



Policy Statement

UCGSA.03 Financial Aid and Student Loans

Policy ID: **UCGSA.03**

Category: **Accessibility**

Jurisdiction: **Provincial**

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GSA Principles

The Graduate Students' Association of the University of Calgary believes in creating an educational experience that is engaging, fulfilling, and accessible to all.

Concerns

The Structure of Student Financial Aid in Alberta

Student financial aid refers to programs—typically run by governments or post-secondary institutions—that provide targeted assistance to students of low economic means. Financial aid programs are intended to take only income levels into account when determining who can and cannot access financial aid: students whose household income is low enough that they cannot afford tuition, or who may be at risk of falling into poverty because of education-related expenses, would automatically qualify for student aid in most Canadian jurisdictions. This distinguishes financial aid from competitive scholarships and grants, where the eligibility requirements typically involve meeting academic performance or research-related standards.

There are both federally and provincially funded student assistance programs in Canada. Provincial programs in Alberta fall under the umbrella of *Alberta Student Aid*, who set the eligibility requirements¹ and types² of aid for Albertan students. Funding is derived from the Ministry of Advanced Education's annual budget.³

There are two sources of student financial aid: **repayable** and **non-repayable**. Repayable sources of aid require recipients to pay back a portion of their assistance. Non-repayable sources of student aid, by contrast, do not include this requirement.

Student loans are the most common form of repayable financial assistance, as recipients must pay back their loans in regular installments. Students can also be charged *interest payments*—at either a fixed or variable rate—which accrue until the full value of the loan has been repaid; the interest rate is

¹ <https://studentaid.alberta.ca/policy/student-aid-policy-manual/eligibility-for-student-loans-and-grants/student-eligibility/>

² <https://studentaid.alberta.ca/types-of-funding/types-of-full-time-student-aid/>.

³ Ministry of Advanced Education, "Annual Report: Advanced Education, 2021-2022" § (2022), pg. 55.

expressed as the *prime rate* (i.e., the interest rate that banks charge the most creditworthy customers) plus any addition percentage a province wishes to charge. The federal government,⁴ and six provinces, do not charge any interest on student loans (**Fig.1.**).

Fig.1. Student Loan Interest Rates Across Canada.⁵

Region	Variable Rate	Fixed Rate
Alberta	Prime +1%	Prime +2%
Ontario	Prime +1%	N/A
Quebec	Prime +0.5%	Prime +0.5%
Saskatchewan	Prime	Prime
British Columbia	0%	0%
Manitoba	0%	0%
Nova Scotia	0%	0%
New Brunswick	0%	0%
Prince Edward Island	0%	0%
Newfoundland & Labrador	0%	0%
Canada	0%	0%

Non-repayable financial aid typically takes the form of needs-based grants and scholarships. Alberta has **three** categories of non-repayable financial aid:⁶

- Grants;
- Scholarships and Awards; and
- The Alberta Heritage Scholarship.

As **Fig.1.** above shows, Alberta has the highest interest rate on student loans in Canada for variable rates (tied with Ontario) and the highest interest rate in Canada for fixed rates. Albertan students also disproportionately rely on loans as a source of student aid relative to the rest of Canada: according to data collected by Abacus Data, on behalf of the Canadian Alliance of Student Associations (CASA), 12.6% of Albertan students relied on government loans compared to 10% for the national average.⁷ Similarly, *Higher Education Strategy Associates* found that from 2011 to 2020, the Albertan government’s spending on financial aid was overwhelmingly directed to the issuing of student loans, compared to the national average.⁸ This means that Albertan students face higher interest payments on their student

⁴ <https://www.canada.ca/en/employment-social-development/news/2023/03/government-of-canada-provides-interest-free-loans-for-students-effective-april1.html>

⁵ Data on provincial interest rates take from here: <https://wowa.ca/student-loan-calculator>.

⁶ Ministry of Advanced Education, “Annual Report: Advanced Education, 2021-2022” § (2022), pg. 55.

