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Jeudi 20 avril 2006

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public accounts**

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Ministry of Training,
Colleges and Universities

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comptes publics**

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Chair: Norman W. Sterling
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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

COMITÉ PERMANENT DES COMPTES PUBLICS

Thursday 20 April 2006

Jeudi 20 avril 2006

The committee met at 0946 in committee room 1, following a closed session.

2005 ANNUAL REPORT,
AUDITOR GENERAL
MINISTRY OF TRAINING,
COLLEGES AND UNIVERSITIES

Consideration of section 4.10, Ontario student assistance program.

The Chair (Mr. Norman W. Sterling): Good morning. My name is Norm Sterling. I'm the Chair of the public accounts committee of the Legislature.

Dr. Steenkamp, welcome to the committee. I understand you have appeared in front of the BC committee on public accounts, and I want to tell you that our committee considers them as pussycats, just as a warning. Actually, I was not authorized to say that.

Welcome. I understand you are a new deputy minister. Our committee gives the deputy minister the opportunity to make a statement at the beginning of our hearings, and then we proceed to questions with regard to the auditor's report and the presentation normally made by the deputy minister. We normally allocate time equally among the three parties represented here today.

Perhaps you would like to introduce those sitting with you at the table and anybody else who might come to the podium to answer questions on behalf of the ministry.

Dr. Philip Steenkamp: Thank you, Mr. Chairman. I would like to introduce Janet Mason, who is the assistant deputy minister of the post-secondary education division in the ministry, and Richard Jackson, who is the director of the student support branch. Given that I am newly in this job for a few weeks, I will be relying on their technical assistance through the course of these proceedings.

What I propose to do, if it pleases the committee, is just make a few opening remarks and then quickly get into a slide presentation where we summarize the status of the implementation of the Auditor General's recommendations.

First, I'm very pleased to be here in front of the committee to report on the implementation of the recommendations made by the Auditor General in his 2005 follow-up audit on the Ontario student assistance program, and also to respond to any questions that committee members may have.

I am pleased to report that the recommendations brought forward by the Auditor General have either been implemented or are well in the process of being implemented. I understand from my briefings that this is the ministry's third appearance before this committee since 1997 on the implementation of recommendations made with respect to OSAP. The Auditor General's recommendations, I understand from my briefings, have enabled the ministry to significantly improve the accountability of the Ontario student assistance program.

Just to briefly recap the recommendations made in the four previous OSAP audits: The 1997 audit of OSAP found that significant improvements to OSAP were required, and the recommendations included the need to improve the oversight of program delivery activities of the post-secondary institutions, increase control over bursary payments, improve internal financial management controls and implement performance management.

In addition to those recommendations, the Auditor General also made the following observations: that more effort was required to recover overpayments and defaulted loans; that administrative practices were resulting in inappropriate payment of loan forgiveness benefits; and that student loan default expenditures had increased significantly from 1993 through to 1997.

In 1999, there was a follow-up on the 1997 audit, which showed that there had been significant steps to improve controls; there had been new measures put in place to improve collections and reduce default claims; and several performance measures had been introduced as well, including graduation rates, graduate employment rates and default rates both for institutions and for different programs of study.

Then in 2003, there was an audit of OSAP systems and procedures, and the conclusion there was that since the 1997 audit, the ministry had taken action to address a number of the recommendations and there had been a significant improvement. These recommendations were the foundation for the 2005 follow-up audit and the reason we are here today. I note that in the 2005 follow-up audit, the Auditor General noted that according to information obtained from the ministry, the ministry has taken some action on all of the recommendations made in the 2003 annual report.

So today I am here to talk about OSAP in the context of the new investment in post-secondary education, the Reaching Higher plan, which is a \$6.2-billion investment by 2009-10. Within that investment, the government is

making an investment of \$1.5 billion in student aid to make post-secondary education more affordable for low- and middle-income students.

For 2005-06, the student aid enhancements provided additional assistance to more than 135,000 students. These enhancements were the most significant improvements to the program since 1978. For 2006-07, we estimate that about 145,000 students from low- and middle-income families will benefit from the enhancements recently announced.

Today I am able to tell you that with the exception of a few areas where more work still needs to be done, particularly with respect to negotiations with our federal partner, much progress has been made to address the recommendations made by the Auditor General.

I'll take you through the slide presentation very quickly, and then leave the balance of the time for questions. If I move to slide 2, the audit history I have spoken to, you can see it on the page, from significant weaknesses in 1997 to consistent improvements bringing us here today.

If we go to slide 3, the OSAP stats for 2005-06: It's an extensive program, \$1.5 billion a year and more than 185,000 students. You will note the very high percentage of students who apply online here as well.

The federal-provincial partnership is obviously an extremely important feature of the program. The federal government plays a key role in providing assistance. Ontario, though, delivers the Canada student loan funding on behalf of the federal government. Since the integration agreement in 2001, in order to make the program more efficient for students, it has been delivered through a single source.

There have been some efforts made to improve integration. The same methodology is used to calculate parental contributions, and the criteria for interest relief are now the same. There's a constant move to try to improve integration through negotiations with the federal government but also through the forum of the federal-provincial-territorial working groups.

The six key recommendations of the Auditor General's 2003 annual report are listed on slide 5, and I'll go through each of those in turn. In summary, before we get into the specifics, I think we can say with confidence that all the recommendations from 2003 have been implemented or are well in the process of being implemented.

Turning to the first recommendation, concerning determining eligibility in loan entitlements: If we turn to slide 8, the recommendation here was to ascertain trends by analyzing the results of the income verification process. The ministry found that under-reporting of income was one of the primary causes of overpayments.

To assist in minimizing errors, the ministry signed a memorandum of understanding with the Revenue Canada Agency in September 2005, which will result in regular checks of information beginning in June this year. In most cases, we will have verified the parental income for dependent students prior to issuing funding in September 2006, which is a significant improvement on past practice.

The more frequent and much earlier verification will significantly reduce the number of overpayments created by incorrect reporting of parental income by dependent students, and will also provide more accurate data for assessing entitlements for dependent students.

In addition to the MOU, the ministry is also developing a restriction policy that would take a measured approach to withholding eligibility and benefits from students who abuse the system.

Turning to slide 9: In the same general area, around eligibility in loan entitlements, the recommendation there was to negotiate policy changes that will permit parental and spousal income to be verified at the same time. I would characterize progress on this by saying that the sort of policy work is under way with the federal government.

There has been significant federal-provincial-territorial work on student assessment simplification initiatives, which was begun last summer. But because of other priorities, such as implementing the 2005-06 federal enhancements and the resulting adjustments we needed to make at the provincial level and the change in the federal government as well, work on this initiative did not advance as significantly as we had hoped. However, we are continuing to press for changes to assessment methods that will lead to verifying spousal and parental incomes on a consistent basis. So the item is still on the agenda and is actively under consideration in that federal-provincial-territorial forum and in bilateral discussions with the federal government as well.

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On slide 10, the reference is to the recommendation to properly determine entitlements in cases where spousal income includes social assistance. We have worked very closely here with officials from the Ministry of Community and Social Services and financial aid administrators at the various post-secondary institutions to develop a new, enhanced web interface for Ministry of Community and Social Services workers to access data about their clients' OSAP funding. This IT application is currently being tested and is expected to be fully operational this month.

The new interface will also increase the efficiency of ongoing batch data matches between OSAP and the Ministry of Community and Social Services, and will help prevent double funding from the Ministry of Community and Social Services and OSAP and allow for quicker identification of any over-awards that may occur.

The following slide shows you the front page of the secure web interface. We would be happy to provide more detail on this for members of the committee.

I want to turn now to talk just briefly again about the next area of recommendations; that is, the area of improvement for reducing student loan overpayments.

On slide 13, the recommendation is to determine and act on the main reasons for loan overpayment; loan disbursements need to be timed with student cash flow requirements. We have worked and discussed this with the federal government, and the federal government initially informed us that a request for proposals would

be issued in the fall of 2005 for a loan service provider, which would enable monthly loan disbursements, better integrating the timing of disbursements with the requirements of students.

That RFP was actually released on February 24 this year, and the closing date is May 4, 2006. The time frame for changes to the disbursement schedule will be determined, obviously, after the selection of the service provider, but that work is well under way and we anticipate being able to make some progress on that once the contract is awarded.

Slide 14: The recommendation is to improve post-secondary monitoring of academic progress. What this involves, really, is a significant attempt to keep in contact with post-secondary institutions and, in particular, with the financial aid administrators. So the financial aid administrators have been reminded, through system-wide announcements and regular, ongoing contact, of the need to process enrolments in a timely manner and also to monitor academic progress. There is a working group of financial aid administrators and ministry staff who work to identify and communicate best practices to institutions that, in our collective view, are deficient in this area.

