NET MONTHLY INCOME
1	\$931	\$716
2	\$1,258	\$968
4	\$1,913	\$1,471

The following deductions are allowed from gross income to calculate net income.

- Twenty per cent from earned income;
- \$134 for all households;
- Dependent care deduction when needed for work — not more than \$200 for each child under age two and not more than \$175 for each other dependent;
- Medical expenses for elderly or disabled;
- Child support payments;
- Set amount for shelter (allowed by some states). Some states allow excess shelter costs if they equal more than 50% of income after other deductions.

Resources

1. Thirty per cent of net monthly income is assessed.

2. Assets

Households may have \$2,000 in resources or \$3,000 if at least one person is 60 or older. The family home and resources, of people who receive Supplemental Security Income (SSI) or TANF benefits are not counted. Vehicle value over \$4,650 is counted as a resource, with some exceptions allowed.

Need

The food stamp allotment is calculated as follows:

Allotment equals maximum allotment for family size, less 30% of net monthly income.

MEDICAID

Medicaid benefits are granted based on a family’s income and assets. Eligibility criteria are set on a state-by-state basis. Services covered include doctor appointments, hospital stays, dental and vision services, prescription drugs, etc.

According to Guyer (2001):

- In 34 states, parents in working families are ineligible for Medicaid if their earnings equal the poverty line (\$14,630 for a family of three);

- In half of the states, parents are ineligible for Medicaid if their earnings exceed 69% of the poverty line (\$10,082 for a family of three);
- In 11 states, parents are ineligible if their earnings exceed just 40% of the poverty line (\$5,852 for a family of three).

The following information in Table 15 is taken from the South Dakota Medical Assistance for Low-Income Families web site:

Costs

The family’s monthly gross income, based on family size, may not exceed the following amounts:

The family must consist of a parent or other adult caretaker relative and a dependent child (under 18 years old).

Resources

1. One hundred per cent of income is assessed in calculating eligibility.
2. Assets. The family’s resources may not exceed \$2,000. They include bank accounts and certificates of deposit. The family home and one vehicle are not counted.

Need

If a family’s income exceeds the income limits, benefits are not provided.

WELFARE

According to the *State Policy Documentation Project*, eligibility rules for cash assistance vary from state to state. A family’s gross or net income must fall below eligibility benchmarks

TABLE 15 – MAXIMUM MONTHLY INCOME LEVEL FOR MEDICAID – SOUTH DAKOTA – US\$

FAMILY SIZE	ADJUSTED INCOME LIMIT
1	\$563
2	\$703
4	\$885

in all states in order to qualify for benefits. Assets are also assessed in all states but Ohio. Single individuals are generally not eligible.

The following eligibility rules apply in California when determining initial eligibility.

To qualify, families must include a minor child (one who is under 18-years-old, or who is 18 and will graduate by age 19). Two-parent families may be eligible only if one parent is incapacitated or meets "unemployed" parent requirements. (Neither parent can be working more than 100 hours per month).

Costs

Net family income must fall below the State's need standard, as seen in Table 16.

Net monthly income equals gross income, less child support income up to \$50/mo., and \$90/mo. of earnings.

Resources

1. Countable income, defined as gross monthly income, less child support up to \$50, and less (\$225 plus 50% of remaining earnings).

2. Assets

Asset exemptions are as seen in Table 17.

Countable assets must fall below the specified limits or a family will not qualify for aid regardless of its current income.

Need

Benefits equals maximum benefit for family size, less countable income.

4) Type of Assistance Provided

Food Stamps — coupons, or direct deposits, to purchase food.

Medicaid — Direct payment to hospitals, health care providers, insurance premiums, etc.

Welfare — cash benefits to cover basic needs.

5) Assistance Maximums

FOOD STAMPS

\$434/mo. for a family of four.

\$329/mo. for a family of three.

MEDICAID

There is no dollar maximum. The amount of assistance is governed by the type of services provided, such as inpatient or outpatient hospital services, prenatal care, physician services, etc. States may limit, for example, the number of days of hospital care, provided a sufficient level of services is maintained (a rationing technique).