⁷ Potts, T. 2023. “External Backgrounder: Abacus Data Results Policy Package for Alberta,” *Canadian Alliance of Student Associations*. Data collected in July 2023, n=1,500, MOE +/- 3.1% 19 times out of 20.

⁸ Usher, A. and MacLennan, T. 2022. “Alberta in a Nutshell,” *Higher Education Strategy Associates*. Retrieved from: <https://higherstrategy.com/alberta-in-a-nutshell/>.

loans than students in other provinces *and* that more Albertan students incur student loan debt than their counterparts elsewhere in the country.

While Alberta’s financial aid system prioritizes loans over non-repayable grants and scholarships, Albertan students still require high levels of non-repayable financial aid to complete their studies. 7.6% of Albertan students rely on government grants—third highest in Canada—and have the highest reliance on other scholarships and grants (i.e., financial aid from sources other than the provincial government) at 7.8%.⁹ Alberta’s disproportionate reliance on student loans thus cannot be explained by assuming that Albertan students simply prefer loans to non-repayable grants and scholarships, nor that Albertan students have a lower demand for financial aid than other provinces.

As such, three stylized facts can be derived from this data:

1. Albertan students access student aid at a far higher rate than students in other provinces;
2. The structure of the Albertan Student Financial Aid System is skewed towards providing loans rather than non-repayable grants and scholarships;
3. More Albertan students will experience student aid-related debt than students in other provinces, and these debt levels will be deeper than their counterparts elsewhere as well.

With regards to the third stylized fact, data from Statistics Canada (for government loans only) shows that the average debt level for Albertan Master’s students in 2015 was **\$28,000**, compared to a Canadian average of **\$20,000**; for doctoral students, the increase was slightly smaller at **\$29,000** versus **\$26,000**.¹⁰ Interestingly, the same dataset indicates that average student loan debt *decreased* slightly between 2010 and 2015 for all Master’s students outside of Alberta, while it *increased* for Albertan Master’s students.¹¹ Unlike Master’s students, Albertan Doctoral students saw their average debt decrease from 2010 to 2015; however the data *also* showed that Albertan Doctoral students owed an average of **\$44,100** as a result of their student loans, albeit with the caveat that Statistics Canada does not consider that number to be reliable.¹²

The discussion below provides evidence that the provincial government has underinvested in non-repayable sources of financial aid and unreasonably relied upon student loans, a policy which risks *hurting* rather than *helping* post-secondary students. And given the importance of the post-secondary system for innovation and economic dynamism more broadly, this structural bias in the financial aid system risks hurting Albertans *of all backgrounds and education levels*, too.

Current Trend: Government Cuts to Non-Repayable Student Aid

⁹ Potts, T. 2023. “External Backgrounder: Abacus Data Results Policy Package for Alberta,” *Canadian Alliance of Student Associations*. Data collected in July 2023, n=1,500, MOE +/- 3.1% 19 times out of 20.

¹⁰ Government of Canada, Statistics Canada, “Student Debt from All Sources, by Province of Study and Level of Study,” November 5, 2019, <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3710003601&pickMembers%5B0%5D=1.1&pickMembers%5B1%5D=3.2&cubeTimeFrame.startYear=2000&cubeTimeFrame.endYear=2015&referencePeriods=20000101%2C20150101>.

¹¹ *Ibid.*

¹² *Ibid.*

The 2023 fiscal year saw \$161.4 million dollars allocated to the three types of non-repayable sources of financial aid: Grants, Scholarships and Awards, and the Alberta Heritage Scholarship, according to the Ministry's Annual Report. Budget 2023 promised \$180.8 million in non-repayable student financial aid.¹³ This was marketed as an increase in government support for students outside of the student loan system. Unfortunately, this is not true if we look at the total allotment dedicated to non-repayable aid sources from 2021 to 2023.

