

NEW BRUNSWICK ASSOCIATION OF CAREER COLLEGES
FEEDBACK ON
NEW BRUNSWICK DESIGNATION POLICY DRAFT
NOVEMBER 2006

Submitted to: Dept. of Post-Secondary Education, Training and Labour
By: New Brunswick Association of Career Colleges
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**NBACC Feedback on
New Brunswick Designation Policy Draft
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Background

The New Brunswick Association of Career Colleges welcomes this opportunity to comment on the draft Designation Policy for Student Financial Assistance, which was received from the Dept. of Post-Secondary Education, Training and Labour on Nov. 10, 2006. We wish to express our appreciation to the Department for this opportunity and also to staff of the Department who have provided clarification on a number of points, which we will outline in our comments.

Our Association represents private post-secondary colleges in the province and is affiliated with the National Association of Career Colleges. Our member schools are registered under the *Private Occupational Training Act*, administered by the Department of Post-Secondary Education, Training and Labour. Some of our members also serve on the Board of the Private Occupational Training Corporation, which manages the Training Completions Fund.

In 2005-6, private career colleges trained over 3,000 people in New Brunswick, in programs of at least 21 hours duration, not to mention providing upgrading and employment readiness training to hundreds more people in shorter offerings. Additionally, our sector employs over 400 instructors and teachers along with many other New Brunswickers as administrative and operational support staff. Our schools and staff pay taxes in New Brunswick – income taxes, sales taxes and property taxes. As both individual and corporate citizens, we contribute significantly to the social, economic and cultural life of our communities. We are proud as individuals, as educators and as private businesses to live, work, learn and play in New Brunswick. We are also proud to be a full partner in the post-secondary education sector of this province.

We want to thank the Department also, in particular the Deputy Minister, for the support the NBACC has been given as we strive to enhance our sector. In the past year, the NBACC was provided with a grant of \$132,000 to:

1. Establish the office of Executive Director of the NBACC.
2. Develop, implement, and monitor a Quality Assurance Program for the Private Occupational Training Industry.
3. Develop and implement an Instructor Development Program, as part of the Quality Assurance Program.

We are progressing very well on these initiatives. With the establishment of the office of Executive Director, we have been able to expand the services we provide to our members and have increased our membership in the process. With respect to the Quality Assurance Program, we are now establishing the Monitoring Committee which

will oversee the establishment of the elements which will be included in a college's Quality Assurance Policy. The Committee will also lead the audit process for monitoring of compliance with Quality Assurance Policies. We have asked the Deputy Minister to provide names of Government representatives who will sit on this Committee along with representatives of member colleges, employers, former students and other relevant stakeholders. It is important to note that the Quality Assurance Program we are developing follows the framework presented in the March 2005 Discussion Paper of the former Dept. of Training and Employment Development, entitled "Discussion Paper on a Quality Assurance Framework for the Private Occupational Training Sector". The framework outlined in this discussion paper, and which we are implementing in the NBACC, is modeled after the Quality Assurance or Quality Management programs in place in the New Brunswick Community College system, in universities through the Maritimes Provinces Higher Education Commission, in the province of British Columbia through the Private Career Training Institution Agency (PCTIA) and by the Canadian Education and Training Accreditation Commission (CETAC).

We will be launching our Quality Assurance Program in early 2007 with pilots in some of our member colleges. The enthusiasm of our members for this program is evidenced by the large number which have indicated they want to be among the first private colleges to undertake the NBACC Quality Assurance Program. As you will see in our specific comments on the Designation Policy, a number of the requirements of the Policy will be covered by Quality Assurance Policies of our member colleges as they implement our Program. We propose that a college's accreditation through the NBACC Quality Assurance Program be taken as proof of that college's meeting certain requirements of the Designation Policy. In British Columbia, a similar arrangement through the PCTIA is in place. Since our Program is modeled after the Government's framework, has been supported by the Government and will include Government representatives on its Monitoring Committee, we feel it would be logical and efficient to do this. We would welcome the opportunity to discuss this further with the Department.

Our Instructor Development Program has already shown great success and 147 individual instructors in private career colleges have already participated in seminars in the "Talking About Teaching" component of the program. In addition, 58 people are currently registered for seminars scheduled for November 24 and December 2. We are now putting final touches on the other components of the program, namely Orientation, Leadership Training and the Practicum.

Without the financial support of the Department of Post-Secondary Education, Training and Labour, as well as the moral support that represents, our Association could not undertake these projects.

Additionally, the support of the Department indicates to us that it has faith in the New Brunswick Association of Career Colleges and in its member colleges. It tells us that the Department wants to work with us to ensure the education and training offered by private colleges is of high quality, that the administration and operation of our colleges is sound, and that private colleges take their rightful place in the higher education sector of New Brunswick, beside our sister learning institutions in the public sector – public universities and the New Brunswick Community College system.

We are pleased also to see that Premier Graham and Minister Doherty are launching the Commission on Post-Secondary Education. We understand this Commission will be

consulting with the sector and we have told the Department that we look forward to being part of this consultation, along with our partners in the public system.

Thus we are providing our feedback on the current draft of the Designation Policy in a spirit of cooperation and with a goal of improving the Policy so that it reflects the realities of all components of the post –secondary education and training sector, while ensuring that the public dollar is wisely invested in the citizens and in the future work force of New Brunswick.

In 2004, the NBACC submitted a brief to the Department of Education on the Designation Policy that was proposed at that time. We are appending a copy of that brief to this submission and request that it be reviewed again as part of your consultation process. Unfortunately, we did not receive feedback on that brief, so it was difficult to know if our comments were taken into consideration. We do think that the fact at that time that responsibility for Student Financial Assistance and for the university sector were with the Department of Education while responsibility for the Private Occupational Training Sector and the NBCC were with another Department made it perhaps difficult for our sector to fully represent ourselves to the people responsible for Student Financial Assistance. We have always been concerned that private colleges were measured against the standard of public institutions, such as universities and Community Colleges, without adequate appreciation for the unique characteristics of private colleges. We have also been concerned that the inappropriate actions or approaches of a minority of private colleges have overshadowed the successes and good business practices of by far the majority of colleges in our sector. We are hopeful that now, with the responsibility for the entire post-secondary sector and for Student Financial Assistance in one Department, that the lines of communication and understanding between all segments of the post-secondary system will be open and active.

As the Department revises this Draft Policy, representatives of the NBACC would be pleased to sit on a working group with other partners and officials to assist with the process. In some other jurisdictions, including British Columbia, Ontario and Newfoundland and Labrador, the industry has participated in this kind of working group. In some jurisdictions, this working group has continued after the Designation Policy came into effect. The groups have regular and frequent meetings, so that partners can have ongoing dialogue and work together on any future changes to the Policy. We ask that this be instituted in New Brunswick as well.

The Designation Policy

In our specific comments which follow, you will note that in several places we indicate that the Policy as stated needs to be clarified, since the meaning of some statements is too vague. Our concern with this is twofold: it is difficult to abide by a policy if one is not really sure what it means. Secondly, it may be that current officials understand clearly what is meant by a policy that may be written in vague terms, but current officials will not always be in place and as new officials come on board, the interpretation of the policy may change because the people interpreting it change. Good policy statements should be as clear and precise as possible. That approach will prove easier and more efficient for those administering the policy and for the people trying to abide by it. At the same time, policy should be grounded in the desire to achieve the common good in a manner that is efficient and fair to all reasonable people impacted by it. It should help us all to

function better; it should not put in place barriers that unduly impede the efforts of organizations which are doing their best to achieve the goals and uphold the values that New Brunswick holds dear. It should allow us to work together, not set us at odds with each other.