WELFARE

A family with an adult may receive assistance for a lifetime maximum of five years. States may impose fixed period time limits such as a

TABLE 16 – MAXIMUM NET FAMILY INCOME FOR WELFARE – CALIFORNIA – US\$

	FAMILY SIZE			
	1	2	3	4
Need Standard	\$362	\$594	\$737	\$875

TABLE 17 – WELFARE ASSET EXEMPTIONS – CALIFORNIA – US\$

GROUP	ASSET LIMIT
Families with no elderly members (60 or older)	\$2,000
Families with an elderly member (60 or older)	\$3,000

TABLE 18 – MAXIMUM MONTHLY WELFARE BENEFITS – CALIFORNIA – US\$

FAMILY SIZE	IN REGION WITH MOST RECIPIENTS	REMAINDER OF THE STATE
1	\$302	\$287
2	\$493	\$469
3	\$611	\$582
4	\$728	\$693

prohibition on assistance for more than 24 months in a 60-month period.

Maximum monthly benefits in California for families where no adult caretaker is receiving disability benefits are as seen in Table 18.

6) Evidence of Unmet Need

FOOD STAMPS

According to the Center on Budget and Policy Priorities (Dec. 2000), a food stamp provision of the 1996 welfare law limits eligibility for 18–49 year-olds who are not disabled or raising children to three months while unemployed out of each three year period. This provision has denied benefits to approximately 400,000 low-income jobless individuals who want to work but cannot find employment.

MEDICAID

Guyer (July 2001) indicates that over 42 million Americans do not have health insurance. Low and moderate-income parents cannot qualify for Medicaid in most states unless they have income well below the poverty line, but if they earn enough to lift their income to the poverty line they forego health insurance coverage.

WELFARE

According to Burt (Sept. 2001), at least 800,000 people, including 200,000 children, are homeless on any given day. Escalating housing costs are of great concern. Half of all homeless adults receive less than US\$300 per month in income. Most single people's ineligibility for welfare benefits helps explain this low-income level.

CANADA CHILD TAX BENEFIT

1) Program Objectives

According to the Provincial/Territorial National Child Benefit web page (www.nationalchildbenefit.ca), the Benefit is intended to help prevent and reduce child poverty and promote attachment to the workforce — resulting in fewer families having to rely on social assistance — by ensuring that families will always be better off as a result of working.

Benefit levels are intended to be sufficient to remove benefits for children from the welfare system.

2) Client Base

Those who benefit are Canadian children in modest-income families. Payments are made to those individuals who are responsible for caring for the child. The Canada Customs and Revenue Agency (Aug. 20, 2001) estimated that payments during that month would be made to over 2.7 million recipients.

3) Assessment Methodology

Costs

The Canada Customs and Revenue Agency (2001) indicates that the benefit amount is based on:

- The number and ages of the children in the family;
- The province or territory of residence;
- Family net income; and
- The family's deduction amount for child-care.

Resources

The Canada Child Tax Benefit combines a basic benefit with a National Child Benefit Supplement.

The Basic benefit is reduced if the family net income is more than \$32,000. If there is one child in the family, the reduction is 2.5% of the amount of income that exceeds \$32,000. If there are two or more children, the reduction is 5%.

The supplement is reduced if the family net income is greater than \$21,744. If there is one child in the family, the reduction is 12.2% of the portion of net income that exceeds \$21,744; if there are two children, the reduction is 22.5%; for three or more children, the reduction is 32.1%.

A number of provinces and territories consider the supplement amount as income and reduce the basic social allowance by that amount. Others may adjust social allowance rates by the maximum National Child Benefit amount.

Need

Need equals allowance rates, less a percent of net income in excess of thresholds.

4) Type of Assistance Provided

A tax-free monthly payment to the person caring for the child.

TABLE 19 – MONTHLY CANADA CHILD TAX BENEFITS – BY FAMILY SIZE

Family Net Income (\$)	One Child (\$/mo)	Two Children (\$/mo)	Three Children (\$/mo)	Four Children (\$/mo)
Under 21,744	197.66	378.66	559.91	741.16
25,000	164.56	317.61	472.81	654.06
40,000	76.41	152.83	252.41	352.00
60,000	34.75	69.50	169.08	268.66
80,000	0	0	85.75	185.33
100,000	0	0	2.41	102.00
120,000	0	0	0	18.66

5) Assistance Maximums

The basic benefit is:

- \$93.08/mo. for each child under 18; plus
- \$6.50/mo. for the third and subsequent children; plus
- \$18.41/mo. for children under 7, less 25% of claimed childcare expenses.

The supplement equals:

- \$104.58 for the first child;
- \$87.91 for the second child; and
- \$81.66 for each additional child.