In the 2021 fiscal year, the Alberta government spent a total of **\$172,976,000** on non-repayable financial aid, unadjusted for inflation (**Fig. 2**).¹⁴ The following year, funding for non-repayable financial aid **decreased** to a total of **\$152,103,000**, unadjusted for inflation.¹⁵ The rationale provided in the Ministry of Advanced Education's Annual Report was that funding for grants was cut by 35.7% to prevent the Alberta Study Grant, a needs-based grant targeting "one-year certificates, graduate studies, and apprenticeships," from going over budget; said grant had gone over budget the previous year because of an "unexpected increase in demand".^{16,17} Thus, in nominal terms, Budget 2023 only increased government support for non-repayable student financial aid by **\$7.8 million dollars** relative to a 2021 baseline, a far smaller increase than tuition levels during that time. This number is, additionally, not adjusted for increased enrollment during that period.

When we adjust the numbers for inflation, we find that funding for non-repayable financial aid has actually *decreased* since 2021. In 2024 dollars,¹⁸ the 2021 budget for non-repayable student financial aid was approximately **\$197,044,340.13**. Budget 2023 thus represents a **\$16.2 million cut** to financial aid (**Fig. 3**). Again, this number does not take into account increases in enrollment during this period, nor does it adjust for increasing tuition since 2021.

The state of non-repayable student financial aid becomes even more dire when we dig into Budget 2024. The government claims that \$391 million will be earmarked for "student aid and private career college support,"¹⁹ which conveniently obfuscates how the majority of that funding is going *exclusively* to private colleges.²⁰ Indeed, the government's own numbers show that projected 2024/25 spending for the Heritage Scholarships (\$60 million)²¹ and other student aid grants and scholarships (\$69 million and \$54 million, respectively)²² amount to \$182.2 million in spending, a *minuscule* nominal increase given the rapid growth in enrollment in the post-secondary system. If we adjust these numbers of inflation, in

¹³ Lily Polenchuk. "BREAKING: Budget 2023's Effect on Post-Secondary in Alberta," The Gateway, March 2, 2023, <https://thegatewayonline.ca/2023/02/breaking-budget-2023s-effect-on-post-secondary-in-alberta/#:~:text=Separate%20from%20the%20affordability%20measures,student%20aid%20in%20Budget%202023>.

¹⁴ Ministry of Advanced Education, "Annual Report: Advanced Education, 2021-2022" § (2022), pg. 55.

¹⁵ *Ibid.*

¹⁶ *Ibid.*

¹⁷ Ministry of Advanced Education, "Annual Report: Advanced Education, 2022-2023" § (2023), pg. 22.

¹⁸ <https://www.bankofcanada.ca/rates/related/inflation-calculator/>. July 2021 CPI to July 2024 CPI. Annual inflation rate change: 4.87%.

¹⁹ <https://www.alberta.ca/budget-highlights>

²⁰ <https://theflame.su.ualberta.ca/en/blog/2024/03/01/the-2024-provincial-budget-and-what-it-means-for-us/>