We have reviewed the Designation Policies and related documents from some other jurisdictions, including Nova Scotia, Newfoundland and Labrador and Ontario and we note that in many instances, these provide definitions and more clearly define points than does this New Brunswick draft. We would suggest the Department review these other policies as an aid in redrafting this document.

For ease of reference, we will present our comments on the most recent draft of the Designation Policy by section number.

3.0 Definition We note that the disclaimer is given that the designation of an institution is not an indicator of program quality assurance. We applaud this clarification, and see it as supportive of the pursuit of Quality Assurance by post-secondary institutions, and in the case of our sector, of Quality Assurance through the NBACC program.

4.0 Policy Objectives One of the policy objectives listed here is “to improve accountability to students and taxpayers.” NBACC asserts that accountability to students includes assisting access to post-secondary education and training and to options in that the types of education and training a student can pursue. The Designation Policy as it is written could restrict this access for some of the most disadvantaged students, if it results in them not being accepted into private colleges because of the risk of lowering our repayment rates, or if it results in colleges closing because of loss of designation.

5.0 Policy Statement We appreciate the recognition that “there are factors beyond the control of institutions which affect the performance of the student loan portfolios” and we trust that this reality will be kept in mind in the application of this Policy. We are struck with the basic truth that the approval of a Student Loan for a student is not within our control, and the actual repayment of the loan is also not within our control. However, we are being held responsible for the consequences of bad decisions and / or unfortunate outcomes with respect to both the awarding of loans and the repayment of them. We are given responsibility without the authority to make the crucial decisions – advance the loan and then repay the loan – upon which this entire Policy hinges. Although we are opposed to the principle that schools should be held accountable for student repayment rates, we are prepared to work collaboratively with Government to minimize the risk to student loan portfolios. To overcome this basic conundrum will require a true understanding of the private college system and a willingness to see our sector as a positive contributor to the education and training of New Brunswickers, as well as an important employer group within the province, rather than as system at odds with the goals of the New Brunswick education system.

6.0 Approach We suggest the wording of “Institutions will be responsible to become aware and implement all revisions” should be adjusted to indicate that institutions will in fact be advised of such revisions before they occur. This was clarified for us by Department officials, but the current wording suggests institutions must somehow become aware themselves of future revisions, which is not reasonable to expect. We

would also recommend that post-secondary institutions, including our Association, be consulted in the process of making any revisions or additions to the Policy.

8.2 Program Eligibility Criteria In this section, reference is made to the need for “mature student policy with screening and selection criteria acceptable to the Province”. Colleges which will participate in the NBACC Quality Assurance Program will have such policies in place and will provide them to the Province if required. We are concerned that the wording of this point in the Designation Policy is vague since it does not provide any indication of what will be required to ensure the mature student policy is acceptable to the Province. It is rather like shooting in the dark. The Designation Policy can be improved by tightening up certain vague points, such as this one. We also believe it is the responsibility of each school to set admission standards. The standards need to be published and schools held accountable to their own policies on admissions. We question the fact that the Province wants to determine if the standards are acceptable. Again, this may simply be another area that is vague and therefore open to a different interpretation. We think we understand the type of policy the Department is likely seeking here, but it should be more clearly defined.

9.1 Formalized Communication Institutions will be expected to comply with all subsequent changes to the legislation, the Designation Policy and operational procedures. The NBACC requests that we be consulted and given the opportunity for input when any such changes are being considered. This could be achieved by means of the working group we recommend in the Background section of this paper.

9.3 Advertising / Institution Publications We were confused by the wording: “Institutions are not permitted to use their designation status for recruitment. It may be used for information purposes only.” It is difficult to abide by a rule when one is unsure what is meant by it. If a college official is meeting with a potential student and says, “by the way, our college is designated” is that in contravention of this policy? We were told by a Department official that no, that would not be in contravention. However, it was suggested that what the Department wants is to review any advertisements in which the fact of designation is stated, to ensure that they are appropriate. We can see the point in that, but to us that is not what is stated here. We think this should be clarified. Additionally, if the Department has some guidelines in mind as to how the fact of designation should be presented, that should be stated in the Policy as well.

9.4 Changes in Student Status This is another example where more clarification would improve the Policy as stated. First, we suggest that “withdrawal from a program” needs to be clarified. We suggest this statement could be improved if it is clear that a student must provide written notice to the institution that he/she is withdrawing. We also think the definition of full time and part time study should be included, as well as what is meant by “failure to maintain a satisfactory scholastic standing as defined by the Canada Student Loans program”. By adding here CSL’s definition of “satisfactory scholastic standing”, the Policy would be much improved.

Next is the issue of “Notwithstanding an institution’s own internal withdrawal policies....”. We understand from your officials that again, this means that if the school has a policy on this issue and if the Department feels that policy is reasonable, it will be accepted.

Again, we will ensure that the Quality Assurance Program of the NBACC will have schools develop policy on this.

We are concerned with the statement that “absence of more than 15 days from a program constitutes a withdrawal in relation to student financial assistance”. In discussing this with officials, we understand the extreme case that this envisages, where a student basically drops in now and then to sit in on a class, but is absent more than present in every way. However, there can be cases where a student legitimately is absent for more than 15 days over the course of a program. And it need not only be due to illness serious enough to warrant a doctor’s involvement. It could be for a variety of reasons, including family responsibilities, child care and related issues that students in our colleges perhaps are more frequently faced with than are students in public institutions. We are sure the Government does not want to see a single parent lose their Student Aid and have to drop out of school, and then perhaps seek Social Assistance support from the Province, because they had to deal with family responsibilities on 15 different days over the course of their program. The Association recommends the province follow Nova Scotia’s Policy where withdrawal is assumed after an absence of more than four consecutive weeks.

Similarly, the statement “A student’s period of study end date will not be extended in regards to student financial assistance, under any circumstances” seems to be overly drastic. Will a single parent or a student with a disability be forced to drop out of school because they lose their student aid, because circumstances beyond their control made it impossible for them to complete the requirements of the program in the prescribed timeframe? All of us, the Province and educational institutions, have a legal and a moral duty to accommodate certain kinds of situations. Please review your wording to be a bit more reasonable.

With respect to this entire section on changes in student status, we were assured by the Department that we will not be required to now take attendance in all our classes. That might in fact be relatively easy for us to do, and in fact many of our colleges now take attendance regularly. However, we can appreciate the horror with which such a requirement would be met by our university colleagues who often face classes of a few hundred students. However, on reading section 9.4 as it is written, it is difficult to see how institutions can abide by these requirements without taking attendance in all classes.

9.5 Information, Consumer Protection and Counseling We agree that providing information to SFA officers / contacts in educational institutions as well as providing information and counseling to students are both positive measures. These are two areas which provide the Province with an excellent opportunity to work with the NBACC in developing and delivering these components. In Ontario, our sister Association works with the Province in the administration of the information sessions which Financial Officers of their colleges must attend. We would suggest that New Brunswick follow this lead and also that, like Ontario, refresher sessions be held each year for all Financial Officers. In addition, of course, new Financial Officers should be required to go through an orientation session at the first opportunity and certainly by the beginning of the next school year.