Slide 15: reducing student loan overpayments. Again, the recommendation there is, "Review process of overpayments for students who provide inaccurate information." The ministry has reviewed causes of loan overpayments and reported this information to the federal government. It also indicated that changes in OSAP policy, as well as extensive negotiations with the federal government, would be required in order to fully address this issue.

The ministry is proposing to continue investigating serious cases of under-reported income and to use these results to determine future policy work. So I think this is an area I would characterize as a work in progress. We are continuing to do the kind of analytical work we would need to do to determine the appropriate policy response. We are informed that federal officials as well are still developing policy for the recovery of loans or grants issued which are in excess of student entitlements. We will stay closely in touch with them to see whether this work is applicable and practical for Ontario to implement as well.

The next area concerns controlling Ontario student opportunity grant payments. If we move to slide 17, the recommendation there was to work with post-secondary institutions to identify students who reduce their course load to part-time or who do not meet ministry expectations for academic year completion.

Students who do not complete the academic year are not eligible to be considered for OSOG assistance. In order to emphasize this requirement with students, the 2006-07 notices of assessment that advise students on how much assistance they qualify for will be revised to highlight both the amount of OSOG assistance that they may be eligible to receive and the eligibility criteria that they are required to meet to receive this benefit.

As I have mentioned previously, there is an audit working group consisting of financial aid administrators

and ministry personnel. The mandate of this group includes recommendations for follow-up on instances of non-compliance with OSOG requirements. It's also looking at improvements to the audit process to make it more cost-effective.

The next area concerns managing the risk of program abuse, obviously an extremely important issue for all Ontario taxpayers. The recommendation on page 19 concerned identifying individual cases of potential abuse, analyzing the summary statistics for possible trends warranting investigation and following up with appropriate action.

In terms of the progress made here, right now students with an increase of two or more dependents from a previous year's application are identified and audited. In 2004, 192 files were reviewed. Reassessments of the files resulted in savings of \$167,000. The project was also undertaken in the fall of 2005. Some 123 cases have been identified. The value of the reassessments is currently being undertaken, so we don't yet have the figures for how much money will be recovered as a result of this.

In addition, regulations were amended to restrict future eligibility for students who under-report income. We're developing for 2006-07 a restriction policy on future eligibility. The work is continuing to try and identify trends and, once those trends have been identified, put in place the appropriate audit mechanisms as well.

The next issue concerns reducing defaulted student loans. I know this was a big subject of focus in previous audits, and there has been some consistent improvement in this area. It is an area, however, where I think we must continue to be very vigilant and look for continuous improvement. I am pleased to report that we are seeing improvement in default rates, particularly over the last year.

The recommendation there was to implement best practices used successfully in other jurisdictions. Ontario is a leader, I would say, in terms of default prevention in Canada. There's very rigorous credit screening of new applicants; there's public reporting of default rates by institution and program. That gives prospective students some very good information about selecting programs. Default cost-sharing is in place. That means that for institutions with a published default rate greater than 25%, they are required to pay the cost of the default above 25%. There's a requirement for a default management plan; there are a variety of mechanisms for interest relief and debt reduction.

One initiative in particular is the Ontario debt reduction and repayment program, which was implemented in November 2004. That assists borrowers who face exceptional long-term financial difficulty. It's available to students who have been out of school for five years and have exhausted all periods of traditional interest relief.

In the same year, the fall of 2004, students were also able to check the status of their loans online for the first time. That's a very significant advancement because it provides a much more convenient and accessible means for students to keep track of their accounts.

If you turn to page 22, the recommendation is to establish income tax set-off arrangements for defaulted loans for which normal collection efforts have been exhausted. This is an important recommendation, and I'm pleased to report that the ministry has increased the number of accounts sent for income tax set-off by 66,000 in the past three years. In addition, the ministry is working with Ontario Shared Services and the Ministry of Government Services on its revenue management improvement project. Ontario Shared Services is coordinating a pilot project to improve the collection of Ontario student loan defaults. We can, again, provide the committee with more detail if there's an interest in the progress that's been made and the plans under way in this area.

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Slide 23 gives you some sense of the totals collected through income tax set-offs. You can see, at March 31, 2006, the total there is \$16 million.

The last area to address concerns expanding performance reporting. Again, these recommendations go back to the initial audits and the concern expressed by the Office of the Auditor General about the absence of good performance reporting. The recommendation there is to evaluate and report on the effectiveness of OSAP and strengthen accountability, calling on the ministry to establish deadlines to begin publicly reporting the agreed-upon performance measures.

The ministry does report now on graduation, graduate employment rates and student loan default rates, as I mentioned previously, both by institution and by program area. Performance requirements are part of the mandate of the work that's being done by the assistant deputy minister's committee on student financial assistance. We are working, as you may be aware, with institutions on multi-year accountability agreements, which will include key performance indicators and indicators around student financial assistance, or student assistance in general. As well, the government has announced the creation of the Higher Education Quality Council. The council's mandate is obviously to look at improving quality in the system, but it's also to look at improving access—and access, obviously, would include the issue of affordability. The council is expected to publicly report on post-secondary performance, and a key component of that would be student assistance and the way in which that affects access too.

In summary, on the last slide, I am pleased to be able to report that the administration of OSAP has been significantly enhanced. We are committed to continuous improvement in this area. I think we can confidently report to you that there have been significant improvements in the accountability framework of the program and that the work under way will result in future enhancements that will further strengthen the program for Ontario students and families.

I thank you for your time.

The Chair: Thank you very much, Deputy. I first have Mr. Patten and Mr. Zimmer, who have both asked

to ask questions, and then, depending on their time, we'll rotate.

Mr. Richard Patten (Ottawa Centre): I have just a few questions here. The function of the committee, of course, is to look at all of the accountabilities, cash flow and taxpayers' money and all that sort of thing, but I wonder if you would comment a bit from the student point of view. This program is obviously enabling a lot of people—and they're not just kids. There are a lot of adults in their 20s and 30s who have gone back to school and who need support. But from a student point of view, just to get your perspective—it's not an accounting issue; I do have a few questions on some of the issues that you've raised—what does this mean to Ontario in terms of the eligibility of students who otherwise would not be able to go to college or university?

Dr. Steenkamp: I'll just comment in general, if I can, on the enhancements made for this fiscal year that we are in, and we can get into particular detail; I can ask both Janet and Richard to assist me in terms of particular detail around the programs.

In terms of the enhancements made for the 2006-07 year, we expect that 145,000 students will benefit from one or more of the following enhancements.

The first of those is extending access grant eligibility to students for families earning up to about \$75,000. This significantly raises the kind of threshold for the access grant. Our calculations are that about 27,000 more grants will be provided, so 27,000 more students will benefit than in 2005-06. If we look at the particulars of that program, students from families with two dependent children earning less than \$36,000 a year will be eligible for a grant equal to 50% of their tuition costs. Students from families with two dependent children earning between \$36,000 and about \$75,000 a year will be eligible for a grant equal to between 50% and 25% of their tuition costs, depending on parental income.

Another significant enhancement was the updating of the book and supply allowance for the first time in more than 20 years, and that's a very significant benefit for students. We estimate that this enhancement will benefit about 138,000 students. I'll just give you a few examples here. The book and supply allowances for arts and sciences students prior to this year, 2006-07, were \$390; the new allowances for 2006-07 and going forward will be \$600. In specialized programs, we see an increase from \$440 a year to \$1,050 a year. I can go on with the list there.

The other important thing to keep in mind here is that with these changes and with other changes that have been announced, the programs in place to continue to limit students' annual repayable debt to \$7,000 through the Ontario student opportunity grant—

Mr. Patten: Wait. How many weeks are there in a university calendar? The eligibility is based on—

Mr. Bill Mauro (Thunder Bay–Atikokan): I think it's 52.

Mr. Patten: No, it's not. How many weeks? The eligibility for a student is dependent on how many weeks there are.

Dr. Steenkamp: That \$7,000, as I understand it, is for two semesters, and it rises to just over \$10,000 for three semesters. Richard?

Mr. Richard Jackson: It's \$10,500 for three semesters. A typical two-term semester is 34 weeks in length.

Mr. Patten: Thirty-four weeks in length. All right. So that can go well beyond the \$7,000 limit.

Mr. Jackson: A single student on a 34-week program at maximum levels of assistance would qualify for \$11,900 in assistance. So if they were qualifying for that as a maximum loan through the Ontario student opportunity grant, they'd be getting a \$4,900 grant upon completion of the year of study.