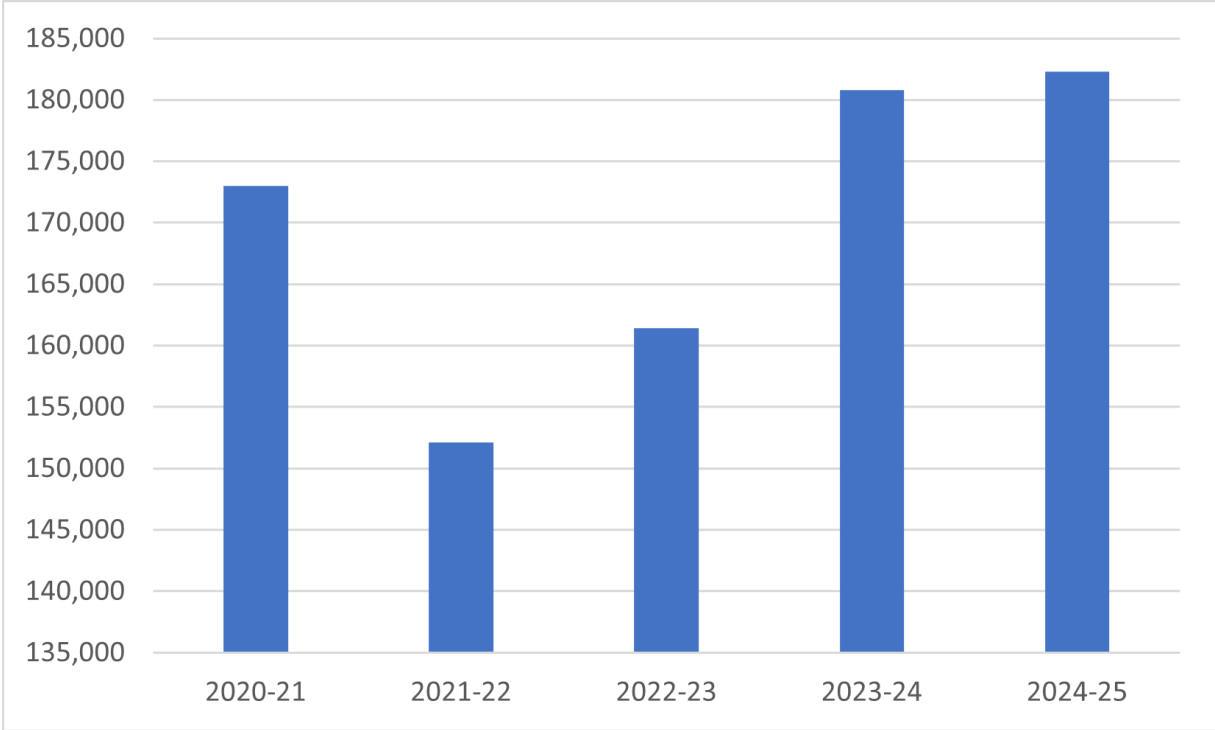
²¹ "2024-25 Government Estimates," Page 29. Retrieved from: <https://open.alberta.ca/dataset/65514c30-e9f9-4951-9bae-7134edbe293c/resource/212a79dd-78ea-4917-b7cd-db85c3711b24/download/budget-2024-estimates-government-2024-25.pdf>

²² *Ibid*, pg. 26.

2024 dollars, the cut to non-repayable student financial aid sits at **\$14,792,340**—this, again, despite the government projecting (and encouraging) a rapidly increasing student population in the post-secondary sector.

Adjusted for inflation, then, the provincial government has cut non-repayable student financial aid since 2021. They have made these cuts despite the large increases in tuition and mandatory non-instructional fees during that very same period. They have also made these cuts in the midst of a cost-of-living crisis—one that students, and graduate students in particular, are not immune from. Graduate students are, on average, older than undergraduate students: they frequently have already started, or are beginning to start, families of their own, or have responsibilities to grandparents and parents. Unlike other individuals in a similar position, graduate students also have unavoidable costs in the form of tuition and mandatory non-instructional fees. Financial aid not only helps graduate students, but their dependents as well. Conversely, the negative impacts of a financial aid system that creates high levels of debt will not be limited only to graduate students.

Fig.2. Projected Government Expenditures on Non-Repayable Student Aid, 2021-2025 (Nominal, in thousands)^{23,24,25}



Implications of High Student Loan Debt and Cuts to Grants

²³ Ministry of Advanced Education, “Annual Report: Advanced Education, 2021-2022” § (2022), pg. 55.
²⁴ Ministry of Advanced Education, “Annual Report: Advanced Education, 2022-2023” § (2023), pg. 48.
²⁵ “2024-25 Government Estimates,” Page 29. Retrieved from: <https://open.alberta.ca/dataset/65514c30-e9f9-4951-9bae-7134edbe293c/resource/212a79dd-78ea-4917-b7cd-db85c3711b24/download/budget-2024-estimates-government-2024-25.pdf>

Non-repayable grants and scholarships have an unambiguously positive impact on students. Nguyen et al. conducted a meta-analysis of 43 studies on the effects of grant aid and found that accessing grant aid improved student persistence and degree completion by 2 to 3 percentage points.²⁶ They additionally found that increasing the grant allotment by \$1000 improved persistence and attainment by an additional 1.5 to 2 percentage points.²⁷ Importantly, the studies authors adjusted for merit-based forms of grant aid to separate the effects of financial aid that targets high performing students versus financial aid that targets students based on income levels. They found that merit-based grants had no effect on persistence or completion, and thus recommended that funding agencies prioritize needs-based funding as a means of improving degree completion.²⁸ These findings echo an earlier meta-analysis specifically analyzing the effects of financial aid on graduate students, where the authors found that grants “in particular offer the greatest bang for the buck among this population.”²⁹