The Canada Child Tax Benefit including the National Child Benefit Supplement for July 2001 — June 2002 is seen in Table 19.²⁴

6) Evidence of Unmet Need

A four-year strategy to evaluate the program was adopted in 2000. Preliminary results of the evaluation are not yet available.

24. Assumes all children are over 7 years old.

CHILDCARE – PROVINCE OF SASKATCHEWAN

The following information is taken from the Government of Saskatchewan (2001) Social Services child daycare subsidies web site.

1) Program Objectives

The program provides funds to help families access quality childcare.

2) Client Base

Low-income families who are working, attending classes or seeking employment, and need childcare for dependent children less than 13 years of age.

3) Assessment Methodology

Costs

The subsidy is calculated on:

- Gross family income;
- Number of children attending childcare;
- Type of care;
- Child's monthly fee; and
- Child's monthly attendance.

The maximum subsidy may be received if the family monthly income is:

- \$1,640 or less with one child (\$19,680 per annum).
- \$1,740 or less with two children (\$20,880 per annum).
- \$1,840 or less with three children (\$22,080 per annum).

Resources

The subsidy is reduced by about \$5 for every \$20 in gross income in excess of the above amounts.

Need

Need equals allowable childcare costs, less 25% of gross income in excess of thresholds.

4) Type of Assistance Provided

Subsidy payments to daycare centres.

5) Assistance Maximums

- \$200 for school age children;
- \$235 for school age children during July and August;
- \$235 for preschool children;
- \$285 for toddler children attending childcare centres;
- \$325 for infants attending childcare centres;
- \$265 for infant and toddler children attending family childcare homes;
- \$210 for toddler and preschool children attending teen childcare centres;
- \$250 for infants attending teen childcare centres or 90% of the fee charged, whichever is less.

SHORT-TERM SKILLS TRAINING – ALBERTA²⁵

1) Program Objectives

The program is intended to assist individuals who require a skills upgrade to obtain employment. Individuals are expected to share the cost of skills training if it is appropriate that they do so.

2) Client Base

Individuals who have financial need and are Employment Insurance (EI) eligible. To be considered eligible the recipient must have:

- established an EI claim; or
- received EI benefits in the last three years; or
- received maternity or paternity benefits from EI in the last five years.

The client-training program must be approved by the provincial authority.

3) Assessment Methodology

Costs

The standard allowable costs in need assessment include:

- actual tuition and compulsory fees;
- books and supplies;
- standard living allowances (high mortgage costs may be allowed if documented);
- Local transportation;
- Childcare if applicable (for ages 11 and under);
- Other.

Living allowances reflect a modest standard of living in Alberta. They depend on the

trainee's marital status and number of dependents, as seen in Table 20.

Resources

Resources included in the calculation of need are:

- Actual savings. If savings are less than \$1,350 loan funds may be issued to cover the shortfall;
- Net salary and wages — trainee (and spouse if applicable);
- EI benefits;
- Other income.

An asset test is not applied.

Unlike student aid programs, all recipients are considered independent — no parental contributions are required.

Need

Need equals allowable costs minus resources.

4) Type of Assistance Provided

Primarily grant assistance. Loans may be issued to cover lack of savings, or high tuition.

5) Assistance Maximums

Recipients may receive up to \$16,700 in grant assistance for programs of five to nine months, plus up to \$5,000 in loans to cover high tuition or savings shortfalls.

Training support is not normally approved for more than 12 months.

TABLE 20 – SKILLS TRAINING LIVING ALLOWANCES – ALBERTA

FAMILY SIZE	LIVING ALLOWANCE
Single student	\$715
Single parent – one child	\$1,235, plus childcare
Married couple – no children	\$1,425
Married couple – one child	\$1,735, plus childcare
Married couple – two children	\$2,045, plus childcare

25. A number of changes to this program are planned for the 2002/2003 year.

6) Evidence of Unmet Need

According to HRDC (2001), about 478,000 clients participated in employment benefits and support measures interventions in 2000–2001. After participation, roughly 225,000 became employed or self-employed.

Indicators and a methodology to measure the medium term impacts of employment benefits and support measures have been developed, and are expected to be tested in 2001–2002 in joint pilot arrangements with two or three provinces.

OLD AGE SECURITY (OAS)

1) Program Objectives

The program provides a modest monthly pension for seniors.

2) Client Base

Canadian residents who are 65 years of age or older. Recipients need not be retired.