Mr. Patten: I have two little questions in terms of the presentation you made. In terms of looking at a more spread-out cash flow of the loan, the thing that immediately comes to mind for me is, of course, that at the beginning of the semester there are higher costs for tuition, books, apartment, first and last months' rent and those kinds of things. Were you talking about equal payments or were you talking about spreading this out, so it might be 50% at the beginning of the semester and then the rest on a monthly basis? How would you see that working?

Mr. Jackson: Presently, the split is that 60% of your assistance is provided at the start of your first semester and 40% at your second semester. We would envisage a period of monthly disbursements, but that first disbursement would still be 60% of the funding, and the remaining 40% would be spread out over time. There is some variation on that, but certainly uploading at the front end.

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Mr. Patten: The financial aid offices that are staffed: Who pays for those? Are they part of the overall program?

Dr. Steenkamp: The financial aid offices would be paid for by the individual institutions for whom they work.

Mr. Patten: That would be part of their administrative costs that comes out of the grant that they receive every year?

Dr. Steenkamp: Yes.

Mr. Patten: Okay. That's all I had. David?

Mr. David Zimmer (Willowdale): I just have two questions. First, let me compliment you on your presentation. I get the sense that you've got a grip on all of the issues and that we're in good hands as you work through to address these issues.

My first question is on the IT side. Obviously, the plans and programs to both manage the potential of risk and then to combat the actual abuse that you find and all of that sort of stuff, and relationships with other levels of government and so on, is going to require a very sophisticated IT component. What we do hear regularly at this committee are the challenges that various ministries across the board face in getting their IT up and running and avoiding all the nightmares that you've heard about

over the years, no doubt. How are things on the IT side in this issue?

Dr. Steenkamp: I'm pleased you raised that question, because there is a major OSAP IT renewal project under way. Over the last 10 years, the OSAP program has grown very significantly in terms of funding administered, and transaction volumes as well.

The system is currently supported by a series of custom-developed application systems which run on pretty old technology, and in the fall 2002 the ministry conducted a review and came to the conclusion that there were a number of risks with respect to continuing to use that system, so the ministry has responded by initiating the OSAP IT renewal project.

In June 2004, the ministry received the overall approval to proceed with the renewal project based on a submission which went forward, supported by a strong business case. There was a budget approved with a three-year timeline, and I've had a number of briefings recently that significant progress has been made. In terms of the particular detail on the status today, I'll ask Richard to sort of give you the detail on where we're at, what the timelines look like and when we expect the system to be fully up and running.

Mr. Jackson: I can't tell you specific details of the procurement process; we're just coming to the end of that. But we had issued an RFP in the fall of 2005 to select a systems integrator and to provide us with common, off-the-shelf components as opposed to customized software packages. That procurement process is coming to an end in the very near future. We believe we've selected a successful vendor for that, and we will be working with them over the next two years to be rolling out a new computer system in March 2008.

Mr. Zimmer: That's good news. My second question is more of a philosophical question. In the last analysis, I suppose the successful management of the program, particularly the elimination of risk of abuse and then dealing with actual abuse—a large part of it is tied up with the personal integrity of the program's users, the students, and, I would argue, their families.

What are we doing, or should we be doing anything, to heighten the awareness or the idea to the students and their families, where there is abuse and the risk of abuse, that we're all in this citizenship exercise together, and in return for the assistance and so on and so forth, you have obligations as a citizen to deal fairly with the program. I know that's a pretty broad question, but I'd be interested in your reaction.

Dr. Steenkamp: I'll begin by talking about the measures that are in place, but I think you have a much broader question, which is, how does this become part of the public discourse and how do you begin to get at those issues through public discussion and raising awareness?

In terms of trying to prevent OSAP fraud by institutions and students, the key message is that everybody loses when the system is abused. So while the ministry's intention and the intention of the program is not to be punitive—if you look at the measures we have in place to

deal with abuse, they are very measured, and students are given opportunities to, I would say, recover from minor abuses of the system. But we have established specific performance requirements that post-secondary institutions administering OSAP must meet, and those include, obviously, due diligence at each of the institutions in administering the program. We do audits, too, to monitor compliance. We try to make clear, as well, what the consequences are in the event that there's a failure to comply.

As I mentioned in my presentation, in 2006-07 we will be providing much clearer information to students about their eligibility for programs, and we are working on the development of a website—again, Richard would have more detail on this—that will lay out for students both the costs and the benefits of post-secondary education, including the full range of student assistance programs available to them.

We hope that site will be up and running in the near future, and I think that will begin to address two issues. I think there's probably not as much information out there as there should be about the range of programs that are available, and that probably does have some impact on the abuse of the current OSAP system. But it would also probably be a venue to start having the broader discussion that you indicate as well, because what we've discovered in research that has been done is that students—in particular students from low-income families and their families—consistently underestimate the benefits of post-secondary education and overestimate the costs. So we are in the process of looking at a campaign generally to address that issue. I do think the issue you raised is one we should incorporate as well, and talk about the impact of abusing the system and how that affects everyone involved. I'll just ask Richard to perhaps give you some detail on that website.

Mr. Jackson: As was announced in the 2006 provincial budget, the ministry will be developing what we're referring to as an access window. There will be a web portal where students and prospective students and their families will be able to go and very easily find information, specifically about the cost of post-secondary education, the benefits of post-secondary, not just the financial aid packages that are available through government but how those link with the financial aid packages that are available through post-secondary institutions, and information about employment outcomes. There will be a student assistance calculator that will provide students and their families with a relatively accurate estimate of the amount of assistance they could expect to receive when they proceed to post-secondary studies without requiring them to go through an entire OSAP application form to get that information.

We've entered into initial discussions with the Council of Ontario Universities, and we'll be expanding that to the college equivalent, the Association of Colleges of Applied Arts and Technology of Ontario—ACAATO—to work with them to develop this portal for the spring of 2007.

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Mr. Zimmer: Just one final brief question. Sometimes there's a tendency out there in the public, when we're looking at the student loan program, that everybody is running around thinking there's fraud and that people are deliberately stealing and so on and so forth. I'd be interested in your sense, when we're talking about problem loan files and so forth, of what percentage anecdotally, if you've got some numbers on it, involve actual intentional fraud, if you will, as opposed to the student's and/or their family's error, misinformation or confusion about what they're entitled to or not entitled to. What's the balance there?

Mr. Jackson: I can share with you some statistics from recent years. You've hit a really good point in terms of when it is an error of omission as opposed to an error of commission. We have investigated and placed restrictions for the academic year 2004-05 on 229 applicants for student assistance, out of a pool of 200,000, so it's not a significant number. In addition, through monitoring academic progress, which is a requirement for the program, in the full academic year 2004-05, there were 3,702 instances of students not making satisfactory academic progress, which would basically be defined as being in the third year of year one.

The Chair: We're going to Julia Munro next, and then we'll come back to you, Bill.

Just as a supplementary to Mr. Zimmer, have any charges been laid against any of the 220, where fraud was in fact committed?

Mr. Jackson: We have not laid fraud charges against any individual at this point in time. We do work quite closely with the Ministry of Community and Social Services in identifying instances where individuals are receiving social assistance and student assistance at the same time. In most cases, you're not eligible to do that. The Ministry of Community and Social Services initiates the prosecutions on that. I don't have with me today the number on an annual basis. It's relatively small.

The Chair: Thank you, Julia?

Mrs. Julia Munro (York North): Actually, I have a couple of questions that sort of go back to that issue, but I wanted to make sure I understand the information you provided earlier with regard to the amount that would be repayable on an annual basis and the maximum amount. I have here that for two semesters it would \$7,500.

Mr. Jackson: It's \$7,000 for two semesters and \$10,500 for three.

Mrs. Munro: You mentioned that an individual could have as much as \$11,000, and then the difference is deemed a grant. Is that correct?

Mr. Jackson: Correct.

Mrs. Munro: Have those numbers changed at all in, I don't know, two years or five years or anything like that?

Mr. Jackson: I couldn't give you the specific date, but the \$7,000 level has remained constant since the mid-1990s.

Mrs. Munro: Okay. That's all I wanted to know; it's been with us historically for a bit.

Mr. Jackson: We've maintained that level for at least five or six years. As student assistance levels are going up, the maximum level of debt is remaining the same.

Mrs. Munro: I have a couple of questions. Just as you finished answering the last question, you talked about working with social assistance. I just wondered if there were any legislative impediments to this issue. I take it from the comment you made that they are generally the people who would prosecute if that was going to be undertaken.

Mr. Jackson: There are no specific legislative impediments to that. Both applicants to the student assistance program and the social assistance program, as part of applying, consent to enable us to exchange information where we think we need to exchange information.

Mrs. Munro: You made reference to the fact that you were working with the federal government in regard to timeliness of both parental and spousal incomes. I just wondered if the same process was in place which would allow you to be able to work on that issue? I think it was earlier in the presentation that those negotiations had been initiated, but I just wondered, in terms of how quickly or how easily you would anticipate that both of those verifications could be done at the same time.