The positive impact of grants also extends to the broader economy. Boardman and Ponomariov found that as the number of graduate students supported through grants increases, the number of positive university-industry interactions—including technology transfers and commercialization—increases.³⁰ Notably, this includes government grants, as government grants tend to both be a measure of research success and signal a researcher has enough resources to undertake extensive and novel projects, which makes these researchers attractive in the eyes of private businesses. The study additionally found that grant support for graduate students increases the probability that university professors will become owners, partners, or employees of private firms who cooperate with universities.³¹ Additional studies confirm that graduate students have an outsized role in promoting university-industry collaborations, as mentioned in *UCGSA.01*. A 2020 study from Portugal highlighted the important role that doctoral students play in fostering close university-industry collaborations.³² 2022 study of UK universities found that as more graduate students are supported via grants (of any type, be they government or private sector), the greater the incidence of start-ups and technology licencing emerging from that university, showcasing the important role that graduate students play as “knowledge providers.”³³ Given that university-industry interactions are an essential component of the innovation system—as these interactions are the mechanism through which university-led research finds commercial applications—the positive relationship between grant support and university-industry interactions will result in a more competitive and innovative private sector. The additional employment benefits—where graduate

²⁶ Nguyen, T.D., Kramer, J.W., and Evans, B.J. 2019. “The Effects of Grant Aid on Student Persistence and Degree Attainment: A Systemic Review and Meta-Analysis of the Causal Evidence,” *Review of Educational Research* 89(6): 831-974.

²⁷ *Ibid.*

²⁸ *Ibid.*, pg. 865.

²⁹ Gururaj, S., Heilig, J.V., and Somers, P. 2010. “Graduate Student Persistence: Evidence from Three Decades,” *Journal of Student Financial Aid* 40(1): 31-46.

³⁰ Boardman, P.C. and Ponomariov, B.L. 2009. “University researchers working with private companies,” *Technovation* 29(2): 142-153.