With respect to information and counseling for students, we support this measure as well. In fact, we have met twice with the Department since June to propose that the

NBACC and the Department establish a working group to jointly develop material to do this and to present the information to colleges and students. In June at the National Association of Career Colleges annual conference in Halifax, during a pre-conference workshop on Portfolio Management, we were very impressed by the examples of this type of Government / private sector cooperation in some other jurisdictions. While Student Financial Assistance officials from several other provinces, as well as Canada Student Loan staff were in attendance, unfortunately New Brunswick Student Loan officials were not able to attend. But we collected some good information that has been developed by Canada Student Loans and by other provinces for use in better informing college officials and students of ways and means to improve repayment rates on Student Loans, and we discussed that information with Department officials during our meetings with them. The Department had to delay moving on our proposal to work together and for the past few months we have been seeking another meeting with officials so that we can move forward and work together on this, as agreed to with the Deputy Minister in July. We are hopeful that the NBACC's wish to work together is seen in the true cooperative spirit it is intended. We hope that the failure of the Department to respond to our request to work together is only symptomatic of a very busy few months, and that we will very soon have a meeting booked and a commitment confirmed to move forward together. It is difficult to understand why our gesture of cooperation would be ignored.

We note that the Policy states, "Institutions must not be involved in the calculation, completion or submission of any applications, forms or documents that students are responsible to complete in relation to student financial assistance." This statement follows the directive in the Policy that institutions provide information and counseling to students regarding student financial assistance, including "the application requirements and process for student financial assistance." By fulfilling this requirement of the Policy, we are concerned we may inadvertently stray into what would be considered being involved in the submission of applications, forms or documents. The Policy should more clearly state what is intended here. In the process of telling students the requirements and process for student financial assistance, we are often asked questions with respect to information required of them. Are we not to answer any such questions? This is really not practical.

We understand that institutions cannot complete an application for student aid for a student, due to the possible appearance of a conflict of interest. However, if we are to tell students to call Student Financial Services for every question they might have, then it will be necessary for Government to ensure there are sufficient numbers of knowledgeable staff answering these calls so that students get answers to all their questions quickly and correctly.

We understand that, for some public institutions, with enrollments over a certain threshold, arrangements are made for appropriate officials to come to the institution to collect Student Loan certificates. This is done rather than every individual student being required to have the certificate authorized by the college, then take it themselves to a post office for further authorization and then submission. We understand the need to protect the process, but we have expressed to Student Financial Assistance our wish to benefit also from the service of having certificates picked up at the college. We have been told that this can be considered next year, after a new service provider is selected and we will follow up with the Department in the new year.

The final points in section 9.5 regarding what we are to focus on with respect to student success will also be covered within the NBACC Quality Assurance Program. However, it would be helpful if the Policy defined what is meant by “student success”. This will certainly make compliance with the Policy easier.

The NBACC was recently approached by the Labour Market Analysis Branch of the Department to participate on a Steering Committee to develop and manage a Graduate Follow Up Survey for private career colleges. It has been indicated that colleges will be able to have certain questions added to the survey instrument. We know that this type of survey has been in place in the New Brunswick Community College system for a number of years and we are pleased to accept the invitation of the Branch. Certainly, outcomes of that survey will help us in accurately reporting on employability outcomes for our graduates as well as other indicators of value to us in managing our programs. Additionally, we take this invitation from a Branch of this Department to indicate their recognition of the importance of the private college sector and of the NBACC as a professional association within the sector.

9.7 Financial This section indicates that, with respect to having a guarantee in place to protect students in the event of closure, “meeting the requirements of the New Brunswick Private Occupational Training Act and regulations satisfies this criterion for private institutions.” We are pleased to see such validation of the *POTA* requirements.

9.8 Tuition and Fee Refund Policies Again, NBACC member colleges which implement our Quality Assurance Policy will have policies in place relative to these requirements. We assume that the requirements outlined in section 9.8 are superseded by the requirements of the *Private Occupational Training Act and Regulations*, which is listed as the last point in this section. It should be noted that some of the points in the first part of this Section are not the same as the requirements of the *POTA*, thus our assumption that private colleges are to abide by the *POTA* requirements, not those listed in the first part of this section.

10.1 Portfolio Performance and 13.0 Consequences of Non-Compliance These are two of the most important parts of the Designation Policy and it is essential that there be no confusion or possibility of misinterpretation. We are combining our comments on most of these two sections, because the discussion of Portfolio Performance is incomplete without examining the Consequences of Non-Compliance as well. Later in this paper, we comment further on other aspects of section 13.0.

In the Nova Scotia Designation Policy, the time period for which the first consolidation cohort was tracked is given as well as the national average repayment rate for that period, and the value of the standard deviation. It is obvious that this information is crucial. It is preferable that these measures be provided in the Policy, not just provided individually to institutions with their own repayment rate.

One of the reasons it is important to know up front the time period which is being used to set the target repayment rate, is that if this time period is not properly identified, it could result in the institution not having time to in fact take any steps to improve their repayment rate if they fall into the Yellow or Red Zones. On the issue of the Zones, our member colleges do not know their repayment rates as of this writing (November 18), but we do know that the national average to be used as the target for all institutions includes the repayment rates of loan recipients from all post-secondary institutions –

public funded universities, Community Colleges and private, non-publicly funded career colleges. We have information provided by Canada Student Loans to the National Association of Career Colleges that shows the repayment rates of loan recipients from New Brunswick Community Colleges in 2003-4 to be 68.5%. This same data shows the repayment rates of loan recipients from NACC member colleges in New Brunswick to be 42.5%. In the Nova Scotia Designation Policy, the national average repayment rate for loans that went into repayment in 2002-3, as of July 31, 2004 was 70.2% with a standard deviation of 21.5%. Using all these data as an indication, and in the absence of any other data from New Brunswick or on our own individual colleges, it is clear that most of all of our colleges fall below one standard deviation less than the national average. ($70.2\% - 21.5\% = 48.7\%$, while our repayment rate, on average seems to be 42.5%). **Thus, according to the data available to us, it is reasonable to conclude that all or most private colleges fall within the dreaded Red Zone.** When we mentioned this to Department officials, we received a response of surprise. We certainly hope we are wrong on this, but without more data from the Province, you can appreciate how we have come to this very unsettling conclusion. We know we are using data from different years, but as we said, no further data has been made available to us at this time.

We have several additional concerns in this section.

We turn your attention to the fact that institutions in the Yellow Zone have three assessment periods over which to improve their rate by a minimum of three percentage points, and for those in the Red Zone, to, at minimum, move into the Yellow Zone within three assessment periods. It is necessary to pause here and make the important point that in Nova Scotia the improvement needed is three percentage points for Yellow Zone institutions and a movement into the Yellow Zone for those in the Red Zone, both over an assessment cycle which Nova Scotia defines as three years. In New Brunswick, these improvement levels are stated as the minimum to be achieved over three assessment periods. We have to ask why is New Brunswick laying the ground work to be more demanding of its post-secondary institutions than is our neighbour province, and why is it deemed necessary to keep the door open on potentially even more stringent demands, which results in paranoia and mistrust on the part of institutions who already think they are in the Red Zone. This seems unfair and we want to know why it is happening.

We also need to understand clearly the length of an assessment period. Is the New Brunswick assessment period one year, resulting in three assessment periods as being three years, as is the assessment cycle in Nova Scotia?

Now we turn to the importance of knowing what year the entire assessment of portfolio performance is based upon. The Nova Scotia Policy states that the first consolidation cohort refers to all borrowers who went into repayment from August 1, 2002 to July 31, 2003 and that their repayment history was tracked to July 31, 2004 when a four year target was set. That target was based on the formula which is also given in the New Brunswick Policy. Using the formula, a national repayment rate average of 70.2% and a standard deviation of 21.5% were calculated and reported by Nova Scotia, as stated above. The Nova Scotia Policy goes on to explain that each consolidation cohort is traced for two years and therefore the first assessment year data will be available for fall 2006 and the last will be available for fall 2008 when new targets will be established. While this is not a simple process, by providing this type of detail, Nova Scotia is at least

providing more information than is New Brunswick, and which schools can build upon to try to understand the process.