Mr. Jackson: With respect to having disbursements done more than twice a year in terms of what I would think would be a reasonable time frame—the role that banks used to play before they opted out of the program in 2000—we have contracted work with service providers, referred to as the National Student Loan Service Centre. The contract with those service providers was originally scheduled to end on March 31, 1996. It's been extended an additional 18 months, as there were some delays in getting the request for proposals out on the street. The work that we're doing with the existing service providers and the federal government during that 18-month time period is preparing for the transition to a new service provider, because the RFP is quite clear: At the end of this, there will be one service provider. There are presently two. We know that only one, at best, is going to be successful. That will be the work on that systems front. It won't be until 18 to 24 months from now when there's a new service provider in place that we will be able to do the necessary systems work to make that happen.

Mrs. Munro: On the question of dealing with the disbursements of the payments—and it was raised by Mr. Patten a few moments ago—have you got examples of other jurisdictions in terms of the efficacy of doing this? I appreciate that on the one hand there's additional cost to providing the funding, say, on a monthly basis or something like that, but obviously the benefits of not having the overpayments, one assumes, are certainly more important than the costs of distribution over several monthly cheques or whatever. I just wondered if you had any examples of other jurisdictions that do it that way?

Mr. Jackson: The only jurisdiction in Canada that presently does this is Saskatchewan. The test to make this cost-effective is, it has to be done as an electronic funds

transfer. It can't be students lining up every month at a financial aid office to pick up that information. We have to ensure that we've got the appropriate enrolment confirmations in place and flow the money electronically on a monthly basis. So there are some short-term systems costs to develop that.

The savings that we would envisage seeing: One is slightly less cost to government for interest on the loans, as the government is paying the interest while students are enrolled in studies; and where a student does withdraw, there's not a situation where they have an overpayment because we've up-fronted the funding. So there would be reductions in our collection activities associated with that too.

I'd just add one specific benefit for students: It would enable them to budget their funding.

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Mrs. Munro: Yes, not many people have to do it on a twice-a-year kind of funding arrangement.

I wanted to ask a question with regard to withdrawal of a student that you just mentioned. Do you find that there are discrepancies in the manner in which different institutions identify those students who have withdrawn? Obviously that's an issue for the institution, but from the point of view of you as the payer, I just wondered if there are problems with regard to when you define a student as in fact withdrawing. Is there some discrepancy amongst institutions?

Mr. Jackson: The definition that we apply and ask institutions to implement is, if a student has not been in classes for up to a four-week period, they would be withdrawn from studies. To answer the first part of your question, some institutions do that better than other institutions, and it's often a reflection of the enrolment-tracking information systems that they have in place. Over time this is getting progressively better, but there is still work that needs to be done in this area, as the Auditor General has noted.

Mrs. Munro: It would just seem to me that that obviously would have an effect in terms of the whole issue around overpayment, if there isn't that kind of tracking done. On the question of the ability of students to check their loans online, you mentioned also that we get into the whole default issue. You mentioned public reporting, and I wondered how timely this is. Do we have any sense of the timeliness of this kind of reporting?

Mr. Jackson: We report default rates on an annual basis, and I believe it goes back to either 1996 or 1997 that we've been publishing default rates.

Mrs. Munro: My final question, which again particularly Mr. Zimmer alluded to, was on ministry reports that you talked about. Are these on the ministry website? You were talking in response to him about the questions for which students could access the information that you're working on and providing. Will that be available on the ministry's own website for students and their families?

Mr. Jackson: Sorry, what specific information were you referring to?

Mrs. Munro: There are two: One is the reports on graduation and things like that. Then in answer to Mr.

Zimmer's question, you referred to the creation of much more extensive materials that would be available to students. My question is—the anticipation for those that have not yet been produced plus the ones that currently exist—would they all be available through the ministry's own website?

Dr. Steenkamp: I made reference to the accountability agreements. Last year, 2005-06, there were agreements called interim accountability agreements. Those will be available on the ministry website within the next week, and then on a going-forward basis, the multi-year accountability agreements which we will have with each institution will be available on the ministry website as well.

In terms of the interim accountability agreements, it was a transition year, and how we're handling that year is that if there are requests for those documents, we will provide them on a going-forward basis. It will just be a matter of practice to post those. And then in addition, the Higher Education Quality Council of Ontario will have the task of reporting on an annual basis on performance system-wide generally. They will be developing performance indicators as well and providing us with advice on performance indicators.

The challenge now for the ministry is to make sure all these things line up together, that the sort of system-wide indicators that the Higher Education Quality Council develop are reflected in some way in the institutional pieces, and then as you burrow down within institutions into particular faculties and departments, that whole culture of performance reporting is reflected. The commitment here is to be as transparent as possible and to be able to have comparable performance measures which will enable people to judge both how well the system is doing as a whole and how well institutions are doing within that system.

Mrs. Munro: I think that providing the public and, particularly, future students with this kind of information will certainly go a long way to creating that sense of responsibility on the students' part, too, that they have the opportunity to make significant personal decisions. So I think it's a really good step.

Dr. Steenkamp: If I could just add a comment there, this requirement to report on default rates, etc., extends to the private career colleges as well, because in some instances we've seen significant risks associated with certain colleges. Generally, most of the institutions in that sector are very responsible, but as you say, these are very significant personal and financial decisions for students and they need to go in knowing, for instance, what default rates are like at institutions and for programs, but also knowing how the performance of that institution matches up generally.

There is a very strong commitment in the ministry to ensure that we've got the appropriate kind of accountability frameworks in place system-wide and institution by institution so that students are very well equipped when they make those decisions. I think it's particularly important that we get working on this, because you may

have been reading in the media in the last few days about the controversy over the Maclean's rankings. I get the sense that that system is coming apart a bit, and we really want to have a made-in-Ontario approach here, which will enable Ontario students to make good choices.

Mrs. Munro: Thank you. I think that's a great initiative.

The Chair: Could I just ask a few questions while my party still has a few minutes left?

Mr. Rosario Marchese (Trinity-Spadina): You're the Chair.

The Chair: Yes. So I'm asking the questions.

Mr. Jackson, you have been involved in the policy area in the ministry for some period of time, and so were involved in this particular project. One of the problems we have in public accounts often is that the people who come in front of the committee when there is a real problem are not the people who were there when the problem was recognized and didn't fix it.

In this case, it appears that since 1997, when the first auditor's report identified the problem, there was a concerted effort on the part of the ministry to fix the problem. Perhaps you could share with us who those individuals were within the ministry.

Mr. Patten: You were there, Norm.

The Chair: I know. I'm talking about bureaucrats who actually took hold of the problem and were involved. I think you were involved from the policy area, and so some credit, of course, should go to you as a bureaucrat who has helped out in the situation. Could you just identify some of the other individuals who were involved?

Mr. Jackson: Yes, I could. Although I've been involved with the student assistance program for quite a while, I did an apprenticeship in other areas of post-secondary, starting in about 1999. The significant heavy lifting that was done on this file was done by my predecessor in this position, Helmut Zisser, and his manager of verification and compliance, Jack Santos, who now works at the Ministry of Finance, supported quite capably by the management team and operational staff in our office in Thunder Bay.

The Chair: Thank you very much. I think we should congratulate those people who have really taken a problem and helped resolve it.

I have about two minutes or three minutes left. In terms of the FAAs, are there any performance measures that we have on their ability to report to the agency which disburses the funds? Do we have any public performance record of how they're responding to people who are leaving or quitting during the term?

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Mr. Jackson: In terms of financial aid administrators at post-secondary institutions, we have performance agreements with colleges, universities and private career colleges with respect to what their roles and responsibilities are in delivering student assistance. Public institutions are subject to a compliance audit on their administration of the student assistance program every three

years. We're now completing the audits for the 2004-05 academic year as we speak. Private career colleges—we've had some experience that there may be a bit more of a risk there—are subject to annual compliance audits. The results of those compliance audits are shared within the sector; we've not publicly published them.

The Chair: I really feel we should be reporting, if we could, some performance measures, as you are, in terms of publishing the default rates for institutions and programs. Perhaps that would generate greater compliance as well. However, I don't know how easy or difficult it is to do that.

Is there any warning on the application when they go through—most of the 97% or 98% of students are doing this online. Is there any warning during the process about the fact that the incomes of their parents and themselves are going to be verified? Is there a warning with regard to fraud on the application?

Mr. Jackson: There is on the application, on the supporting application guide. Applicants, if they're a dependent student, when their parents complete the application form, if they're married and their spouse is doing it, sign a declaration that is quite explicit in terms of the importance of providing accurate information and the consequences of not doing that and also enabling us to obtain information on income from the Revenue Canada agency to verify what has been reported. So I think it is fairly well publicized.

