

Paid in Full UPDATE

Who Pays for University Education in BC?

Summary

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THIS REPORT EXAMINES HOW POST-SECONDARY EDUCATION is funded in BC, and challenges the conventional wisdom that students are heavily subsidized by taxpayers. It updates the analysis contained in a 1998 CCPA report of the same name written by former UBC economist Robert Allen.

The report calculates the financial contributions that students make toward their post-secondary degrees, taking into account two ways in which students pay:

- At the front door through tuition fees; and
- After graduation through higher income taxes over their working careers (university graduates generally have higher incomes and therefore pay more taxes than people with only a high school diploma).

Students' total payments for their degrees are then compared to the total cost of providing undergraduate education in BC. The analysis finds that, as a group, university graduates pay much more than the full costs of their education under the existing system of taxes and fees:

- Over their working lives, women with an undergraduate degree contribute, on average, \$106,000 more to the public treasury than women with only a high school diploma;
- Similarly, university-educated men contribute \$159,000 more to the public treasury than men with only a high school diploma; and
- In contrast, a four-year undergraduate degree costs \$50,630, of which tuition fees make up 40 per cent.

A review of recent Canadian research and data from the 2006 Census confirms that the economic returns to higher education in increased job skills and earning potential for graduates remain high for both men and women in virtually all fields of study. In turn, graduates' increased lifetime earnings result in higher income tax revenues for the public treasury. These higher income tax revenues are in effect a form of payment students make for their education and should be recognized as such.

by Iglrika Ivanova

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CCPA
CANADIAN CENTRE
for POLICY ALTERNATIVES
BC Office



University graduates pay much more than the full costs of their education under the existing system of taxes and fees.

Using data from Canada's 2006 Census, it is estimated that the average university educated man pays about \$140,000 in additional income taxes (compared to the average male high school graduate) and receives \$15,400 less in transfer payments (such as welfare and EI) over his working life due to his higher earnings, for a total of \$155,400 in additional net taxes. University educated women pay over \$80,300 in higher income taxes and receive \$18,100 less in transfer payments (compared to the average female high school graduate), for a total of \$98,400 in additional net taxes.

If other taxes, such as sales and payroll taxes (EI and CPP deductions), were included, the amount paid by graduates for their education would be even higher.

Graduates in virtually all undergraduate programs, including humanities and social sciences, contribute considerably more to the government coffers over their working lives than their education costs. This points to the need to rethink how we fund post-secondary education in BC and Canada. Two policy recommendations follow from this analysis.

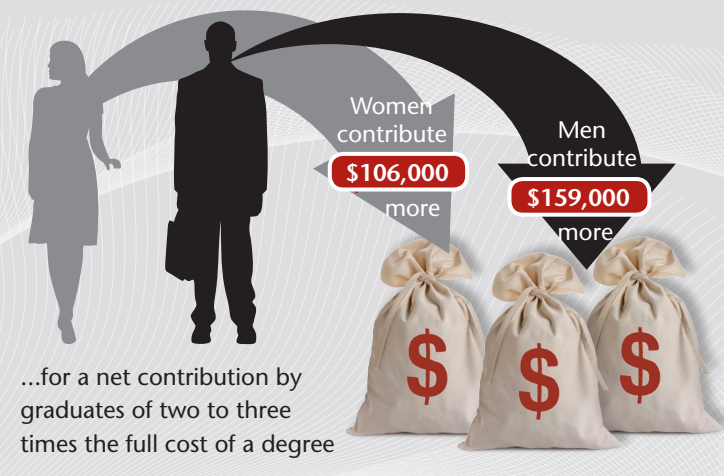
First, public investment in university education should be expanded. The substantial payoff from education in terms of extra taxes to the public treasury that this report documents strengthens the case for increased public funding to universities.

Second, up-front student payment for education—in the form of tuition—should be reduced and education funding should instead be recouped through the additional taxes paid by uni-

WHO PAYS FOR UNIVERSITY EDUCATION IN BC?



In addition to paying tuition fees, university-educated women and men pay **more in taxes** and receive **less in transfer payments** over their working lives than those with only a high-school diploma...



A STRONG ECONOMY

increasingly requires advanced education.

To ensure BC is well-positioned to succeed,

increase public investment

in post-secondary education.

FAIR ACCESS

can be achieved by

lower tuition fees.

We can afford to reduce financial barriers to education because graduates repay the costs and more through higher taxes.

versity graduates (ideally through increases in progressive taxes). The current policy approach to higher education financing, which puts increasing pressure on individual students and their families to pay for their university education up-front is both unfair and unnecessary. High tuition fees simply overcharge students and, in the process, compromise access to education for those who face financial barriers in their youth.

In today's economy, when a post-secondary education is increasingly becoming a requirement for many fields of employment, it is more important than ever to ensure that all British Columbians can access higher education. This report's findings suggest that it is economically feasible to improve access by reducing the up-front financial barriers to education and recognizing the payments graduates make for their schooling throughout their working careers.

It is important to note that while those with post-secondary degrees and certificates earn more *on average*, some individuals with higher education earn less than the average high school graduate. A progressive income tax system is sensitive to these individual differences and will ensure that the risk is pooled over all graduates.

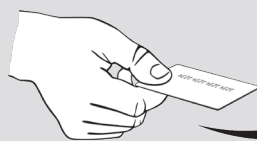
In addition, it will allow graduates to make career decisions freely, without the threat of unmanageable debt loads hanging over their heads. Those who opt to pursue careers with high social value, but low remuneration, such as in the visual arts or non-profit sectors, would not have their choices distorted by high education costs.

It makes good sense to ask university graduates to pay the costs of their education once they start reaping the payoffs of their education, rather than charging them high tuition fees up front.



It is economically feasible to improve access by reducing the up-front financial barriers to education and recognizing the payments graduates make for their schooling throughout their working careers.

HOW SHOULD WE PAY FOR UNIVERSITY EDUCATION IN BC?



**AT THE FRONT DOOR:
THROUGH
HIGH TUITION FEES**



**AFTER GRADUATION:
THROUGH
PROGRESSIVE TAXES**

- Creates barriers to education.
- Leads to large and unfair debt loads:
 - Low-income graduates take longer to repay their student loans, so they pay more in interest than their higher-income peers, and
 - Graduates with student loans are less likely to have savings or own a home, even long after graduation.
- Forces individual students to bear the risk of their education not improving their standard of living.
- Distorts students' career choices because of this risk.
- We all bear the cost of not using the skills and capabilities of all citizens.

or

- Reduces barriers to education.
- Delays payment until after graduation, when education starts to result in higher income.
- Spreads the financial risk of education over the pool of all graduates, as opposed to making individual students bear this risk.
- Allows graduates to choose careers in fields with high social value but lower financial reward.
- BC reaps economic and social benefits when education is accessible to all.



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ABOUT THE AUTHOR

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