Here is the crux of our concern, and in discussing this with Department officials, we are not sure if the impact of this issue was fully understood and therefore, had been clearly considered in developing the Policy: If an educational institution has three assessment periods, and assuming that means three years, to show improvements in its repayment rate, then it is absolutely necessary that time be available to make changes in the institution's policies and procedures that will result in improvement in the repayment rate. We cannot impact the repayment rate of students once they have left our college. We must stress this important basic point: If a student chooses not to repay his or her loan after they leave us, there is nothing we can do about it.

If institutions are expected to contact students after they have left the institution, when they should be repaying their loans, it would help colleges to do this if Student Financial Assistance would provide them with information on the change in the status of a loan, notify them when a loan goes into default, and provide them with current contact information so that former students can be contacted and encouraged to set up an appropriate repayment plan and avail themselves of the various options for repayment, interest relief etc.. If a college is expected to improve the repayment activities once a student has left the college, it is essential that they have this kind of follow up information.

So, what can we do to improve our repayment rates? We can put in place, with the Department's cooperation, as we have proposed, information and counseling to better inform students of their obligations to repay their loans and of the options available to them to facilitate doing so. We can also inform and counsel them on ways they can better manage financially and so minimize their debt. We can ask on our admission application for a credit history and make some assessment ourselves as to whether or not they are a good risk, and then refuse them admission if we think they are not a good risk. But we think that would be duplication of what Student Financial Assistance officials should be doing. If Student Financial Assistance considers a student to be a bad risk, then they should not approve them for a loan.

It must be recognized that private career colleges often serve some of the most disadvantaged members of society. They include single parents, Social Assistance Recipients, mature students, those who have had negative experiences in the traditional school system, displaced workers who are trying to reenter the workforce and those wanting to gain new skills or upgrade their skills to improve their employability. And as private businesses, our colleges do not receive grants from Government to support our administration and our program offerings. Many opportunities for various scholarships, bursaries and similar support that are available to students in universities and Community Colleges are not available to students in private colleges. In this same context, we note that Premier Graham has implemented a \$2,000 one time grant for first year university students. We commend the Premier on this step, but we must point out that this is another example of support for students whose education is already significantly supported through Government grants to their institutions. Unlike university and New Brunswick Community College students, our students must bear the full cost of their program. Thus, the requirement of our students for student aid may be disproportionately higher than for students in publicly funded institutions.

Private colleges play a very important, but sadly often unrecognized, role in the post-secondary education system of New Brunswick. Our colleges are of a variety of sizes and are in small communities as well as in larger centres. We can serve people who have family responsibilities and ties to their community, along with limited resources and supports, so that they can advance their skills and improve their employability within their own community. We offer programs designed to meet labour market needs, and to complement what is offered in public sector institutions, while offering learners options regarding what type of institution they will attend.

If our only option is to turn away the people who may be most in need of the training we offer, or risk closing down totally because we fall into and cannot get out of the Red Zone, then we might as well cancel our Quality Assurance Program, cancel our Instructor Development Program and advise our member colleges to lay off their staff and close their doors now. We do not believe that the purpose, intent or impact of the Designation Policy is or should be to close down legitimate private businesses, to force people out of jobs, or to reduce the options for self improvement for some of the most disadvantaged New Brunswickers.

That cannot be the goal of this Policy. But as it is now written, we fear it could be used to that purpose.

The final words in Section 10.1 give us both hope and concern. "New Brunswick may determine that the role an institution plays in fulfilling provincial policy priorities which may be outside of the student financial assistance program, be taken into account when considering the consequences of non-improvement of an institution in the high risk Red Zone." We have hope because this might mean that, by helping the Province achieve its priorities for quality education and for accreditation in private training, NBACC member colleges participating in our Quality Assurance Program and in our Instructor Development Program might be deemed to be playing that kind of role external to the student financial assistance program. Or by providing training options for New Brunswickers, including disadvantaged New Brunswickers, in all regions of the province, and by training people and helping them thus move off Social Assistance, or other income support programs, our colleges might be seen as serving that broader purpose.

But we have concern at the same time when we think that perhaps these broader provincial policy priorities, by definition, can only be addressed by public sector institutions. By being at the table when public priorities are discussed, by being seen as somehow on a different level than private colleges, do our sister institutions which receive government support have an opportunity to benefit from this part of the Designation Policy that private colleges do not and can never have?

We hope it is the former that the role of all educational institutions in fulfilling provincial policy priorities will be taken into account when considering the consequences of being in the Red Zone.

10.3 Student Performance Does this section mean that, if an institution "does well" on the Administrative, Consumer Protection and Information Criteria of Section 9.0, the consequences of being in the Yellow or Red Zones might be mitigated? Is it possible to add some indicators to tell us how we might ensure we "do well" on those items? The Policy states here "The Province will exercise its judgment..." Again, we think the Policy would be improved if steps were taken to add more concrete indicators here, or

definitions, so that all parties can more clearly know what is expected of them, and the measures against which they will be assessed.

11.0 Compliance, Reviews, Audit and Monitoring This section begins with “Institutions may have their designation status reviewed at any time.” This wording suggests to us that an institution may request to have their status reviewed, not only that the Province may review the status at any time. In Section 15.0 of the Policy, dealing with the Appeal Process, time restrictions are given on appealing a designation status. We interpret section 11.0 to be in conflict with this time restriction, but in fact much fairer than 15.0.

The Policy says the Province can conduct any review of institutions without advising the institution. In the event that the institution is the target of a Responsive review, we request that the college be advised of the complaint before the review, so that it has opportunity to respond.

12.0 Probation Types It was clarified for us by Department officials that the introductory probation will apply to all institutions and that the requirements to be met during this first year are those related to Administrative and Operational issues, not those applying to Repayment Rates. We pointed out that this should be clarified in the Policy.

Under 12.2, it states that “Institutions may or may not be placed on Probation when non-compliance with this Policy occurs.” We understand this refers to the consequences described in Table 1, and does not mean that whether or not probation occurs is determined arbitrarily.

It was also clarified for us that the initial probation under section 12.1 will not be made public. The wording in the Policy must be changed to reflect this, since it now states under 12.2 that “Once an institution is placed on probation under either Section 12.1 or 12.2, this information will be made public.”

13.0 Consequences of Non-Compliance It was clarified for us that consequences of not meeting requirements of the Policy occur in the second year (after the initial first year probation). This wording should be clarified in the Policy. The amount of fines or penalties and the types of additional costs incurred by the Province as a result of failure to comply should also be provided in more detail. Without this kind of detail, too much is left to the discretion of whatever official may be applying the Policy in any given situation. The role of Policy should be to provide consistency in approach and in dealing with situations.

In the same vein, the notwithstanding clause allowing the Province to make decisions on consequences for instances not outlined in this section, should be firmed up if at all possible. It leaves a great deal of latitude on the part of the Province and makes it difficult for an institution to be sure whether or not it is in compliance with expectations that are not clearly articulated.

In Table 1.0, under Program Eligibility, the consequence of non-compliance is permanent suspension of funding to new and existing students; however, the outcome of providing new program information for approval is not consistent with permanent suspension of funding. If the case occurred where, for example, a program was not

eligible because it did not provide sufficient contact hours, and if later the program is revamped so that it does provide sufficient contact hours, it should be able to be reconsidered for eligibility. We think this is what is intended, however it is inconsistent with the wording of “Permanent suspension”.