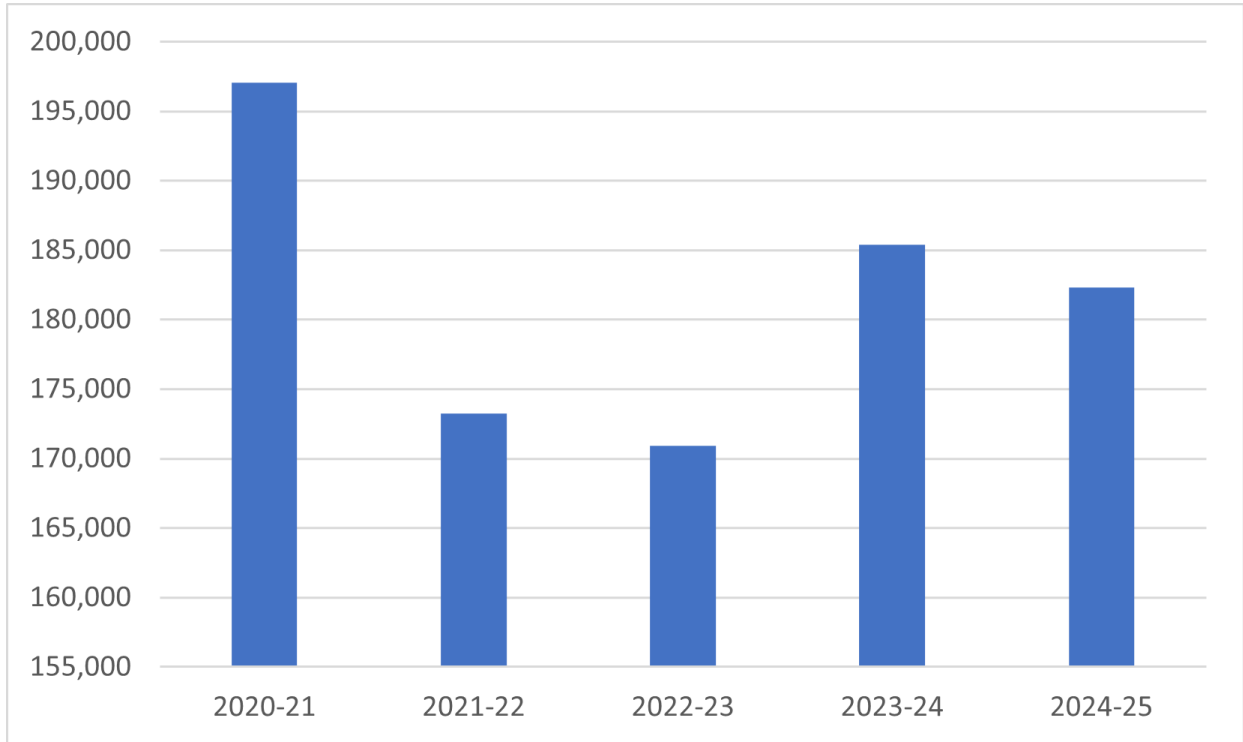
³¹ *Ibid.*

³² Santos, P., Veloso, L., and Urze, P. 2020. “Students matter: the role of doctoral students in university-industry collaborations,” *Higher Education Research & Development* 40(7): 1530-1545.

³³ Radko, N., Belitski, M., and Kalyuzhnova, Y. 2022. “Conceptualizing the entrepreneurial university: the stakeholder approach,” *The Journal of Technology Transfer* 48(1): 955-1044.

students either create start-ups or join existing companies—further shows the positive impact of grants on the economy.

Fig.3. Projected Government Expenditures on Non-Repayable Student Aid, 2021-2025 (2024 CPI, in thousands)^{34,35,36,37}



By contrast, the literature on student loans is far more ambiguous. While studies tend to find that student loans help degree completion and persistence, the effects (at least for graduate students) do not appear to be as significant as the effect of grants.³⁸ Far more studies find that student debt, which is unavoidable for the vast majority of students taking out loans, carries significant psychological and physiological costs,³⁹ especially for students from marginalized backgrounds.⁴⁰ In some professions—such as medicine—high debt levels also decrease academic performance in addition to mental and

³⁴ Ministry of Advanced Education, “Annual Report: Advanced Education, 2021-2022” § (2022), pg. 55.

³⁵ Ministry of Advanced Education, “Annual Report: Advanced Education, 2022-2023” § (2023), pg. 48.

³⁶ “2024-25 Government Estimates,” Page 29. Retrieved from: <https://open.alberta.ca/dataset/65514c30-e9f9-4951-9bae-7134edbe293c/resource/212a79dd-78ea-4917-b7cd-db85c3711b24/download/budget-2024-estimates-government-2024-25.pdf>

³⁷ <https://www.bankofcanada.ca/rates/related/inflation-calculator/>. July 2021 CPI to July 2024 CPI. Annual inflation rate change: 4.44%.

³⁸ Gururaj, S., Heilig, J.V., and Somers, P. 2010. “Graduate Student Persistence: Evidence from Three Decades,” *Journal of Student Financial Aid* 40(1): 31-46.

³⁹ Kim, J. and Chatterjee, S. 2019. “Student Loans, Health, and Life Satisfaction of US Households: Evidence from a Panel Study,” *Journal of Family and Economic Issues* 40(1): 36-50.