3) Assessment Methodology²⁶

Eligibility is based on age and years of residence in Canada. Full pensions are paid to those who have lived in Canada at least 40 years after reaching 18 years of age. If less than 40 years, pensions are equal to 1/40 of the full pension for each year lived in Canada after the recipient's 18th birthday.

Costs

Full benefits are paid if net income is equal to or less than \$55,309.

Resources

Benefits are taxable and indexed to inflation. Once individual net income reaches \$55,309, benefits begin to be repaid through the tax system. The benefit reduction rate is equal to 15% of net income in excess of \$55,309. At a net income amount of \$90,195, the pension is eliminated.

Five percent of seniors receive a reduced pension. Two percent lose the entire amount in tax-backs.

Need

Need equals maximum pension, less 15% of the net income (of which \$55,309 has been subtracted).

4) Type of Assistance Provided

Monthly cash payments.

5) Assistance Maximums

The maximum monthly benefit is \$442.66.

6) Evidence of Unmet Need

HRDC (2001) indicates that in 1980 about 21% of seniors in Canada were living in poverty but by 1998 less than 9% were doing so. The reduction is largely attributed to the Canada/Quebec Pension Plans and improvements to the Old Age Security program.

The poverty rate among Canadian seniors is one of the lowest in the member countries of the Organization for Economic Cooperation and Development.

26. Information is taken from the Government of Canada Old Age Security web site.

GUARANTEED INCOME SUPPLEMENT (GIS)

1) Program Objectives

The GIS provides additional money, on top of the old age security pension, to low-income seniors living in Canada. It is intended to provide a guaranteed minimum income for low-income seniors by replacing a portion of pre-retirement income. To be eligible for the GIS, the recipient must be receiving the Old Age Security Pension and meet the income requirements.

2) Client Base

Low-income seniors living in Canada.

3) Assessment Methodology²⁷

Costs

The GIS is based on marital status, annual income and the amount of the Old Age Security Pension that the recipient is entitled to receive. The maximum income above which benefits are not provided is \$12,648 if single and \$30,624 if married.

Resources

For a single, widowed, divorced or separated pensioner, the maximum monthly supplement is reduced by \$1 for each \$2 of other monthly income.

If both spouses or common-law partners are receiving the old age security pension, the maximum monthly supplement of each pensioner is reduced by \$1 for each \$4 of their other combined monthly income.

Eligibility ceases for a single person when income reaches \$12,648, and for a couple when combined income reaches \$30,624. (See chart under assistance maximums.) For purposes of calculating annual income, OAS and GIS are not included.

Need

Need equals maximum GIS, less 50% of family income.

4) Type of Assistance Provided

Monthly non-taxable cash payments. Benefits are indexed to inflation.

5) Assistance Maximums (and average monthly benefit, for one person)

In calculating GIS benefits, funds from OAS and the GIS are not considered income. Most seniors receive less than the maximums above as they have income from other sources. See Table 21.

6) Evidence of Unmet Need

(see OAS comments)

TABLE 21 – GUARANTEED INCOME SUPPLEMENT – BENEFIT LEVELS

RECIPIENT	AV. MO. BENEFIT	MAX. MO. BENEFIT	MAX. ANN. INCOME
Single person	\$360.72	\$526.08	\$12,648
Spouse of Non-pensioner	\$334.38	\$526.08	\$30,624
Spouse of Pensioner	\$205.72	\$342.67	\$16,464

27. Information is taken from the Government of Canada Old Age Security web site.

SUMMARY

As the program summaries indicate, an individual or family's cost of living standard is considered in calculating need under all programs described. The standard for living costs varies widely however, depending in part on the program objective.

The Old Age Security program permits a comparatively high level of income before benefits are reduced. Student aid programs, the Canada Child Tax Benefit, Saskatchewan Child Care, Alberta Skills Training and the Guaranteed Income Supplement could all be described as allowing a moderate living standard. Welfare programs in both Canada and the USA provide a very basic level of support.

A percentage (or all) of an individual's income (and that of his or her family's in some cases) is considered in calculating need under all programs. Assets are assessed as a resource in some programs but not in others.

APPENDIX 2 — LIST OF INTERVIEWEES

Mr. Steve MacDonald

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Business Integration and Coordination
Alberta Learning

Mr. Helmut Zisser

Director
Ministry of Training, Colleges,
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Ontario

Mr. Tony Norad,

President-CASFAA
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Ms. Judy Dyck,

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