Throughout the table, where the Province can set requirements and timelines for correction of non-compliance, we request that the institution involved be consulted as those requirements and timelines are set. This consultative approach would reflect what has been expressed to us as the wish of the Department to work with institutions in implementing the Policy and it would also reflect the wish of our Association to work with the Department.

We have commented previously here on sections of Table 1 which relate to Portfolio Performance (see our discussion above of Sections 10.1 and 13.0). We must stress again the importance of clarification of this section, and of our concern with the idea that the improvements required for New Brunswick institutions could be more than what is required in Nova Scotia. We would also welcome a discussion with Student Financial Assistance officials regarding actions institutions might undertake to improve repayment rates. These discussions can take place in the process of our joint work on developing and implementing information and information sessions for staff and students, as we have described elsewhere here, in relation to the work which we want to resume with the Department. We truly are by times at a loss to know what we can do to make sure our students repay their loans, beyond these measures that we have outlined previously here.

We are concerned with the item in Table 1 which states that “Any problems in regards to this Policy during introductory probation period” will result in “Immediate loss of designation” and will require a five year waiting period before the institution can seek designation again. Should immediate loss of designation occur, we expect that the institution will not be reapplying in five years, as it will no longer exist in New Brunswick. Without student financial assistance, very few post-secondary institutions would be in operation, especially those without operational funding from the Government. Additionally, this item as it is worded appears to be in conflict with Sections 12.1 and 12.2 as described to us by officials, in that institutions have the first year to meet the administrative and operational requirements and three assessment periods to meet the requirements regarding Repayment Rates. The Policy must be clearer in what is intended here. We think we know what it means, but that is not enough. It needs to be more clearly spelled out.

Lastly, in Table 1, we feel it is nonsensical to penalize an institution which, by some dint of fortune, might at some time have no students who are in need of student financial assistance. The Policy as stated indicates that such an institution could lose its designation. What happens in that case, if the next year, before the two and five year review, a student needing student financial assistance wants to attend that college? This seems to be an unnecessary restriction. Again, the intent may be surmised, but it seems to be using a club to swat a mosquito, which unfortunately seems to be the case in much of the Policy.

15.0 Appeal Process The Policy needs to state how the Designation Appeal Board will be established, how the members will be selected, and by what criteria, the terms for the members and the number of members on the Board.

As a final comment, we want to point out some typographical errors in the Designation Policy. For example, in a few places we notice the word “rational” is used instead of “rationale” and in another place the word “vocation” is used rather than “vocational”.

Conclusion

The New Brunswick Association of Career Colleges is committed to fostering quality education and training by private colleges, which are operated as businesses, employing New Brunswickers and acting responsibly as good corporate and individual citizens of our province. We want to work with the Province of New Brunswick to achieve our mutual goals which are ultimately devoted to the betterment of the lives of New Brunswickers. The support and partnership we have enjoyed with the Province in developing our Quality Assurance Program, our Instructor Development Program, and in working with the Private Occupational Training and Labour Market Analysis Branches indicates to us that our sector is important to the Province and that our Association is seen as a valuable and worthwhile body representing the major part of the sector. We hope that we can cultivate this same spirit of partnership in working with the Student Financial Services Branch in developing and following a clear, fair and equitable Designation Policy. We feel that the establishment of a working group involving representatives of our Association and other partners would facilitate this process. As indicated earlier, this working group should have input to revisions to the current draft Policy and it should continue after the Policy is in place, for purposes of ongoing consultation and input to any future changes.

APPENDIX I

A brief to the NB Department of Education

on the proposed

Designation Framework

By the

NB Association of Career Colleges

June 2004

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1. Introduction

The New Brunswick Association of Career Colleges has been invited to provide feedback, to assist the province in developing the New Brunswick Designation Policy. Designation is the process by which post-secondary institutions become and remain eligible to receive students who qualify for Canada and New Brunswick Student Financial Assistance.

A National Designation Policy Framework has been developed, and was approved in 2003. This Framework is based on principles of taxpayer protection, accountability and informed choice, and consumer (student) protection. It reiterates that the fundamental purpose of government student loan programs is to increase access to opportunities for post-secondary education.¹

The provinces and territories have since been encouraged to establish designation policies and criteria for institutions operating within their jurisdictions. The Association's brief is part of the consultation now being carried out by the New Brunswick Department of Education.

We appreciate the opportunity to respond to this very critical issue, and thank the department for soliciting our input. At the same time, we would like to express our concern about the short timeframe in which this consultation seems to be taking place, and would request that we be given adequate time (i.e. 60 days) to review and provide feedback on the draft Designation Policy, before it is finalized.

2. Background

Under the *Canada Student Financial Assistance Act* and the *Canada Student Loans Act*, along with associated regulations, each province is delegated the authority to administer and deliver student financial assistance.

In New Brunswick, the Student Financial Services (SFS) Branch of the Department of Education administers and delivers federal and provincial loans, grants and bursaries under the NB Student Financial Assistance Program. The province is responsible to designate eligible educational institutions, to determine eligibility and assess students' financial need based on federal criteria, and to award assistance by issuing Certificates of Eligibility or grant/bursary cheques.

The authority to designate post-secondary institutions located in New Brunswick, for the purposes of determining eligibility of their students for financial assistance, is granted to New Brunswick under the *Canada Student Financial Assistance Act*.

Designation has become an issue in recent years because of concerns about default rates, and the cost that imposes on Canadian taxpayers. A background document provided by the department² notes that the federal and provincial governments now hold the entire risk on the student loans portfolio.

The designation process is and has been a process of transferring at least some of that risk to the institutions themselves. The rationale³ is that post-secondary institutions play the

¹ Designation Policy Framework. Intergovernmental Consultative Committee on Student Financial Assistance, April 2003.

² Background Information for Designation Consultation.

³ Designation Policy Framework, Ibid.

central role in retaining students, ensuring that students succeed, and thus ensuring that students improve their overall employability, all of which are key factors contributing to students' success in repaying their loans. This document recognizes that funding under student financial assistance programs is provided to assist students, not schools, and also that withdrawal of designation status could potentially affect a school's revenue.

In effect, designation holds post-secondary educational institutions responsible when their former students default on loan repayments. Overall, the Association has a problem understanding this concept. One might compare it to a situation where the bank holds the car dealership responsible, when the car buyer defaults on his loan.

Association members, as private post-secondary institutions, have no information on which, if any, of our students or former students have defaulted on student loans. We have no way to verify the accuracy of default rate statistics being used. Nor do we believe that we, as institutions, are legally or morally responsible for what our students do or do not do after they have left us.

That being noted, however, we are prepared to live with the designation process as long as it is applied fairly and equitably across the board. In this document, we present some of our concerns and questions about this process. First, however, we provide some contextual information about the post-secondary sector in New Brunswick.

3. The post-secondary sector in NB

As of May 2004, there were four public universities, 11 NB Community Colleges, and 84 private institutions in the post-secondary sector in New Brunswick.

Of these 84, three are private universities; five are vocational institutions; 61 are registered under the Private Occupational Training Act; and 15 are not required to be registered under this act (mainly because they provide online or correspondence training or offer programs shorter than the current required number of hours).

We note that the 61 institutions registered under the Act are private businesses that receive no government funding. They do, however, pay a variety of taxes (income tax, property tax, HST). They create jobs in the community, and perhaps most importantly, they prepare students for today's fast-changing labour market.

Private post-secondary institutions, by their nature, are able to respond quickly and effectively, to create and adapt programming necessary in today's rapidly changing environment. Employers in New Brunswick and, indeed, across the country are increasingly challenged to find employees with the needed skills, and private training institutions fill an important role, providing training not offered at publicly funded educational institutions.