The Chair: The disbursement of funds from institution to institution is the other one I wanted to get at. There would be a tendency on the part of the institution to want to get as much money up front as they possibly could in order to make their administration, their cash flow, easier rather than forestall payment to the second half of the term, the second half of the year or whatever it might be. In terms of your proposals or what you're doing now with regard to cash flow, do you treat each institution the same or do you allow an institution to set the rules with regard to how much is going to be paid on September 1 as opposed to the second term—January 1 or whatever? It seems to me that fairness would require you to have a uniform policy with regard to all institutions in the same class.

Mr. Jackson: In terms of the total amount of funding that is disbursed, regardless of institution, the student receives 60% of their funding on day one. With respect to tuition fee payment policies, they vary amongst institutions. We do not stipulate that you have to pay 100% of your tuition fee on the first day of classes. We don't stipulate that you can pay it on a semester basis. My understanding is that most institutions give individuals the option to pay in more than one instalment.

The Chair: Is that true with regard to private institutions? Do they require all payment up front as opposed to instalments?

Mr. Jackson: I don't know the answer to that question. I can certainly report back to the committee—

The Chair: Perhaps if you could provide that, that would be of interest to members of the committee.

Mr. Marchese: Mr. Chair, for the record, we were generous with you in the questions you were asking, not because you're a member of the Conservative Party but because you are a neutral Chair who is very interested in this issue, and we wanted you to contribute in that way.

The Chair: Thank you very much.

Mr. Marchese: I wanted to congratulate you, Dr. Steenkamp, on your new position. I suspect you're fitting in rather well.

I have about six questions, some that flow from the statements you made and some from other questions that have been raised. On the issue of enhancements, you say 27,000 more students will benefit from that grant. Can I ask you, if a family is making \$37,000, what might a student get by way of a grant?

Mr. Jackson: In the 2005-06 year, when these grants were first introduced, in the family size situation that you described, if you were a dollar over the threshold, you would not have qualified for the grant. With the enhancements announced for 2006-07 with respect to the two grants that are provincially funded, at the \$35,000 level you are getting 50% of your tuition—

Mr. Marchese: Up to—

Mr. Jackson: Up to 50% of your tuition. From \$35,000 to about \$52,000, that is a sliding scale down to 25% of your tuition. From \$52,000 to \$75,000, it's 25% of your tuition. So a college student would typically be getting a \$500 grant as a result of that; a university student, more in the range of \$1,200.

Mr. Marchese: So what are the conditions that determine who gets 50%, or up to the maximum of \$3,000? What are the conditions that determine that amount? Who gets 40%, 30% and 25%? How does that work?

Mr. Jackson: It's based on the level of parental income. As parental income increases, the percentage decreases.

Mr. Marchese: How often do the federal-provincial-territorial working groups meet? Do you know that?

Mr. Jackson: In a formal situation—just a quick recap of the Council of Ministers of Education structure: Ministers meet twice a year; deputies meet twice a year; assistant deputy ministers meet twice a year; provincial student aid directors meet twice a year. With these particular working groups, those working group activities are going on on a weekly and bi-weekly basis. My staff sit on operational calls that take place every week. So there's a really good federal-provincial dialogue on a regular basis.

Mr. Marchese: With respect to the institutions in default, do you have statistics on the college level, the university level and the private college level in terms of who defaults more, and where and why? And by program, perhaps?

Mr. Jackson: We have specific default information right down to the program level.

Mr. Marchese: Is that available? Do we have it?

Mr. Jackson: It's publicly available on the OSAP website.

Mr. Marchese: Do you have it with you? Can I have it? I'm not particularly excited to get on to the Web too

often, unless I have to. If you have it, you could just pass it on to me. So we have detailed information on that? Okay.

We understand from the auditor that the private colleges have a higher level of default.

Mr. Jackson: Correct.

Mr. Marchese: That's been steady for a long period of time?

Mr. Jackson: Correct.

Mr. Marchese: Are the numbers going up or down for the private colleges, or are they steady?

Mr. Jackson: They've remained relatively constant.

Mr. Marchese: Again, I know that numbers of defaults are generally dropping, but for the career colleges they haven't.

Dr. Steenkamp: Just on the Ontario student loan default rates for each of the categories, if I could just correct my colleague here for a moment, we have seen the default rates for private career colleges go down from 38.5% in 1997 to 22.2% in 2005. There's a bit of variation year over year, but I think there has been a pattern of decline with private career colleges.

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Mr. Marchese: Can I ask you, do you think that variation has anything to do with the ministry in terms of their efforts to reduce it, or does it just happen?

Dr. Steenkamp: Richard can speak to particular complaints, but I do think there has been much more rigorous attention paid to the issue of default rates in particular. I think, as you are aware, there was intimation of the issue earlier on, and some real concern about unearned revenue at private career colleges in years gone by. So more attention has certainly been paid to that sector. As Richard mentioned, they are subject now to annual audits, as opposed to the public institutions, which are subject to audits every three years.

In addition, we have been doing some work on new legislation around private career colleges. We are in the process now of completing the regulations which will give effect to the training completion assistance fund—I think that's the right title for it—which will provide students with better insurance against the possibility that an institution would go into bankruptcy or close down.

I think you have seen an improvement, although there are year-over-year variations, given the nature of the sector. If you had a big college close down or you had a particular problem, you might see a spike in any one year, but I think the trend is downwards.

Mr. Marchese: I think the auditor has talked about improvements that have been made over the last nine years or so since we've been doing some of this work. The improvements have been steady; maybe not as fast as some people would like, but the improvements are being made. I think the answers to the questions that we had have been made evident by your report.

The government talked about creating or implementing a strategy to increase access for groups like first-generation students as part of a new tuition framework. I

understand that some advisory committees may have been set up in February. Did that happen?

Dr. Steenkamp: Yes, it did happen. I'll ask Janet Mason to speak to that in particular, because Janet has been involved in the establishment of those committees, and also has been participating in that work.

Ms. Janet Mason: The Reaching Higher plan and the recommendations that were made by Mr. Rae and the budget called for the establishment of a number of advisory committees: on first-generation, francophone students, disabled students and aboriginal. Those have all been set up. The advisory committee for students with disabilities has met three times because it was—

Mr. Marchese: Since February?

Ms. Mason: No, since the time of the budget. The first-generation committee has met once. The second meeting has been scheduled.

Mr. Marchese: And these meetings are going to be scheduled regularly, every week? Every two weeks? Every three? Every four? Do we know?

Ms. Mason: No, not that often. We have one scheduled, I think, for next week; we're looking at having another one likely between then and September. So we're looking at a schedule of three or four a year.

Mr. Marchese: Three or four in the year. Do you have a sense of when you might report by way of recommendations?

Ms. Mason: The committees to date have been reporting on an ongoing basis.

Mr. Marchese: In terms of final recommendations, I suppose.

Ms. Mason: We hadn't looked at them having an end date. We had looked at them giving ongoing advice to the minister and to the ministry about improving access; improving our programs; how to disburse new funding; how to, within our existing funding, provide better services to students. I can't say how long they'll last, but it's not that they have a short-term life and then come out with a final report. It's ongoing advice to the minister on how to improve access.

Mr. Marchese: The advice that goes to the minister from these committees, is that public to us all or do we have to ask the minister or the ministry for that information? If I call you, can I get those recommendations?

Ms. Mason: Because all of the committees but one have only met once, they haven't made any formal recommendations.

Mr. Marchese: But when they do, if I call you, will you be able to give it to me or do you have to get permission?

Ms. Mason: I don't know how the committees themselves are going to decide to do that, and that would be up to the committees. I can get back to you when they have met and made that decision.

Mr. Marchese: How many students are eligible? I think there are 600,000 students. How many are eligible for a loan from the government? Do we know?

Mr. Jackson: In 2005-06, 185,000.

Mr. Marchese: For a loan. Okay. And for a grant last year?

Mr. Jackson: For a grant, through the access grants, just under 32,000.

Mr. Marchese: How many?

Mr. Jackson: Just under 32,000.

Mr. Marchese: Do you have any figures on how many students have to go to the bank to borrow? Do you keep track of that? Does the ministry worry or care about that?

Mr. Jackson: We don't keep track of that. The banks don't, as a matter of practice, make their lending public. There has been a service—I can't recall the specific number. Stats Canada does a national graduate survey and has indicated—we can get that number for you, but—

Mr. Marchese: I would appreciate that, if you could.

I think, Richard, you've been here for a while. Do you have historical knowledge of what the default rate might have been in 1992, when tuition was at 22% or so, versus what the default rate is today or a couple of years ago, when tuition fees were at 40%, and now at 44.5%, more or less? Do we know that? Do we have that information?

