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# FAST FACTS

April 19, 2007

## Tuition Fees: A Regressive Flat Tax

It's amazing how durable an ill-founded idea can be when it appeals to the biases of the conservative policy establishment.

How else can you explain the persistence of conservative education policy maven Alex Usher's claim that universal funding of college and university amounts to a subsidy of the rich, paid for by the poor?

That view was one of the intellectual pillars on which Bob Rae's high-tuition fee strategy for postsecondary funding renewal in Ontario was based. It has been a consistent theme of Mr. Usher's patron, the research funding arm of the Millennium Scholarship Foundation. It has surfaced in Québec as a key component of Jean Charest's re-election campaign. And, most recently, it provided the intellectual cover for Mr. Usher's near-hysterical diatribe against the Canadian Federation of Students that was recently provided to campus publications through the Canadian University Press.

It is true that the children of higher-income families are more likely to participate in postsecondary education than the children of lower-income families. Data provided in Bob Rae's report show that students from the highest-income 25% of families made up 31% of postsecondary students in Canada; students from the lowest-income 25% made up 20% of postsecondary students.

But you can only get from there to the conclusion that

the poor are subsidizing the rich when postsecondary education is funded publicly by ignoring the tax system; implicitly assuming that the money to pay for postsecondary education is found on trees rather than raised from a real-world tax system. Taking the revenue sources into account turns the argument upside down. Why? Because we have a tax system that is roughly proportional to income; and income is much more unevenly distributed than postsecondary education participation.

To put the data in the Rae Report into perspective, it turns out that the highest-income 25% of households with children earn 47% of the income, pay 47% of the taxes and make up 31% of the student population. The lowest-income 25% of families with children earn 8% of the income, pay 8% of the taxes, and account for 21% of the student population. So as a matter of fact, funding postsecondary education from general government revenue rather than from tuition fees does transfer income from higher-income families to lower-income students.

To go further, as some have, and suggest that subsidized tuition is regressive reveals a total misunderstanding of the economic meaning of a "regressive" measure. A tax is regressive if the percentage of the payer's income represented by the tax declines as the payer's income increases. So again in direct opposition to the claim by critics of universally funded postsecondary education, it is the tuition fee that is regressive, because a flat



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# ***FAST FACTS* continued ...**

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amount of tuition fee makes up a lower proportion of a student's income as her or his income increases. To repeat, it is the tuition fee, not universal funding, that is regressive.

So those who attack public funding of postsecondary education are flat out wrong when they argue that such funding is a subsidy of the rich paid for by the poor, that subsidizing education is regressive or, by implication, that charging higher tuition fee is progressive.

They also miss another important feature of how we pay for postsecondary education. If you look at the middle 50% of families, they account for about 50% of the students and would pay about 45% of the taxes to support universal funding. In other words, to the extent that income matters in education funding policy, universal funding amounts to middle-income families paying for each others' children's postsecondary education.

The policy prescription that flows from this bad math is to tax all students more—by raising tuition fees—and then provide targeted subsidies to the very poorest students. Invariably, middle-income students get nailed by the former—they pay a higher tuition tax—but don't benefit from the latter. As a result, to the extent that there are financial barriers to participation in postsecondary education, a high-tuition fee and targeted subsidy policy pushes those barriers higher up the income scale.

And in putting so much emphasis on their faux subsidy argument, the critics of universal funding for postsecondary education miss the most basic point. We don't provide universal funding for education in order to transfer income, even though when you take the tax system into account, it does a reasonably good job.

We provide universal funding for education because as a society, we think it is valuable to have an

educated population. Just as pioneers like Egerton Ryerson did in the 1800s when they championed public elementary and secondary education, we believe that education makes for more engaged, healthier and more productive citizens. We believe, as Egerton Ryerson did, that education underwrites the economic opportunity on which liberal democratic society is based. We believe, as Egerton Ryerson certainly would if he were here today, that in a society as diverse as ours, universally accessible public education is the essential meeting place.

That doesn't mean we should be complacent. Anything but. Only the complacent would take comfort—as the critics of universal public postsecondary education consistently do—in the fact that participation in undergraduate postsecondary education has not declined in a decade of tuition fee increases. As if “not declining” is acceptable in an economy increasingly characterized as a knowledge economy. As if “not declining” is acceptable in an economy in which the only jobs that are growing in number are jobs requiring postsecondary credentials. As if the fields in which participation by students from lower-income families have in fact been declining as tuition fees have increased—most notably professions like law and medicine—don't matter.

We need to do a lot more to democratize participation in postsecondary education. We need to address much earlier in a student's life the disadvantages related to income and socio-economic status that affect his or her ability to participate in postsecondary education. And part of doing more is recognizing the obvious—that steadily increasing tuition fee levels create barriers to access for lower- and middle-income students and have contributed materially to the increasing levels of debt with which students now graduate.

- Hugh Mackenzie

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