Private post-secondary institutions have a significant economic impact on communities in New Brunswick. For example, a recent study carried out in Saint John⁴ noted that the private educational training sector in that city alone had 1,327 students, and paid salaries for teaching and non-teaching staff of \$3.6 million in 2001.

According to this study, economic impacts of the educational sector overall in the city include the following:

⁴ Final Report on the Economic Value of the Educational System in Metropolitan Saint John. Prepared for the Common Council of the City of Saint John by the Business Education Forum of the Saint John Board of Trade, March 27, 2003

- The educational sector possesses valuable real estate, some of which might contribute to the real property tax base of the city and some of which might represent unrealised taxes. (*Editor’s note:* That is to say, if universities, community colleges and public schools paid their share of property taxes, as private institutions do.)
- Students contribute to the real economic life of the city and, particularly at the post secondary level, each student attracted to study in the city represents a significant addition to the consumer base.
- Employment in this economic sector represents a significant number of well-paid jobs and there is room to encourage growth in this area.

This report noted that a significant proportion of the population in Saint John has no post-secondary education. It underlined the important role of both the private and public education sector when it concluded that “more opportunities exist for both the Community College and the private educational institutions to address the task of retraining or offering first time training to a large sector of the Saint John region population. The 23,730 people who have grades 9 – 13 education but do not have high school graduation is a major cause for concern and deserves not only the attention of educators but the attention of all levels of government.”⁵

4. Taxpayer protection

The overriding concern in this process seems to be taxpayer protection, an obviously laudable goal. Student loan default rates have increased significantly in recent years, as the cost of a post-secondary school education has escalated across the country. Some benefits of the designation process for Canadian taxpayers, according to a Power Point presentation given at the consultation meeting in Fredericton in June of 2004,⁶ will be enhanced accountability to taxpayers and financial viability of designated institutions. We discuss these two issues in this section.

4.1. *Enhanced accountability to taxpayers*

The Association agrees, of course, with the need for enhanced accountability to taxpayers as well as with the principles of full disclosure and informed choice, as underlined in designation discussions. We are not sure, however, that numbers presented tell the whole story. For example, in the same Power Point presentation, the following table was given: Table 1 – Tuition recognized by Student Financial Assistance, New Brunswick

Sector	# of students	Tuition
University	7,275	\$28.5M
NBCC	2,762	\$ 7.3M
NB Private	2,444	\$ 17.2M

⁵ Ibid.

⁶ Consultation for the Development of a New Brunswick Designation Policy, Student Financial Services (SFS), Department of Education.

Source: Consultation for the Development of a New Brunswick Designation Policy, Student Financial Services (SFS), NB Department of Education.

These figures do not reflect the fact that taxpayers are supporting universities and community colleges in other financial ways, above and beyond student loan programs, specifically, government contributions from general revenues. Based on the principle of full disclosure, Table 2 might represent a more complete portrait of taxpayer contribution to post-secondary education.

Table 2 – Taxpayer contributions to post-secondary education, New Brunswick

Sector	# of students	Taxpayer contribution through student loan (repayable)	Taxpayer contribution from General Revenue (non-repayable)*	Total taxpayer cost	Per student cost	% repayable
University	7,275	\$28.5M	\$50M	\$78.5M	\$10,790	36%
NBCC	2,762	\$ 7.3M	\$21M	\$28.3M	\$10,246	26%
NB Private	2,444	\$ 17.2M	\$ 0	\$17.2M	\$7,037	100%

Source: *NB Department of Education Annual Report 2002-03.

The province provides a grant of \$7,500 per student to community colleges, to defray tuition costs, and \$6,500 per student to universities. This is in addition to student loans that the student him/herself obtains. In total, provincial funding to universities in New Brunswick was \$183 million in 2002-03 and \$63 million to community colleges (to cover, for example, capital costs, equipment costs etc).

Private post-secondary institutions receive no contributions from taxpayers, over and above student loans received by their students. A private college student receives, on average, \$3,480 less in student loan than his/her counterpart attending publicly funded institutions (i.e. the difference between \$7,000 and \$10,500) and 100% of it is repayable. The “per student cost” at universities and colleges is over \$10,000, but only 26 to 36% of it is repayable to taxpayers.

Some conclusions that might be drawn from these figures:

- Private training is a better financial deal for taxpayers in New Brunswick;
- Students at private post-secondary institutions carry a larger proportion of their costs, given that they must repay 100% of the cost of their education to taxpayers;
- This situation may be one reason why we see higher default rates at private institutions.

The Association has no problem with a Designation Policy, as long as all information is disclosed across the board about the real cost of post-secondary education to the taxpayer. The cost of student loans is only one part of the post-secondary education picture.

Presenting a full accounting of the situation shows, in effect, that private education represents a better financial deal for New Brunswick taxpayers, compared to publicly funded education.

Other concerns that we have in terms of accountability to taxpayers, full disclosure and informed choice include the following:

• ***Is a borrower’s default on a student loan allocated to the last institution they attended?*** We have been assured that this is not the case or that it happens minimally in New Brunswick (i.e. It has been suggested that only 10% of private institution students have previous post-secondary education from another institution.) However, the federal government’s own website states very clearly that “A borrower’s default is allocated to the last institution they attended.” (See Appendix B – 3-Year Default Rates, by Institution Type)

This is a major concern for private post-secondary institutions because many of our students have previously attended university or community college, and have then come to us looking for specific training/skill development to enable them to find a job. The following table demonstrates the incidence of this at some private institutions in NB, based on information provided by Association members. We note that the short timeframe that we were given, in which to prepare this document, prevented us from gathering more detailed information from more Association members.

Table 3 – Incidence of private institution students who have previously attended other post-secondary institutes.

Institution	# survey respondents	% with some previous post-secondary education
CompuCollege (Moncton)*	166	55.6%
CompuCollege (Fredericton)*	173	47%
CompuCollege (Saint John)*	61	54.9%
ABC Fredericton**	93	40%

* 2003 Current student survey

** Student survey

The Association believes that any designation framework must include mechanisms to allow loan default amounts to be properly assigned to the institution at which they were incurred. We do not believe that it is fair for private institutions to be held accountable for loans or portions of loans incurred at other institutions and then defaulted upon.

• ***Registered versus unregistered private institutions.*** The 61 private post-secondary institutions in New Brunswick, registered under the Private Occupational Training Act and the 15 institutions not registered under this act (but which are nonetheless eligible for designation) are currently considered together, for purposes of calculating default rates in the private sector. We believe that this is unfair, and may not necessarily reflect reality. Separate categories should be created for the purposes of calculating default rates (i.e. “Registered private institutions,” “Unregistered private institutions”) or alternatively, legislation changed to require all designated institutions to be registered.

4.2. Financial viability of designated institutions

As noted above, one of the benefits of designation for Canadian taxpayers is reportedly enhanced financial viability of designated institutions. We fail to understand the

connection here, and are also concerned about how this will be measured, and how it will impact, fairly and equitably, across the board.

For example, will it mean that Atlantic universities that operate in a deficit situation will be denied designation status?

Will it mean that private post-secondary institutions, which are private businesses operating in an extremely competitive environment, would be required to make their books public?

Two issues, in particular, that have the potential to impact negatively on the financial viability of private institutions in New Brunswick are a requirement to hire an administrator for the student loans programs and secondly, a requirement for a full audit. Any requirement to hire a dedicated financial officer for student financial assistance will place an additional financial burden on private institutions, which are, in effect, small businesses. Given that they receive no government funding, the only way to recoup this added expense is to raise tuition, which, in turn, has the potential to negatively impact default rates. It also has the potential to drive students out of the province, as they search out lower tuition rates elsewhere.