⁴⁰ Tran, A.G.T., Mintert, J.S., Llamas, J.D., and Lam, C.K. 2018. “At What Costs? Student Loan Debt, Debt Stress, and Racially/Ethnically Diverse College Students’ Perceived Health,” *Cultural Diversity and Ethnic Minority Psychology* 24(4): 459-469.

physical well-being.⁴¹ Additional labour market distortions were reported, as high levels of debt incentivized medical students to cluster in high-paying specialities.⁴²

By cutting non-repayable student financial aid, then—as outlined in the previous section—the government has been draining funds from programs which unambiguously aid students in completing their degrees, perform valuable work for private sector firms, and strengthen university-industry ties. Again, this is despite the increases in tuition and fees during this period, to say nothing of the rising cost of living. The government’s preferred financial aid system—student loans—carry significant mental, physical, and performance-based risks; the ceiling for the benefits of student loans on degree completion also appears to be significantly lower than non-repayable forms of financial aid. The cuts to grants and scholarships, combined with Alberta’s overreliance on student loans *and* high interest rates, means the financial aid system in the province is at risk of *hurting* rather than *helping* post-secondary students. Given the positive impact of students on the innovation system and economic dynamism, this structural bias risks harming Alberta *more broadly*, too.

Role of the Provincial Government

Advanced Education is provincial jurisdiction, and provincial governments have access to the largest range of tools to finance post-secondary institutions and make post-secondary education more affordable. Alberta Student Loans are, as one would expect, exclusively the jurisdiction of the provincial government, as regulated under the *Post-Secondary Learning Act*.

The Minister of Advanced Education could this introduce legislation that restored funding to non-repayable sources of student financial aid and shift government policy to rely more on non-repayable grants and scholarships rather than student loans. Ideally, increased funding towards non-repayable sources of financial aid would mean that government funding for grants, scholarships, and awards do not neglect—and might even *prioritize*—needs-based grants and scholarships, as the research above indicates that needs-based grants, but not merit-based, improve degree completion and program persistence. In nominal terms, Budget 2023 increased funding for non-repayable student financial aid by 12%, which the government claimed would help mitigate the ongoing affordability crisis experienced by Albertan university students.⁴³ If each provincial budget from 2021 onward increased funding to non-repayable sources of student financial aid by 12%, then Budget 2023 would have earmarked **\$243 million** for non-repayable grants and scholarships.

Additionally, the provincial government could begin a transition towards a student financial aid system that prioritizes non-repayable grants, scholarships, and awards over student loans. It is worth noting that *Goal 5 of Alberta 2030: Building Skills for Jobs* included a call for prioritizing student aid funding through grants and bursaries, which the government planned to facilitate by expanding the availability of needs-based student aid grants.⁴⁴ While we support this goal, and call upon the government to have

⁴¹ Pinsaniello, M.S., Asahina, A.T., Bacchi, S., Wagner, M., Perry, S.W., Wong, M-L., and Licinio, J. 2019. “Effect of medical student debt on mental health, academic performance and speciality choice: a systemic review,” *BMJ Open* 9(1): 1-15.

⁴² *Ibid.*

⁴³ Polenchuk, “BREAKING: Budget 2023’s Effect on Post-Secondary in Alberta,” March 2, 2023.

⁴⁴ Alberta.ca. “Alberta 2023: Building Skills for Jobs,” Advanced Education.
<https://open.alberta.ca/dataset/24e31942-e84b-4298-a82c-713b0a272604/resource/b5a2072e-8872-45f9-b84d->

this intention be reflected in legislation, such a transition will not be possible without restoring significant amounts of funding to the student financial aid system.

Finally, the provincial government could also strive to make the post-secondary system more competitive by eliminating interest on provincial student loans. Given that student debt contributes to negative mental, physical, and academic performance-based outcomes in student populations, eliminating student loans would help reduce the threat of excess debt faced by Albertan students.

Recommendations

Be It Resolved That

1. UCalgary GSA calls upon the Provincial Government to earmark \$243 million for non-repayable student financial aid in Budget 2024 to address the real cuts in funding for non-repayable financial aid from 2021 to 2023;
2. UCalgary GSA calls upon the Provincial Government to ensure that funding for non-repayable student financial aid keeps up with cost-of-living and enrollment increases;
3. UCalgary GSA calls upon the Albertan Government to transition away from prioritizing student loans in the financial aid system to non-repayable grants, scholarships, and awards instead; and
4. UCalgary GSA calls upon the Provincial Government to eliminate interest on provincial student loans.