Mr. Jackson: We don't have that. The first year we measured default rates was either 1996 or 1997.

Mr. Marchese: My sense is that if we did have those numbers, it would show that the default rate would be lower. Because students are paying more and more for their tuition fees, default becomes a serious problem. New Democrats argue that if tuition fees were low or if students were paying 20% of their overall education, they would have fewer economic problems and they would default less. I think that's the policy that we should be adopting, but that's a political remark rather than a question to staff.

As a last remark, I wonder whether the Auditor General has any questions based on the presentation and the recommendations they made.

The Chair: I still have some questions from some other members of the committee. Perhaps we can give them a chance.

Mr. Jim McCarter: Sometimes I jump in at the end, actually.

The Chair: I have Mr. Mauro, Mr. Milloy and Ms. Matthews.

Mr. Mauro: Sorry, Deputy, was it you or your assistant who was formerly in BC? It was you? And you were with the same ministry, education?

Dr. Steenkamp: A number of ministries: the Ministry of Aboriginal Affairs, primarily, but I was the deputy minister of the Ministry of Advanced Education for two years as well.

Mr. Mauro: My question is, then, you've heard since you've been here, I'm sure, a lot of discussion about this \$23-billion gap that Ontario feels exists between us and the federal government. It has support from other parties, including Mr. Sterling's—or at least it used to. We don't hear as much from them on this anymore, as we formerly did.

Ms. Deborah Matthews (London North Centre): He's still with us.

Mr. Mauro: He's still with us, is he? He's still a supporter.

The Chair: I'm non-partisan; I can't say anything.

Mr. Mauro: Until it comes to the rotation.

I'm curious if you could provide us with some sense of the relationship in terms of the funding from the feds to Ontario for post-secondary education, and the feds to BC. Have you any information or numbers on that, and Ontario's ability to provide programs like OSAP and all of these things to the students?

Dr. Steenkamp: In British Columbia, there is a similar arrangement with the federal government, where the government of British Columbia delivers the program on behalf of both governments as well.

In terms of the funding, in order to provide you with an accurate comparison, I would need to get that information for you. My sense is that it's generally the same, although through the Millennium Scholarship Foundation, which was set up by the federal government but operates somewhat independently—the Millennium Scholarship Foundation has entered into a number of distinctive programs with different provinces. So you'd have to do a comparison of what those different programs look like province to province, but my sense is that BC and Ontario have actually entered into some fairly innovative programs with the Millennium Scholarship Foundation, although they're not identical.

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Mr. Mauro: When you have identified someone who is in default—I'm interested in this income tax set-off piece. So the first order of business when someone has defaulted would be for the ministry to play a role in attempting collection efforts and then, as I understand it, the second piece of that, when that fails, would be a private collector. Then, as I understand it, the third piece is we go to the income tax set-off. First of all, is that correct? Have I got that chronology accurate?

Dr. Steenkamp: I'll ask Richard to comment on that.

Mr. Mauro: Sorry, I don't mean to cut you off, but I just need a yes or no on that part, and then I'll get to my question.

Mr. Jackson: The ministry does not really have an active role in the collection of defaults. They are verifying that the service provider has done due diligence in terms of trying to enter into a repayment arrangement with a student and then we transfer that funding—

Mr. Mauro: Sorry, can you speak into your microphone? I'm having a hard time hearing you.

Mr. Jackson: Then we transfer that accounts receivable to the Ministry of Government Services, which then turns it over to a private collection agency that's working on their behalf.

Mr. Mauro: So the ministry does little or nothing in terms of actually actively trying to collect the money. They make the determination and there's information shared.

Mr. Jackson: Correct. That's the role of the Ministry of Government Services in this process.

Mr. Mauro: When they transfer it, is it to the private collector directly?

Mr. Jackson: Correct.

Mr. Mauro: What percentage does the private collector, when they're successful, take from what they're able to recover?

Mr. Jackson: I do not know that amount. That's a contractual arrangement between the Ministry of Government Services and their collection agencies.

Mr. Mauro: I wonder if the auditor would know that number.

Mr. McCarter: Actually, I'm not sure what it is now. It's been probably six or seven years since we've looked at it. It used to be called central collection services. I'm not sure of the figure either.

Mr. Mauro: Do you know what it was when you last looked at it?

Mr. McCarter: No, I can't recall.

Mr. Mauro: I would imagine it's significant. I can't imagine they would undertake to work for less than 20% to 30% or something. I guess my question is why we don't jump directly to this income tax set-off. There are some people who aren't working and we have no ability to garnishee a wage. I'm interested in the process, why we'd go private before we'd set up this income tax set-off piece. Is there somebody who could answer that for me?

Mr. Jackson: In the deputy's slide presentation, he made a brief remark about work that is going on at the Ontario Shared Services Bureau under a program called the revenue management improvement initiative. We are working with MGS on that front. My understanding is that they will initially do some collection activity on a pilot project basis prior to it going to a private collection agency, and we are in discussions of whether or not we should just go directly or in parallel to the income tax set-off program at the same time.

Mr. Mauro: You're in discussions—just so I'm clear—that it would stay within the ministry and/or in parallel with the ITSO or the ministry and the private. Did your comment just indicate that the private might be completely cut out?

Mr. Jackson: I do not believe there's any intention at this point to cut out the private collection agencies on this.

Mr. Mauro: So the change was what, then? Because you seemed to indicate there was a change.

Mr. Jackson: The change is that the collection management unit may indeed do some first-level collection prior to transferring that to a private collection agency.

Mr. Mauro: So in-house. We may take back a piece before it goes private, and currently we do none of that. So I'm not sure my question has been responded to. Can you give me a reason why we wouldn't go directly to this ITSO and bypass the private collection, given that we're probably giving them 10% to 30% or 40% on private collections?

Mr. Jackson: Again, I don't know what percentages the collection agencies—

Mr. Mauro: I'm not asking you what the percentage is; I'm asking why we wouldn't.

Mr. Jackson: We just haven't done that. As I said, we're exploring that at the present time with the people at MGS.

Mr. Mauro: You're exploring it?

Dr. Steenkamp: Yes. If I could respond to this. I'm not aware of the details, but I think the whole point of revenue management is to look at exactly those questions, and we'll make the calculation about where the best return would be for government because of some of the issues you've raised.

Mr. Mauro: And that work's ongoing then, you're suggesting?

Dr. Steenkamp: Yes.

Mr. Mauro: If we write a report on this, we would expect that that information would be included in—

The Chair: Perhaps you could provide the committee with a letter telling us what in fact the collection costs are at the present time. You should be able to obtain those from the Ministry of Government Services.

Dr. Steenkamp: Yes, we will talk to the Ministry of Government Services, provide you with the information we can and an update on the review that's under way, and the pilots that are under way as well.

Mr. Mauro: I just have one more question. The number of people who are now eligible for grants, I think, is going to be 60,000, if we're going basically from zero eligible for grants to 60,000. Is that correct?

Dr. Steenkamp: Richard, correct me if I'm wrong. We move from 34,000 to an additional 27,000? So yes, just over 60,000.

Mr. Mauro: The total will be 60,000 this year?

Dr. Steenkamp: Yes.

Mr. Mauro: Okay. I guess my question is, in terms of the percentage of people who default historically on loans before we reintroduce the grants, I would expect that the eligibility for grants now will greatly reduce the percentage of defaults that we would see. Would it be accurate for me to draw that conclusion?

Dr. Steenkamp: We hope that would be the case. We hope you'd see a decline in defaults, but we haven't had enough time, I think, to see the trend there. So we'll continue to monitor that, and we are doing the kind of analytical work on the—

Mr. Mauro: Were there ever any numbers on the—well, I don't need to get into that level of detail. Thank you, Mr. Chair.

Mr. John Milloy (Kitchener Centre): Just a brief question and a broad question—I don't know if they'll both be brief and broad.

I'm just taking a step back and thinking, if I was going to be designing a system of student loans, which is, in a sense, contingent upon the income of either the individual or their parents or a combination, it would seem, putting aside all sorts of issues, that you'd just want to work very closely with Canada Revenue Agency and almost have it run through the income tax system. So

obviously, that would be sort of if you were starting fresh or if you could remove some obstacles.

In your presentation, you talked about some of the work that has been going on with CRA and some of the work that's still outstanding. What are some of the obstacles in terms of using the system? As I say, it's a bit broad, because it would extend to other areas of government, too, that are dealing with people based upon their income. Are there privacy concerns? Are there concerns in the way CRA manages the data? What are some of the challenges and where do you see it going?