The term “full audit” has been used in various documents and discussion papers. In Ontario, where there has been a Designation Policy in effect since 1999, for example, all private institutions are required to submit “audited financial statements” to the government each year as one of the requirements to be considered to receive OSAP. Private institutions in New Brunswick already use accountants to handle their financial affairs, with reports usually at the “Notice to Reader” level. A full audit would be significantly more expensive, and would, again, place an additional financial burden on the private institutions.

Overall, there is no doubt that de-designation will have a devastating impact on any post-secondary institution. In effect, it will mean that students at that institution will not be eligible for student loans, which will mean that they will not enrol there. The impact on the de-designated institution will, no doubt, be closure.

5. Accountability and informed choice

A second guiding principle of the National Designation Framework is accountability and informed choice. Students are demanding a return on their education investment, and they require information that allows them to make informed, educational choices.

Some minimum performance standards for designation, based on the documentation provided, will include a responsibility to:

- Publish admission, tuition, fee and refund policies;
- Collect and report information on program completion, employment and withdrawal rates;
- Provide student financial assistance, information and counselling.

We agree with the principle of informed choice, and believe that making information available on these kinds of indicators is crucial if students are to make wise decisions. In fact, that is why many private institutions in New Brunswick have been monitoring completion, employment and satisfaction rates, and publishing reports on them, for many years.

For the most part, the private institutions already publish admission, tuition, fee and refund policies, and we provide financial assistance information and counselling to students. The Association, as part of its strategic plan, is currently in process of developing an information package for members, to assist them in educating their students about student loan programs.

Again, the Association has no problem with meeting these minimum performance standards, as long as they are applied equitably and fairly across the board. Such indicators as completion, withdrawal and employment rates should be standardized, and collected and reported by all institutions (universities, colleges, privates).

We recognize, however, that such standardization could have some challenging implications. For example, would low employment rates for university graduates from liberal arts programs lead to that university being de-designated?

Would a university with high drop out rates after first year (i.e. students who finished one year but don't return) be de-designated?

Again, we welcome standardization in the post-secondary sector on these key indicators, and recognize that there are complex issues that will need to be addressed. We can appreciate that it will not be easy for the department to develop a Designation Policy that can be applied fairly and justly to all post-secondary institutions in the province.

Nonetheless, the Association's position is that indicators for minimum performance standards (i.e. program completion, employment and withdrawal rates) as well as requirements to provide and publish information (i.e. on admission, tuition, fee and refund policies, student loan programs etc) must be standardized, and applied fairly and equitably to all post-secondary institutions in the province.

6. Consumer (student) protection

A third guiding principle of the National Designation Framework is consumer (student) protection.

We remind the department that there is already a student protection program in place for those attending private post-secondary institutions in the province. The NB Private Occupational Training Corporation, established under the Private Occupational Training Act in 1997, has established a fund called the Training Completions Fund.⁷ The Fund's objectives include the following:

1. To provide compensation to a student, or a third party who has paid tuition fees on behalf of a student, if a training organization fails to provide, to completion, the occupational training program for which the tuition fees have been paid,
2. To provide compensation to a student, or a third party who has paid tuition fees on behalf of a student, if the contract entered into with a training organization, or an agent, representative or salesperson of the training organization, by or on behalf of the student is rescinded in accordance with the regulation and the training organization fails to refund money repayable under the regulation,

The Corporation can:

⁷ www.gnb.ca/0062/acts/acts/p-16-1.htm

- a) Pay for the student to complete equivalent training with another training organization, or
- b) Refund the student, or the third party who paid the tuition fees on the student's behalf, the tuition fees for the last academic year for which tuition fees were paid, and such reasonable accommodation costs paid by the student or the third party as may be determined by the Corporation.

Institutions registered under the NB Private Occupational Training Act contribute one percent of tuition fees collected, and the value of the fund currently stands at \$1.4 million.

We believe that this fund represents major protection for students enrolled at private post-secondary institutions in the province. Its existence, of course, does not guarantee that, on a personal level, a student will re-pay his or her student loan after graduation.

7. Accessibility issues

Perhaps our greatest concern about any Designation Policy is the impact that it may have on accessibility to post-secondary education in New Brunswick. The provincial government has articulated in the NB Prosperity Plan that it has a clear commitment to focus on investing in people through education and training, and that it will continue to invest in students, as part of the commitment to quality learning.

That being noted, however, the Association believes that designation presents a major threat to accessibility. We believe that the loan default issue cannot be argued on the basis of economics alone. There is a larger societal issue that has gone unexplored in the debate on designation, and that is the accessibility issue: who has the right to a post-secondary education in Canada?

Statistics show that the link between post-secondary education and parental income eased somewhat during the 1990s as student loans and bursaries became more available and accessible.⁸ That is to say, students in lower socio-economic brackets had greater access to a post-secondary education. Such access, however, combined with the steep increases in post-secondary tuition that took place during the 1990s resulted in soaring rates of student indebtedness.

Very little research has been done to profile the socio-economic situation of those who chose private post-secondary institutions compared to those who choose university or community college. Anecdotal information from Association members, however, suggests that private training institutions often serve the most disadvantaged members of society.

Our students include single parents; second or third generation social assistance recipients who are trying to break the cycle; mature students who have often not completed their high school education; those who have had negative experiences with the traditional public school model; persons with disabilities; Workers Compensation victims trying to “re-invent themselves” after a work related injury; older workers who have been down-sized in a corporate re-structuring and/or who find that they no longer have the needed skills for today’s work environment.

⁸ “Family income and participation in postsecondary education: 1980 to 2000.” In *The Daily*, Statistics Canada, October 3, 2003.

The proposed Designation Framework clearly states that schools that exceed default targets will be de-designated. This means, simply, that their students will be ineligible for student loans. The conundrum is the following: Schools that serve a higher proportion of the socially and economically disadvantaged will likely have a higher default rate among their graduates.

As an example, a single mother, who has depended on social assistance but who has returned to school and graduated from one of our programs, will most likely start with an entry-level position paying \$10 an hour. Because she is now part of the work force, she will incur expenses that she didn't have previously, such as childcare, transportation, clothing costs etc. (The high cost of "getting off welfare" has been well documented. In many instances, it makes more financial sense to simply remain a part of the social assistance system, at least until children are grown.) This woman now may not be in a financial situation to immediately pay off student loans, and if she defaults, that default will reflect back onto the institution where she was a student.

The implication for us, as private training schools is this: We will need to be very careful about the type of students we accept. Can we afford to accept those students, such as our single mom described above, who may potentially or eventually default on their student loan, if for us the risk is de-designation?

It is very clear to the Association that de-designation – meaning that our students are no longer eligible for student loans – is equivalent to forced closure for the de-designated institution. A private post-secondary institution, which receives no government funding, will not be able to operate if its students have no access to student loans. We cannot state this strongly enough.

It may be an unintended outcome, but a Designation Policy will potentially deny access to post-secondary education to the more socio-economically disadvantaged portion of the population. This is a serious issue that needs to be considered carefully.

8. New private school start-ups

A final issue we would like to address is that of how the Designation Policy will apply to new private school start-ups.

In almost any industry, new energy and ideas help the industry grow and expand. In the career college sector, the status quo is continually changing. As such, it is important that colleges are able to address developments in the ever-changing job market by offering new and innovative programs.

