

# BACKGROUND: PAYING FOR A BC STUDENT GRANT PROGRAM

Student loans are currently the central component of BC's student financial aid system. They are the main source of financial assistance available for young people and workers from low- and middle-income backgrounds to access the education they need to start a new career and support a family. As education costs have increased far beyond inflation and as real incomes have declined<sup>1</sup>, more and more students require financial assistance, and student debt has ballooned to now historic highs.

With no comprehensive system of grants, BC provides the lowest amount of non-repayable financial assistance in the country<sup>2</sup>. BC needs a student grant program to level the playing field and help all British Columbians access the education they need to succeed.

## THE BC GOVERNMENT'S BUDGET CAN AFFORD GRANTS

Creating a student grant program is well within the government's budget. The revitalized student grants program can be afforded by reallocating funds from the current back-end completion grants and from education-related tax credits.

### REDIRECT EXISTING GRANT PROGRAMS

The existing BC Completion Grant awards \$500 to students who successfully complete each year of their studies; the amount is deducted from their student loan balance. According to StudentAidBC, this program cost over \$30 million in the 2015-16 academic year. This \$30 million could be better used to create an up-front needs based grants program.

Another boutique program called the BC Completion Grant for Graduates is also available, but only for graduates from specified areas of study. The Grant offers a \$500 reduction to the BC portion of the student loan; however, because students need to apply for this (relatively unknown) grant, as of 2017, only 152 students in total have received it, totalling \$76,000. Funding for this boutique program could be better spent on an up-front needs-based grants program rather than on a little-known loan relief program offered at the end of one's studies in a specified field, after the debt is already accrued.

### ELIMINATE INEFFECTIVE TAX CREDITS

Additional funding for a new student grants program could also come by eliminating expensive and ineffective tax credits for tuition fees and education. The BC government's 2019 budget allocated \$55 million for these tax credits, yet studies repeatedly show that education savings grants are of most benefit to those in the highest income brackets, who can afford to save early on as well as pay education costs up front<sup>3</sup>.

In 2017 the federal government removed education and textbook tax credits and used those funds instead to increase funding to the Canada Student Grants Program. The BC government can do the same, and make use of the \$55 million for education tax credits to instead aid students who otherwise cannot afford post-secondary education.

By reallocating the over \$30 million completion grant funds and the \$55 million in tax credits—not to mention the reduction in costs of managing these boutique programs—the government would create a base of at least \$85 million to go towards a system of up-front needs-based grants which will help BC students who need it the most.

## THE BC GOVERNMENT SHOULD RE-EVALUATE ITS COMPLETION GRANT PLAN

The BC NDP Government has committed to establishing a \$1,000 completion grant program to provide debt relief to BC graduates; however, this does not take into consideration the reality that the existing completion grants do not effectively reduce the financial burden on students in BC. The funding for this initiative would be better used if directed towards an up-front needs-based grants program, thus reducing overall debt loads for students. When accounting for the redirection of proposed monies for the new completion grant initiative, added to the \$85 million allocated above, it is estimated that without any additional monies the government could introduce a program that provides \$100 million annually in non-repayable student financial assistance.

### Footnotes

<sup>1</sup> Vancouver Sun (2015). "B.C. income growth worst in Canada: analysis" January 22, 2015. [www.vancouversun.com/business/income+growth+worst+Canada+analysis/10749375/story.html](http://www.vancouversun.com/business/income+growth+worst+Canada+analysis/10749375/story.html)

<sup>2</sup> Other provinces offer either upfront grants (Ontario, Alberta, Saskatchewan, New Brunswick, Manitoba), or forgivable loans (Quebec, Newfoundland & Labrador, Prince Edward Island, Nova Scotia). Of note, Ontario recently announced that the threshold for those who qualify for grants will be lowered; however grants will still be offered for students with family incomes lower than \$50,000, which is still more than StudentAidBC offers.

<sup>3</sup> Frenette, M. (2017). Which Families Invest in Registered Education Savings Plans and Does It Matter for Postsecondary Enrolment?

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**GRANTS**  
**NOT LOANS**

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