Dr. Steenkamp: I'll give the initial broad and general response and ask Richard to add detail. Again, this draws more from my experience in another jurisdiction, but privacy issues were front and centre. In fact, just getting agreement around the use of electronic signatures was a huge impediment for us with Revenue Canada initially. So there's a whole host of the usual privacy concerns.

I know various jurisdictions have explored the issue of income-contingent repayment schemes similar to the one that's in place in Australia, but the other issue we run into in a Canadian context is because of the federal system. Although Australia has a federal system too, it's actually tied at central control over education and the tax system. So it's a series of privacy issues. My own view is that you can work through all of those, that they're technical issues that just need to be worked through.

Then there are the issues we run into, if we looked at a different system, with how you would actually maintain control in an instance where students move out of province and then, in the extreme ones, students move out of country. Other jurisdictions have dealt with those issues. The research I've seen suggests that default rates under those schemes are actually higher than they are under our current scheme. It's a very interesting area. There is lots of research and there of pros and cons of each of the systems. I'll ask Richard if he could respond more specifically to, in particular, your question about what some of the particular obstacles have been.

Mr. Milloy: I didn't mean income-contingent repayment. I just meant in the sense that the whole system is based upon the income of the student or the income of their parents in terms of eligibility, and I'm putting on my sort of Tim Hortons hat, thinking, "How would you do it?" You can tick a box saying you want to be considered for a GST rebate. Well, if a student filed their income tax, or their parents, and ticked a box saying, "I'd like to be eligible for student loans," as I said, if you're designing a system, logic would say that would be the quickest way to figure out and to verify it. Instead, we have a system, the way it has evolved, where we're having to go almost cap in hand to the federal government, saying, "Can we have some statistics, or can we have some information on individuals?" Obviously, there are obstacles; you've raised privacy. I just wonder what are some of the other obstacles. Are we moving in that direction of actually—it would seem to be a lot more simple and straightforward to just basically have the data that is out there.

1120

Mr. Jackson: With respect to the data exchange, the Canada Revenue Agency is quite protective of the tax information that it has on citizens of Canada. We do have a memorandum of understanding with them that allows us to access that information, as we do get signed declarations from applicants to be able to access the tax information. So we can access it.

I think you get into an issue of the timing of the two different cycles. You would have the income tax system, people filing their returns in February, March and April, whereas student aid right now is more of a June, July and August scenario. In the case of students, we're dealing not with previous year income but current year income as a more accurate reflection of their current financial situation. I think there are some logistical timing things that would prove challenging.

Mr. Milloy: But there is work going on, obviously, in trying to address some of these. Would you use the income tax system to a better degree?

Dr. Steenkamp: Yes. On that, the focus of our work with the federal government and with the other provinces is for harmonization where it's possible. But you are right: These systems grow up over time too, and they've grown up independently of each other. It's only in the last few years that we've really attempted to integrate them. I think we have a lot of work to do on better integration and continuing harmonization. I agree with you, in terms of looking at the logic of tapping into the income tax process more effectively. The privacy issues and some of the timing issues that Richard raised are fixable issues, but they'll take some work and negotiation, and obviously quite a bit of adjustment over time.

Mr. Milloy: I know my colleague Ms. Matthews has been waiting patiently, Mr. Chair.

The Chair: Ms. Matthews, you have a minute.

Ms. Matthews: My questions are in the context of my relationship with post-secondary, which, at this stage, seems to be a pretty strong connection: I've got two kids in post-secondary; until a month ago, I was a student at post-secondary; and I represent the riding of the University of Western Ontario. So I know that the questions my constituents would want me to ask deal with issues that students care about, relating to OSAP.

I wonder if you can just talk to me about how we get information from students about how well they think the system is working because, certainly anecdotally, students would say they have a great deal of difficulty accessing the system and getting the information they need. I just wonder if we actually solicit thoughts from our clients.

Dr. Steenkamp: I'll ask Richard to talk about the specifics here, but I just want to acknowledge what an important point that is. This is all about students. What we're looking at, for instance, in terms of the multi-year agreements with the institutions are key indicators of student satisfaction. Generally, that's been student satisfaction with the quality of the program at the institution. But I agree with you; I think that needs to

take into account student satisfaction with the supporting architecture of the system as well, which includes student financial assistance.

I do know that the branch does work on gauging student satisfaction and student concerns. It's not only the responses to complaints that we get, but there is actually a proactive strategy to judge what the levels of student satisfaction or dissatisfaction are.

Richard, could you comment on that, please?

Mr. Jackson: Certainly. One of the features on the OSAP website is individuals can provide us, on a scale of one to five, in a series of questions, how they thought the service was. We tend to score about 2.7 to three out of five on a fairly regular basis.

The federal government has recently done and is in the process of doing cross-country surveys, and has engaged survey research firms to ask people what their experience has been. We've just completed a small project here in Ontario where we surveyed recipients of the interest relief program, which is a debt management program available to students, to see what advice they had on how we could improve that.

We regularly meet with student organizations and get their feedback on that process. I make it a practice personally in the fall to visit schools and talk to students in line who are waiting for their assistance—

Ms. Matthews: You're a brave man.

Mr. Jackson: They often find it quite strange that the director of student support is actually speaking to them and asking them about their experience. As the deputy mentioned, we get cards and letters.

Ms. Matthews: So what do you hear the most about? What issues do students raise that they think you could be doing better?

Mr. Jackson: I think the common thread is that there should be more funding available to students. They express concerns about actually having to wait in line to verify their identification prior to us releasing funding. This is a large system with many players, and although it works, I think, for the vast majority of students, there are people who either aren't following the steps they need to do or we make a mistake.

Ms. Matthews: Do you think we adequately address the cycles of the calendar in terms of demands on the system? Clearly, there are certain times of the year where there are going to be a lot of students wanting to access OSAP. Do we accommodate that?

Mr. Jackson: We are somewhat bound by the cycle of the academic year, so we have a peak volume over the course of the summer and the early fall, and then a subsequent peak volume in January. I should say that, through the national student loan service centre, they gear up, they bring in more staff for peak periods to handle the inquiries that will come. Their highest staffing levels are July, August and September, and then January and February, so there is some accommodation made through that.

Ms. Matthews: Do you get students asking about the way the cash flows, the relationship between when the money flows and when tuition is due and those expenses

that every student incurs not really matching up with the cash flow from OSAP?

Mr. Jackson: That doesn't seem to be a general concern. As I mentioned earlier to the committee members, 60% of the money is provided at the start of the first semester, when students are often incurring tuition costs, book costs, their off-campus housing, first and last month's rent, so we do front-end load the money.

Ms. Matthews: Do we ensure that they aren't charged for being late with their payments if the money is coming from OSAP?

Mr. Jackson: Being charged late for—

Ms. Matthews: I think most institutions charge a fee if you pay after a certain date. There's a surcharge.

Mr. Jackson: Yes, there's a fee charged at most institutions if you pay your tuition fees after a prescribed date.

Ms. Matthews: So if the OSAP money comes after the early-bird special?

Mr. Jackson: It's somewhat institution-specific on how they handle that. I know many institutions will say that as long as you've applied for OSAP assistance by a certain date, that's the key date, not the date when the funding actually arrives.

Ms. Matthews: So which institution gets to decide how they do that?

Mr. Jackson: Each institution sets the payment schedule—

Ms. Matthews: Can we instruct institutions to not penalize students for late cash from OSAP?

Mr. Jackson: I don't know the answer to that.

Ms. Matthews: Because if we can, we should.

As a final comment that I would just like to leave with you, I think we really have to always remember that it's the students whom we're there for, and if the students have ideas on how we could make the process more streamlined, that would be advice I think we should take pretty seriously. Thank you.

1130

The Chair: Mr. Zimmer, you have a very short question.

Mr. Zimmer: It's not even a question; just a statement. It follows up John Milloy's and your exchange about the CRA not sharing information on tax returns. I'm just going to say on the record that it really annoys me that in this age of renewed and fairer federalism, our federal government won't share information with the provincial government about Ontario taxpayers. I would urge the Chair to take this matter up with the Minister of Finance, who is a former very distinguished member of this committee.

The Chair: Boy, your attitudes have changed since January.

Ms. Munro?

Mrs. Munro: I just have one question, and it came through the questions of Mr. Mauro and Mr. Milloy. It occurred to me: Is the debt management of our students in any way significantly different than that in the community at large? I'm not sure you can answer that question, but it just seems to me that when you look at

Canadians and the amount of personal debt individuals have and things like that, are our students really that different than the rest of us? Are they better? Are we doing a better job? Are they worse? You talk about how many go through the system. As a percentage, I believe there's a fairly high percentage who simply pay it back and get on with their lives, and you don't have to deal with issues like income tax and things like that. So I just wondered if you would care to make a comment in that regard.