Major barriers should not be set up to prevent new colleges from operating on a level playing field with those already in place. Otherwise, the industry as a whole risks stagnation. The Ontario Student Assistance Program (OSAP) site⁹ indicates that new schools must meet the following criteria in order that the school's students qualify for Canada Student Loans:

- Have been in good standing as a regulated private vocational school under the PVS Act for a minimum of 12 months;

⁹ http://osap.gov.on.ca/eng/not_secure/pvsreq.htm#Eligibility%20for%20designation

- Have been offering eligible post-secondary programs... for a minimum of 12 months;
- Have had at least one graduating class in an eligible post-secondary program with a minimum of five students enrolled, where at least half of the original enrolment graduated; and
- Describe the procedures to be implemented to properly administer a financial aid office, including provisions for properly trained staff.

Based on the above, new schools in Ontario would be required to have been offering eligible post-secondary programs for at least one year, and have at least one graduating class, before their students will be eligible for Canada Student Loans. While it may be appropriate to impose slightly stricter requirements on start-up schools, it seems unreasonable to expect any private school to be able to operate for one year if its students cannot get student loans.

More appropriate alternatives might include imposing limitations on class sizes or programs, enhanced reporting requirements, doubling the bonding ratio for the first two years, and/or submission of a business plan that demonstrates the school's projections of viability.

The Association believes that imposing a requirement that a private post-secondary school must operate for one full year and have at least one graduating class – before its students become eligible for student loans - will be a major barrier to any new start-ups.

9. Summary of key issues and concerns

In summary, the problem of student loan defaults is not one that can be solved simply on the backs of the post-secondary education institutions. The situation is much more complex than that, and goes beyond economics to much broader issues such as access to post-secondary education in Canada.

As noted earlier, the Association does not believe that its members are legally or morally responsible if former students default on their loans.

That being noted, however, the Association is prepared to accept the Designation Policy as long as it is applied fairly and equitably across the board, to all post-secondary institutions.

In this document, we have presented our concerns, and we summarize them here.

- All information about the cost of post-secondary education to the taxpayer should be disclosed. The cost of student loans is only one part of the cost to the taxpayer of post-secondary education in Canada. Presenting a full accounting of the situation shows, in effect, that private post-secondary education represents a better financial deal for New Brunswick taxpayers, compared to publicly funded education.
- The Association believes that any Designation Framework must include mechanisms to allow loan default amounts to be properly assigned to the institution at which they were incurred. We do not believe that it is fair for private institutions to be held accountable for loans or portions of loans incurred at other institutions and then defaulted upon.
- We believe that including in the same category the 61 private post-secondary institutions in New Brunswick, registered under the Private Occupational Training Act, and the 15 institutions not registered, for purposes of calculating default rates in the private sector, is unfair and may not necessarily reflect reality. Separate categories should be created for the purpose of calculating default rates (i.e. “Registered private institutions,” “Unregistered private institutions”) or alternatively, legislation changed to require all designated institutions to be registered.
- One of the benefits of a Designation Policy is reportedly improved financial viability of designated institutions. However, two items presented in the discussion documents have the potential to impact very negatively on the financial viability of private institutions in New Brunswick. These include a requirement to hire an administrator for the student loan programs and a requirement for a full audit. Both represent increased costs for private post-secondary institutions which receive no government funding, and which operate in a very competitive environment. The only way to recoup these added expenses will be to increase tuition, which, in turn, has the potential to negatively impact default rates. It also has the potential to drive students out of the province, as they search out lower tuition rates elsewhere.

- The Association agrees with the standardization of indicators for minimum performance (i.e. program completion, employment and withdrawal rates) as well as requirements to provide and publish information (i.e. on admission, tuition, fee and refund policies, student loan programs etc), as long as such standards and indicators are applied fairly and equitably to all post-secondary institutions in the province.
- In terms of consumer (student) protection, we remind the department that there is already a student protection program in place for those attending private institutions in the province. The NB Private Occupational Training Corporation, established under the Private Occupational Training Act in 1997, established a fund called the Training Completions Fund many years ago, which compensates students when and if a training organization fails to provide, to completion, the occupational training program for which the tuition fees have been paid. All private post-secondary institutions that are registered under the Act contribute to this fund. The existence of the Fund, of course, does not guarantee that, on a personal level, a student will re-pay his or her student loan after graduation.
- Major barriers should not be set up to prevent new colleges from operating on a level playing field with those already in place. In Ontario, for example, new private sector start-ups must operate for one year, and have one graduating class, before their students become eligible for student loans. Imposing such a restriction in New Brunswick will present a major barrier to the establishment of new private sector training schools. We reiterate that private post-secondary institutions play a unique role and by their nature, are able to respond quickly and efficiently to develop programming to meet the needs of today's fast-changing labour market.
- Perhaps our greatest concern about any Designation Policy is the impact that it may have on accessibility to post-secondary education in New Brunswick. Anecdotal information suggests that private training institutions often serve the most disadvantaged members of society. The implication for us, as private training schools, is that we will need to be very careful about the type of students we admit in future. Can we afford to accept those students from lower socio-economic backgrounds, if there is a risk that they will default on a student loan and, as a result, we will face possible de-designation? We believe that a Designation Policy will potentially deny access to post-secondary education to the more socio-economically disadvantaged portion of the population. This is a serious issue that needs to be considered carefully.

In summary, there is no doubt that de-designation will have a devastating impact on any post-secondary institution. **It is very clear to the Association that de-designation – meaning that our students are no longer eligible for student loans – is equivalent to forced closure. A private post-secondary institution, which receives no government funding, will not be able to operate if its students have no access to student loans. We cannot state this strongly enough.**

Again, we thank you for the opportunity to present our views on this critical issue, and hope that we will be given adequate time (i.e. 60 days) to review and provide feedback on the draft Designation Policy, before it is finalized.

APPENDIX A – Online Training

At the June 2, 2004 consultation meeting between New Brunswick Student Financial Services and the NB Association of Career Colleges, comments were made about online trainers in the province, that the Association would like to clarify.

As an Association, we take no issue with the concept of online training. Nationally, and provincially, there are many universities, publicly funded colleges and private colleges that offer quality web-based training as part of their curriculum. It is important that the new designation policy does not discriminate against online/web-based training as legitimate training methodology.

The concern of the NBACC is that current designation policy allows for online training schools to be eligible for designation under the Student Loan Program, despite the fact that they are exempt from regulation under the Private Occupational Training Act. It is the position of the NBACC that schools that are not registered under the Private Occupational Training Act, should not be eligible for designation under the Student Loan Program, and if they are, that the default rates associated with these non-registered schools should be attributed to a category separate from registered private trainers.

APPENDIX B – Canada Student Loans Program Statistics

Canada Student Loans Program Statistics

3-Year Default Rates: by Institution Type

(based on dollars)

Cohort Year	University	College	Private
1990-1991	16.60%	23.50%	36.10%
1991-1992	17.20%	24.10%	39.10%
1992-1993	18.00%	25.20%	38.70%
1993-1994	19.10%	27.20%	39.50%
1994-1995	23.00%	34.10%	48.50%
1995-1996	20.20%	31.90%	44.50%
1996-1997	18.20%	29.80%	45.50%
1997-1998	14.50%	26.80%	51.50%
1998-1999	12.60%	26.20%	45.60%
1999-2000	14.42%	27.67%	38.69%
2000-2001*	14.73%	23.84%	32.31%
2001-2002 **	19.08%	30.64%	35.50%

* = Preliminary

**= Forecast

Note: A borrower's default is allocated to the last institution they attended.

Source: Statistics Canada at

www.hrsdc.gc.ca/asp/gateway.asp?hr=/en/hip/cslp/statistics/11_st_DefaultRatesInstitution.