Dr. Steenkamp: I don't recall the sort of specific comparables, but my sense of it, whenever I've looked at this question, is very close to your observation, which is, they're not as different as we might think. While the default rates are higher, and in particular they're higher at some of the private career colleges, they're not much higher when you look at other, sort of comparable areas. I would say that. In terms of being able to give you an accurate answer on comparables, I'm not sure, but my reaction whenever I look at this stuff is, I'm actually surprised at how well the portfolio is managed, given the high volume, and how good the compliance is generally. If we look at the trend over time as well, I think we are making some significant improvements in terms of collections. If we get into a process where we provide more information to students about what's available, I think we'll also begin to address that issue generally.

There have been times in the history of the portfolio, in particular when it was managed by the banks, when default rates were significantly higher and there was a crisis of confidence in general. I think since a lot of the controls have been brought in-house, we've been able to effect a significant improvement. Student assistance is not seen as a free good—there obviously is a grant component—but I would say students take very seriously the responsibilities they have when they take out loans and understand those.

Mrs. Munro: Thank you.

The Chair: Mr. Mauro asked some questions with regard to the priority and the method of collection that we're employing. The response by Mr. Jackson was that the ministry is not involved in any of the collection processes. However, I guess the two agencies that are at the front line or the first part of it—I think one is called EDULINX, which handles the community colleges and the universities in terms of taking in the payments and notifying about the defaults that occur, according to the auditor, for 90 days. Could you, either now or in correspondence to the committee, outline what efforts they make on your behalf and the federal government's behalf—because I understand they act not only on your behalf but on federal funding as well—to collect from the former student? I think we have to know what that piece is. We're fairly clear what the federal piece is and we're fairly clear what the collection agency would do, but I'm not clear about what happens with regard to those two agencies. The other one is BPS, which handles the private colleges and institutions. I'd like to know if there is any difference between what BPS does and what EDULINX does in terms of their piece of this pie. Can

you answer now, Mr. Jackson, or would you prefer to respond in writing?

Mr. Jackson: Both EDULINX—and the company you're referring to is now Resolve, but that's neither here nor there. Both follow the same practice, as stipulated in the contract they have with the federal government. As you're aware, six months after completing studies an individual is expected to start repaying their loan. During that six-month period, they receive written and/or phone calls, outgoing calls, from the service providers reminding them that their loan is now coming up for repayment and indicating to them that if they are going to have difficulty with repaying that, we have programs such as the interest relief program, which will keep their loan in interest-free status for up to five and a half years after graduation.

At the point of consolidation, six months after the fact, if they have not heard from that student, there is another call made and then there are letters and/or phone calls done 30 days in arrears, 60 days in arrears and then 90 days in arrears. At that point, if they are unable to negotiate a repayment arrangement with the borrower, that account is then turned over to the respective level of government.

The Chair: There is no differentiation between not locating a person rather than—is there a large effort made to locate the individual by those two agencies?

Mr. Jackson: I don't think they necessarily do very aggressive skip tracing. They go with basic address information that they have and publicly available phone records.

The Chair: One other question I had: In the 2003 auditor's report, the ministry stated its goal was to reduce its default rate to less than 10% by 2005. I understand that the default rate is at 13% or more now, overall. Are you going to reach your goal or what corrective actions are you taking to reach your goal?

Mr. Jackson: That is not a current goal of the Ministry of Training, Colleges and Universities.

The Chair: What isn't? The 10% isn't?

Mr. Jackson: The goal is to reduce the default rate. We don't have a specific target.

The Chair: When did you change the target rate?

Mr. Jackson: I don't have a specific date for you, but it's 2005 and we're not at 10%.

The Chair: What rate are you at now? What is your default rate now?

Mr. Jackson: It's 16.6%.

The Chair: In the United States, we were given information that their default rates are at 4.5%. Why is there such a variance?

Dr. Steenkamp: I'm not aware of what that US figure includes, that 4.4%, but the roll-up average we have, the 16.6%, would be universities, colleges, private career colleges, other private and public institutions. So it's the roll-up of all institutions.

The Chair: What was the default rate in 2003?

Dr. Steenkamp: In 2003, the average, again, was 13.5%. As I mentioned before, we've seen a decline in

the private career colleges; we've seen some increase in the universities and the colleges.

The Chair: So the default rate has gone up in the last two years.

Dr. Steenkamp: Yes. There's some variability. It goes up and down. There's some explanation, in particular for the increase in 2005, quite a complex process explanation, I understand. I'll ask Richard to speak to it, but it had quite a bit to do with the implementation of a new preauthorized payment program and loan consolidation. Richard, could you provide some detail about why we think we saw that spike in default rates?

Mr. Jackson: In 2001-02, EDULINX implemented what was referred to as a preauthorized payment program in which they would automatically deduct the first month's payment out of an individual's bank account when that loan was to be consolidated. There were found to be some legal concerns with respect to the adequacy of the consent that had been granted by the borrower initially to do the preauthorized payment. So from a time period from 2001-02 to August 2003, preauthorized first monthly payments were not being made. Subsequent to that date, preauthorized monthly payments have been reinstated.

The Chair: Were reinstated?

Mr. Jackson: Were reinstated. But for a time period from 2001-02 to August 2003, they did not exist.

The Chair: That would seem to work in reverse of what you're telling us, because basically you said that the default rates were better in 2003 than they are now, and so they—

Mr. Jackson: The 2005 default rate is measured on loans that were last issued in 2002-03 and then what the default experience was in July 2005 on those loans.

The Chair: Okay.

Rosario?

Mr. Marchese: I wanted to raise a question that Deb Matthews talked about in terms of students and their concerns around accessing student loans. I didn't bring that report with me from the Ombudsman's office, but I think either 80 or 180 students called the Ombudsman's office last year. I just don't remember statistically whether that's correct. Are you familiar with that report?

Mr. Jackson: I can tell you that in 2005-06 the Ombudsman's office received 182 inquiries about OSAP. That was down from 309 in 2004-05 and 303 in 2003-04. So the number of inquiries to the Ombudsman's office has actually been decreasing at a time when the number of students accessing student aid has been increasing.

Mr. Marchese: Do some of the questions raised with the Ombudsman relate to the kinds of questions that Deb Matthews was asking in terms of student concerns, or are they a little more complicated than that?

Mr. Jackson: For the most part, they tend to get into issues about repayment and collection. That would be a more common inquiry to the Ombudsman's office.

Mr. Marchese: How do you respond to that in terms of repayment and collection? Is that something that you deal with, worry about? How does that work?

Mr. Jackson: In cases where the Ombudsman receives inquiries, they contact individuals in the student support branch and we do our best to resolve the issues that are brought to our attention through the Ombudsman's office.

Mr. Marchese: How many issues get solved by you when they call you?

Mr. Jackson: The overwhelming majority of them. I don't have the annual report in front of me from the provincial Ombudsman's office, but typically of those inquiries, they end up investigating 25 to 30 complaints with a thorough investigation. About half the time they find in favour of the individual who has made the inquiry and the other half of the time find that we've actually done what we're expected to do. There are quite detailed statistics. You can take a look in annual reports of the provincial Ombudsman. They break down the nature of the inquiry and how it was resolved.

Mr. Marchese: Thank you.

The Chair: Auditor, perhaps you have a few questions.

Mr. McCarter: I was interested in your comment talking about the private vocational colleges. If I understood it right, where they have a default rate over 25%, they're required to step up to the plate and put some of the cash forward to help out, to subsidize the defaulted loans. Approximately how many colleges would be in that position, where they're over 25%? The second question: Have you found that once they have to step up to the plate one year, there's a fairly dramatic improvement the next year in the default rate? Have you found that to be an effective mechanism?

Mr. Jackson: I have that number.

Mr. McCarter: Even if you just have a ballpark. Are we talking about a few?

Mr. Jackson: I have the actual number. Based on the 2005 default rates, there are 25 private career colleges that will have cost-sharing obligations for a total of \$200,000.

Mr. McCarter: That's a fair amount of colleges but the total dollar amount is not, in the total pie—

Mr. Jackson: It's not a significant amount. The average for the sector is 22.2%, so depending on how that's distributed around the mean, you can see that there's not a lot.

Mr. McCarter: I hear you. Thank you.

The Chair: Any further questions?

Thank you very much, Dr. Steenkamp and Mr. Jackson, and thank you, Ms. Mason, although you didn't have a very onerous task today. We appreciate you appearing in front of the committee.

For committee members, we'll be adjourning for a few minutes while the room is cleared and then we'll meet in closed session to give instructions to our researcher for the purposes of writing a report. I will also add that there are a few sandwiches next door, if you want to grab one before coming back in. So we'll meet in about three or four minutes.

The committee recessed at 1148 and continued in closed session at 1152.

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